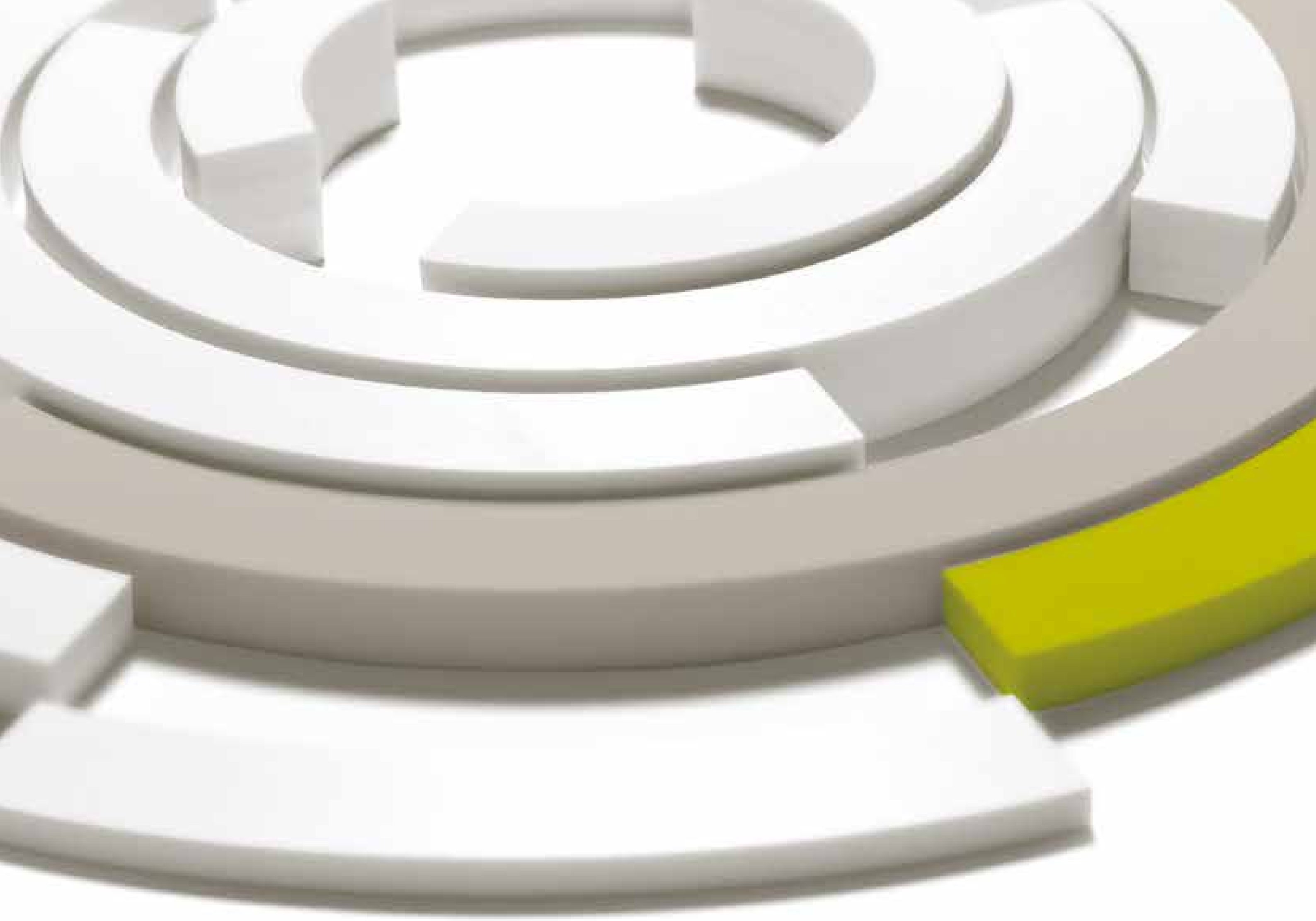


TYMAN PLC

Annual Report
and Accounts
2013

Tyman plc is a leading international supplier of building products to the door and window industry.

Contents

The Tyman business model
Pg08

Strategic report

Directors' report

Financial statements

To find out more about Tyman visit www.tymanplc.com

Highlights 2013

- Successful integration of Truth into Amesbury under a single management team
- Truth overall synergy target increased to US$8.0 million from 2015 with US$5.0 million now expected to be delivered in 2014
- Truth earnings enhancing in 2013 and generated a return greater than the Group's cost of capital in the first six months – both significantly earlier than expected
- Good trading performance from Amesbury and Truth against a backdrop of improving market conditions in the United States
- Leverage ratio back within core target range of 1.50x to 2.00x within six months of transaction completion
- Strong performance from Grouphomesafe with good contributions from Fab & Fix and ERA
- Difficult end markets combined with investment in manufacturing footprint and management structures led to a small loss in Schlegel International in 2013
- Name change to Tyman plc and move to the Main Market

£298.1m
Revenue
2012: £228.8m +30.3%

£32.3m
Underlying operating profit[1,2]
2012: £23.0m +40.9%

£0.8m
Profit/(Loss) before taxation
2012: £(25.8)m +103.1%

13.71p
Underlying EPS[1,2]
2012: 10.31p +33.0%

6.00p
Dividend per share
2012: 4.50p +33.3%

0.63p
Basic earnings/(loss) per share
2012: (17.07)p +103.7%

£80.9m
Underlying net debt[3]
2012: £37.0m +118.9%

1.81x
Leverage
2012: 1.22x

9.0%
Return on average capital employed
2012: 7.2% +180bps

All numbers stated are from continuing operations.
1 Comparatives for 2012 stated before property provision release and restated for IAS 19 (as amended).
2 "Underlying" is defined as 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.
3 "Underlying net debt" is defined as interest-bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.

Our business at a glance

TRUTH HARDWARE

Truth Hardware ("Truth"), acquired by the Group in July 2013, is a manufacturer of hardware products used in windows, doors and skylights.

Truth's core product range is focused on the casement window segment of the market and Truth has developed innovative mechanisms for the operation of casement windows. Its products include a range of hinges, locks, operators, and window systems used on wood, vinyl, metal and fibreglass windows, skylights, and patio doors.

The main manufacturing facility of Truth and its headquarters are in Owatonna, Minnesota (USA), where its engineering, research and development, die casting, metal stamping, component fabrications and assembly manufacturing takes place. Truth also has a separate facility in Brampton, Toronto (Canada), which serves as a competency centre for machining technology.

From January 2014, our North American businesses, comprising Truth and Amesbury, will be managed as a single entity with an integrated management team. Accordingly, Truth has been incorporated into the Amesbury operating segment from the start of 2014.

To read about the performance of Truth Hardware go to pages 17 to 18.

£42.9m

Revenue 2013
six months to 31 December
2012: £40.7m
+5.4%

£7.7m

Underlying operating profit 2013
six months to 31 December
2012: £6.0m
+28.3%

AMESBURY

Amesbury, one of our North American Building Products divisions, offers the complete range of door and window sealing solutions and hardware.

With manufacturing and distribution capability throughout the USA and Canada, Amesbury is America's leading manufacturer of door and window seals with brands such as Foam-Tite®, Schlegel's Q-LON® and high-quality textile offerings.

In addition, Amesbury manufactures custom thermoplastic extrusions and multi-durometer profiles as well as block and tackle and constant force window balances for single- and double-hung windows, and is a leading door hardware distributor. Through its subsidiary Overland, Amesbury supplies an extensive range of stampings for a range of applications, mainly in the fenestration market.

To read about the performance of Amesbury go to page 16.

£132.4m

Revenue 2013
2012: £118.6m
+11.6%

£14.6m

Underlying operating profit 2013
2012: £11.5m[1]
+26.6%

The Group has manufacturing and distribution operations across Europe, the Americas, Australasia and Asia. Our products can be found in homes and buildings all over the world.

Grouphomesafe

Our UK Building Products division operates as Grouphomesafe.

Grouphomesafe is a leader 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.

Grouphomesafe provides a wide range of products and solutions including window and door locks and hardware, specialist uPVC profiles and products, sash window renovation and weatherseal products. Grouphomesafe conceive, design and develop innovative door and window solutions to protect you against weather and intruders.

To read about the performance of Grouphomesafe go to page 19.

£86.0m

Revenue 2013
2012: £73.3m
+17.3%

£10.5m

Underlying operating profit 2013
2012: £9.0m[1]
+17.0%

Schlegel®

Our International Building Products division operates as Schlegel International.

Schlegel International operates in a number of countries worldwide, with manufacturing sites in Germany, Spain, Belgium and Australia, as well as numerous distribution and sourcing operations.

Our core brand internationally is Schlegel, whose seals are sold in more than 75 countries around the world. Also manufactured are 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.

The power of the Schlegel brand extends across Europe and many territories in the rest of the world. This gives us a unique insight into local markets and offers the potential to sell our extensive product range internationally.

To read about the performance of Schlegel International go to pages 20 to 21.

£36.8m

Revenue 2013
2012: £36.8m
(0.1)%

£(0.4)m

Underlying operating profit 2013
2012: £2.5m[1]
(116.0)%

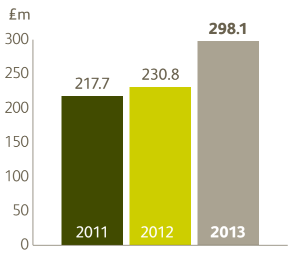
1 Comparative numbers for 2012 stated before property provision release and restated for IAS 19 (as amended).

Chairman's statement

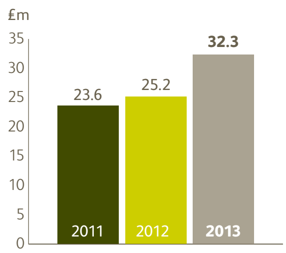
Our core businesses have continued to deliver a solid performance and we have grown our market shares in both the US and the UK.

Jamie Pike
Non-executive Chairman

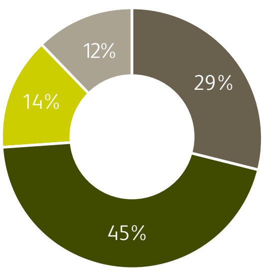
Revenue at constant exchange rates



Operating profit at constant exchange rates

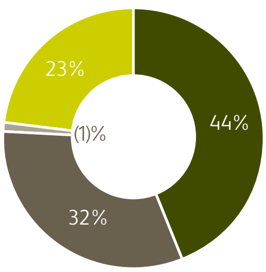


2013 Revenue by sector



- Amesbury
- Grouphomesafe
- Schlegel International
- Truth Hardware

2013 Operating profit by sector



- Amesbury
- Grouphomesafe
- Schlegel International
- Truth Hardware

We are delighted to report that 2013 has been another year of significant progress for Tyman plc.

During 2013 the Group has made further strides towards our strategic aim of becoming the leading supplier of components to the door and window industry and, following the acquisition of Truth, we are now the leading player in the North American residential window and door components market.

This progress has been achieved through a combination of organic growth in our core US and UK businesses of Amesbury and Grouphomesafe, together with the acquisition of Truth – which has increased the size of our North American business by approximately 40 per cent. As expected, Schlegel International had a more challenging year, reflecting difficult markets and the necessary investment made in consolidating its manufacturing footprint and management structures; however, we are confident that we now have the right platform for growth.

Truth has made a strong contribution to the Group in the first six months of our ownership, despite Canadian market activity levels that were much lower than in recent years, giving us confidence for further improvements over the course of 2014.

Tyman has gone through a great deal of change over the course of the last four years and particularly in the last 12 months. The change of name in February of 2013 heralded the start of a significant period of corporate activity for the Group involving the raising of new debt and equity to finance the acquisition of Truth, the move from AiM to the Main List of the London Stock Exchange and the integration of Truth into our North American business. Since the year end we have also completed the acquisition of Vedasil Brasil.

Managing that change has been a fundamental part of the good governance of Tyman and the Board has been closely involved in ensuring that the Group's decision-making processes take into account the relevant interests of each of our stakeholders – shareholders, providers of finance, employees, customers as well as the wider environment.

Corporate developments and strategy

Four years ago we set out a clear strategy outlining the actions that we would seek to take to reshape the Group and rebuild confidence with each of our stakeholders.

A key element of that strategy was to develop our portfolio of products in our principal markets. In line with that strategy, we announced our intention to acquire Truth, the leading North American manufacturer of casement hardware, in May 2013. This transaction greatly extended our product offering, enabling us to offer a full range of components to our customer base, as well as allowing us an operating facility in Canada for the first time.

The acquisition completed on 3 July 2013, and we have been pleased with the progress made towards the integration of the two businesses, as a result of the commitment of teams from both Amesbury and Truth. Substantial progress has been made with regard to the delivery of synergies identified at the time of the acquisition, such that we now have significantly upgraded these synergy targets by some 60 per cent. We now have a single leadership team for our North American business, comprising individuals drawn from both Truth and Amesbury and a combined sales and marketing organisation under the leadership of an external hire.

Over the past 12 months we have strengthened the organisational and management structures in each of our divisions to reflect the increased size of the Group and to accord with the greater scope and potential of the enlarged businesses. The extent to which we have deepened and strengthened our management team across the Group is best illustrated by the fact that nearly half of the individuals who were awarded LTIP grants in 2013 joined Tyman, whether through acquisition or through recruitment, since the date of the last grant in July 2012.

Trading performance

Throughout this transformational period, our core businesses have continued to deliver a solid performance and we have grown our market shares in both the USA and the UK.

For 2013 we have reported a 30.3 per cent increase in revenue and a 40.9 per cent increase in underlying operating profit. Underlying earnings per share have increased by 33.0 per cent to 13.71 pence and the Truth acquisition was earnings enhancing in the first six months of ownership.

The Group as a whole has delivered a material improvement in its return on average capital employed of 180 basis points to 9.0 per cent, with Truth making a positive contribution in the first six months of ownership, much earlier than we expected at the time of its acquisition.

Our cash flow performance in the year was excellent, with the Group's leverage of 1.81x at the year end being significantly below the expected leverage of 2.00x we announced at the time of the acquisition, and well within our core target range of 1.50x to 2.00x. Operating cash conversion of 111.9 per cent (2012 restated: 83.6 per cent) reflects the tight management of the working capital cycle by the divisions despite the increased investments in capital expenditure made during 2013.

Dividend

The Board considers the dividend to be an important component of shareholder returns and accordingly, is recommending a final dividend for 2013 of 4.50 pence per share (2012: 3.50 pence per share) which, together with the interim dividend of 1.50 pence per share, gives a total dividend for the year of 6.00 pence per share (2012: 4.50 pence per share).

This represents an increase of 33.3 per cent over the prior year and a cover of approximately 2.29x in relation to our 2013 underlying earnings per share – in line with our policy of cover of between 2.00x and 2.50x through the cycle.

Looking forward

In conclusion, I would like to thank all Tyman's employees, especially those who have joined the Group in the past year, for the substantial efforts they have made to deliver these results, in what has been a very exciting and challenging year.

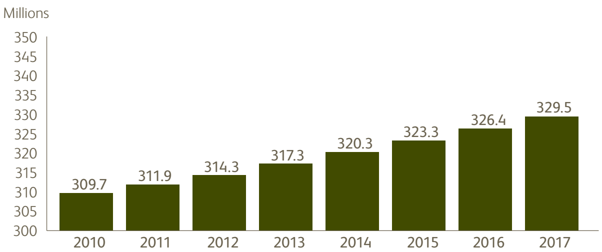
In 2014, we look forward to delivering further significant progress.

Jamie Pike
Non-executive Chairman
11 March 2014

Market overview

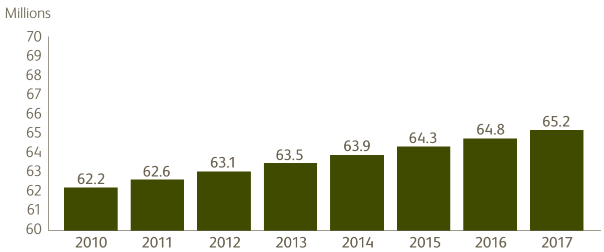
Key factors supporting long-term growth in the markets we operate in.

United States population growth forecast



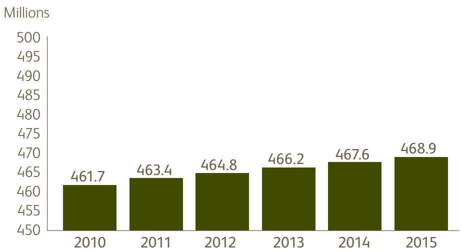
Source: World Economic Outlook Database October 2012

United Kingdom population growth forecast



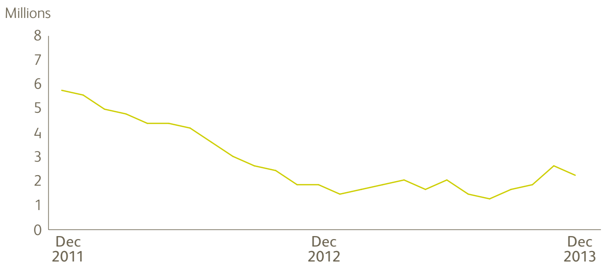
Source: World Economic Outlook Database October 2012

European Community (19 countries) population growth forecast



Source: EUROCONSTRUCT (74th Conference)

United States monthly supply of existing single family homes

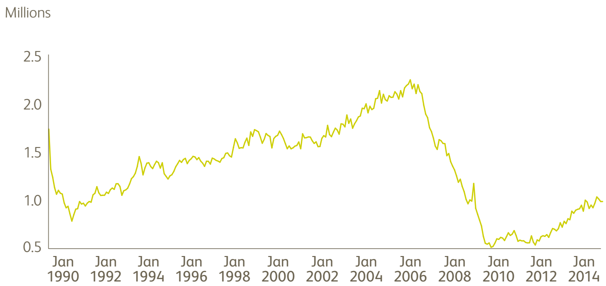


Source: US Census Bureau

United States average fixed mortgage rate (30 years)

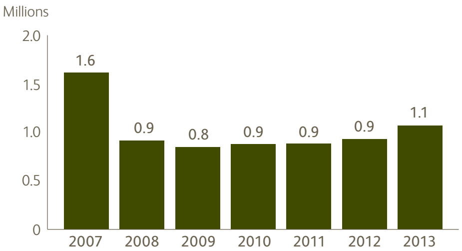
Source: Federal Home Loan Mortgage Corporation, Primary Market Mortgage Survey

United States residential building permits, seasonally adjusted



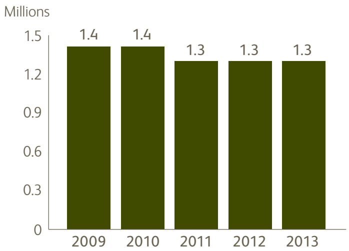
Source: US Census Bureau

Annual United Kingdom property transactions count, seasonally adjusted



Source: HMRC

European Community (18 countries) building permits



Source: EUROCONSTRUCT (74th Conference)

Strategy

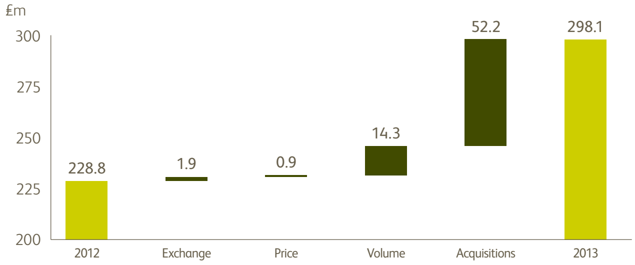
Our strategy is to create shareholder value through being a leading international supplier of components to the door and window industry worldwide.

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

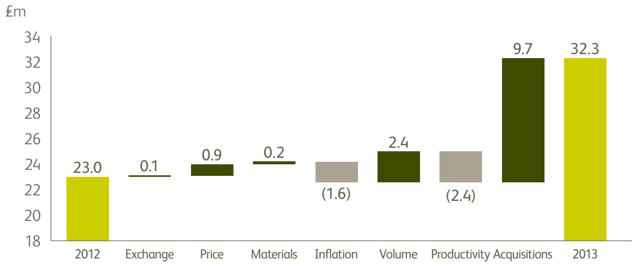
Our strategy creates value by increasing revenues through consistent market share gain and pricing discipline, maximising margins by eliminating cost and waste from processes, and a focus on capital allocation and cash generation.

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

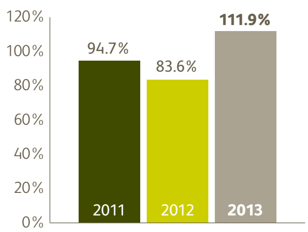
Revenue bridge



Underlying operating profit bridge



Operating cash conversion



Operational cash flow as a percentage of underlying operating profit.

Business model

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

Where we source or manufacture

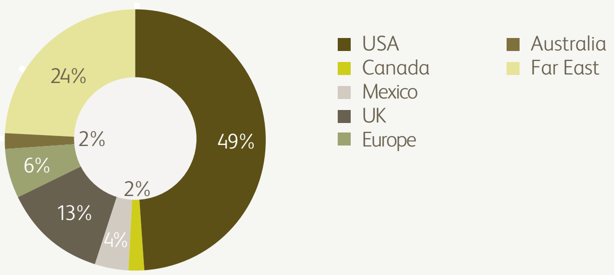
In order to provide our customers with the service they need, the manufacturing decision is key. Is the customer best served by Tyman manufacturing the product ourselves or can the product be provided more efficiently and effectively through Tyman sourcing the components the customer needs?

We choose to manufacture products, such as complex balances, extrusions and seals, close to our customer base where flexibility, variety or complexity are key to the component manufacturing process and to the customer. For products that are less complex, have a high labour content or more predictable demand levels, we may choose to source from lower cost and sometimes more remote locations, often using third party manufacturers to make or assemble components on our behalf. Examples of sourced products would include handles and standard locks.

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

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

Where we source or manufacture by country

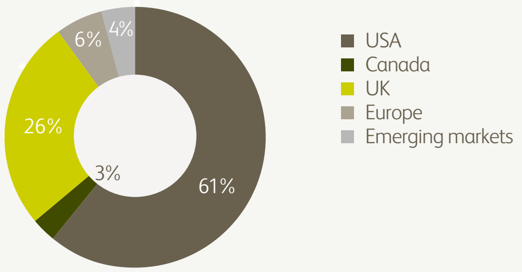


Where we sell

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

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

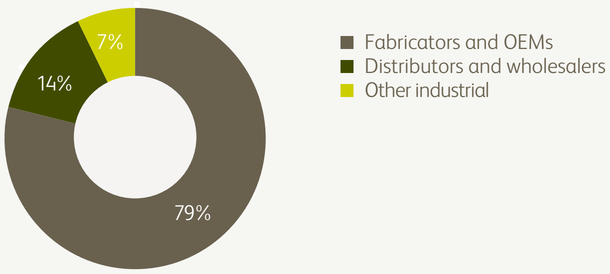
Where we sell by country



Who we sell to

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

Who we sell to by customer type

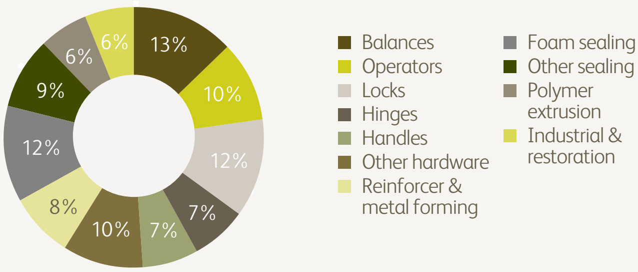


What we sell

We aim to offer our customers a complete range of components ranging from hardware such as handles, locks, keeps and hinges to seals and extrusions.

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

What we sell by product



Financial discipline

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

Quality and service

The manufacturing decision for Tyman comes back to our desire to differentiate our product offering from that of our competitors by providing customers with the highest quality product at the relevant price point, delivered on time and in full. This focus on quality and service leads to deeper customer relations, puts us front of mind as new designs are contemplated by Original Equipment Manufacturers ("OEMs") and allows us to set the benchmark for the industry.

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

Service is at the heart of what Tyman aims to offer its customers. For our largest customers we deploy our own engineers on their factory floors, allowing us early notice of product or service issues, however small, and giving us an early insight into future new product development. For our distribution customers we take care of critical elements of their supply chain, including inventory management, packaging and shipment to distribution hubs. For key manufacturing customers we have developed our processes such that we can deliver their component inventory on a just in time basis and sequenced in the order that they intend to consume the product.

Chief Executive Officer's review

This has been a further year of transformation for Tyman during which we have made significant operating, financial and strategic progress across each of our Divisions.

Louis Eperjesi
Chief Executive Officer

The acquisition of Truth, combined with the swift integration into Amesbury under a unified management team, provides the Group with a strong platform for further growth in North America. Since the year end we have completed the acquisition of Vedasil Brasil, giving us a seal manufacturing platform in South America for the first time.

The current year has started well and in line with expectations across each of the divisions. Continued recovery in our key end markets, combined with share gains and the delivery of further synergy benefits in North America underpin our confidence for the future.

2014 Priorities

Our key priorities for 2014 are as follows:

1. Completion of the integration of Amesbury and Truth into a single customer facing organisation, along with delivery of our revised synergy targets.
2. Evaluation of our footprint in our developed markets to ensure that it is appropriate for the medium term needs of the business, taking into account opportunities for near shoring of those products best made or sourced close to the point of consumption.
3. Continuing to encourage strong communication, consistency of approach and standards of excellence across each of the divisions. For our end customer, wherever they are located, this should mean the availability of a differentiated product offering at an appropriate price, delivered to specification, on time and in full.
4. Key financial objectives for each of our divisions in 2014 remain centred on sustained margin improvement and cash generation along with continued growth in the Group's average return on capital. We expect developed markets will see pricing opportunities arise as markets and volumes recover.
5. Continued investment in and improvement of the businesses; in particular in the areas of new product development, people, supply chain and capital projects with a focus on automation and lean manufacturing to ensure we differentiate ourselves from our competitors.
6. Supplementing our organic and self-help initiatives through our active acquisition programme, prioritising European markets where we currently have a limited hardware range and emerging markets where market position can best be obtained through acquisition.

Outlook

The current year has started well and in line with our expectations across each of the Divisions. Currency movements are expected to have a greater impact on reported numbers in 2014 than in recent years however continued recovery in our key end markets, combined with market share gains and the delivery of further synergy benefits in North America, underpin our confidence for the future.

We expect continued improvement in our North American markets this year with new build in the US forecast to increase further, supported by a continued gradual acceleration in repair and remodelling expenditure. The Canadian market is forecast to be flat in 2014, which would be a significant improvement compared with the decline seen in 2013. Delivery of our synergy targets, together with opportunities for market share gain should lead to further growth and good momentum in North America this year.

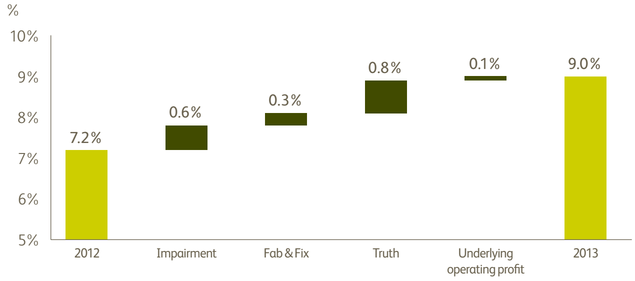
The first two months have seen extreme weather conditions in North America, however despite this our businesses have traded ahead of the equivalent period in 2012, giving us confidence that once weather conditions improve, the recovery in the overall market seen in 2013 should continue.

Coming into this year, there appears to be greater confidence in the sustainability of the recovery in the UK and, for the first time in a number of years, we are forecasting growth for the UK market. In 2014, we will aim to increase Grouphomesafe's market share through organic growth and new product introductions, together with a more structured approach to the distribution market. The first two months have seen continued good momentum in our UK businesses.

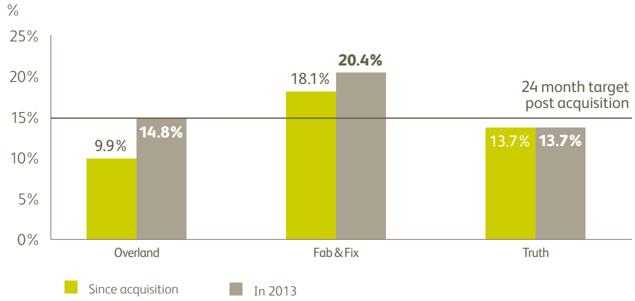
For Schlegel International, 2014 should see an improved performance as the investments we have made to date start to deliver. Material profit improvement however will depend on significantly increased volumes, which in turn will depend on a sustained recovery in European markets, which are not expected to come through until at least 2015. Trading in the first two months is marginally ahead of the equivalent period last year. We expect continued growth in Australasia, South East Asia and Brazil where the acquisition of Vedasil Brasil gives us a market leading position and local manufacture for the first time.

Louis Eperjesi
Chief Executive Officer
11 March 2014

Return on average capital employed bridge



Returns on acquisition investment

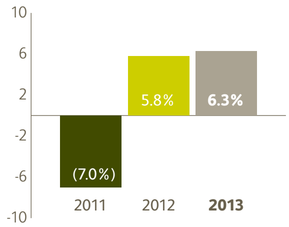


Key performance indicators

The Group monitors and measures performance against its KPIs, highlighted below. These KPIs are in line with the strategic priorities of the Group and provide a means of evaluating how well the Group is working together to deliver the long-term strategy.

Financial performance

Like for like revenue growth



Year-on-year revenue growth measured on a like for like basis.

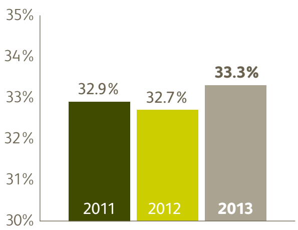
Purpose
To identify the directional trend in sales revenue and evaluate the ability of the Group to grow its customer base and improve its margins.

Target
To improve revenue growth.

Performance
Revenue has increased by 6.3 per cent in 2013 on a like for like basis, due in large part to the strong top line performance from Amesbury.

+6.3%
Achieved
Δ Like for like revenue growth

Gross margin



Gross profit from continuing operations as a percentage of revenue from continuing operations.

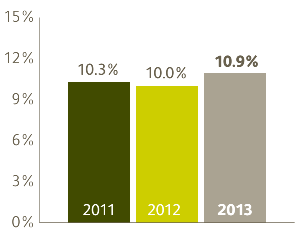
Purpose
To evaluate the profitability and financial health of the Group. A relative measure of each GB£ of revenue remaining after all direct manufacturing costs have been incurred.

Target
To maintain and improve gross margin.

Performance
Gross margins from continuing operations improved by 60bps, reflecting a full year contribution from Fab & Fix and a six month contribution from Truth, offset by lower margins seen in Schlegel International as a consequence of lower European trading levels.

+60bps
Achieved
Δ Gross margin

Underlying operating margin



Underlying operating profit from continuing operations as a percentage of revenue from continuing operations.

Purpose
To evaluate the profitability and financial health of the Group. A relative measure of each GB£ of operating profit remaining after all direct manufacturing and administrative costs have been incurred.

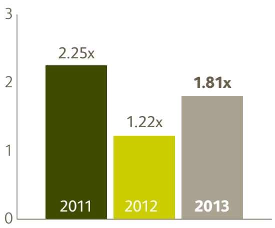
Target
To maintain and improve operating margins through the management control of the Group's overhead and administrative costs.

Performance
Operating margins from continuing operations improved by 90bps, reflecting a strong performance by Amesbury, a full year contribution from Fab & Fix and a six month contribution from Truth, offset by a poor margin performance in Schlegel International as a consequence of lower European trading levels.

+90bps
Achieved
Δ Underlying operating margin

Financial strength and capital discipline

Leverage



Underlying net debt divided by adjusted EBITDA.

Refer page 119 for definitions of underlying net debt and adjusted EBITDA.

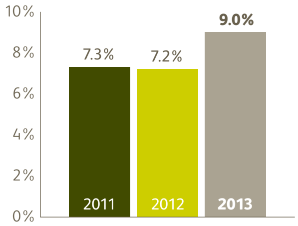
Purpose
To evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.

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

Performance
The year end leverage was 1.81x. The KPI increased in 2013 due to the drawdown of net borrowings to part-fund the acquisition of Truth Hardware; however it was back within our core target range of 1.50x to 2.00x approximately 12 months earlier than we had expected.

1.81x
Achieved
Leverage

Return on average capital employed (ROCE)



Underlying operating profit as a percentage of the 12 month average capital employed.

Purpose
To evaluate how efficiently the business's capital and controllable capital are being employed to improve profitability.

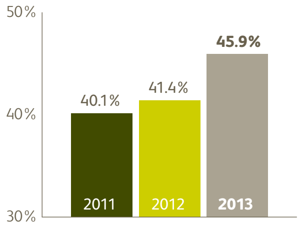
Target
To maintain and steadily improve ROCE and ROCCE.

Performance
The Group as a whole has delivered a material improvement in its return on average capital employed and return on controllable capital employed, with Truth making a positive contribution in the first six months of ownership.

+180bps
Achieved
Δ ROCE

+450bps
Achieved
Δ ROCCE

Return on average controllable capital employed (ROCCE)



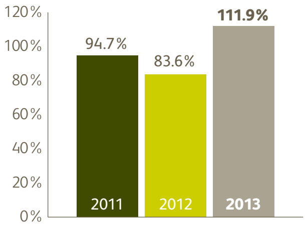
Underlying operating profit as a percentage of the 12 month average controllable capital employed.

Controllable capital employed is capital employed before tax balances (current, deferred and sales taxes), interest accruals, purchased goodwill and intangible assets.

Key performance indicators
continued

Financial strength and capital discipline continued

Operating cash conversion



Operational cash flow as a percentage of underlying operating profit.

Refer page 119 for definition of operational cash flow.

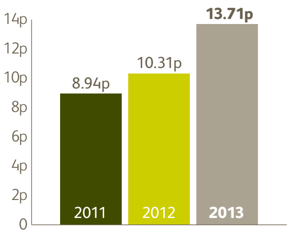
Purpose
Evaluation of the cash flows generated by the business operations to pay down debt, return to our shareholders and invest in acquisitions.

Target
Core target is 100 per cent conversion of operating profit into operational cash flow across a 12 month period.

Performance
Given the significant investment in capital expenditure made during the year (1.3x depreciation), cash conversion of 111.9 per cent is considered to be an excellent performance.

111.9%
Achieved ✓
Operating cash conversion

Underlying basic EPS



Underlying operating profit divided by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Refer page 119 for definition of underlying operating profit.

Purpose
To determine the improvement in underlying earnings per share for our shareholders.

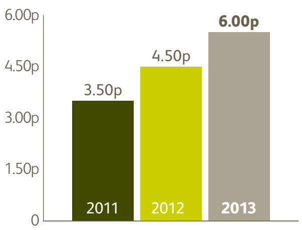
Target
To improve underlying EPS performance.

Performance
The increase in the underlying earnings per share before property provision releases reflects the improvement in the underlying operating profit from Amesbury and Grouphomesafe, the incremental impact of the Truth acquisition, together with early delivery of synergies, the reduction in finance charges, and the slightly lower effective tax rate for the year, offset by the increase in the weighted average number of shares in issue.

+33.0%
Achieved
Δ Underlying EPS

Other strategic financial and non-financial KPIs

Dividend growth



Year-on-year growth in total dividends.

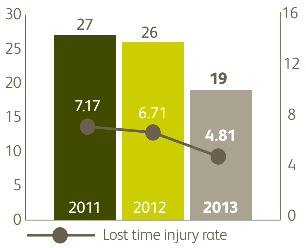
Purpose
To evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.

Target
To grow dividends annually at least in line with underlying earnings.

Performance
Dividends have grown consistently and by 33.3 per cent in 2013.

+33.3%
Achieved
Δ Dividend growth

Lost time injuries



Lost time injury rate: number of lost time incidents per 1,000,000 hours worked.

Number of lost time injuries: the absolute number of lost time injuries over the last 12 months.

Purpose
To evaluate the frequency of and directional trend in reported injuries and provide an indication of whether health and safety regulations and policies are being adhered to by Group's operating units.

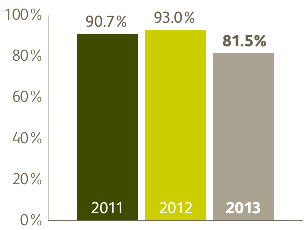
Target
To reduce the number of injuries and lost work time hourly rates year-on-year.

Performance
Both KPIs show a continual improvement in the Group's health and safety performance. The Group remains committed to a programme of operational excellence and continuous improvement in our health and safety performance.

(26.9)%
Improved
Δ Lost time injuries

(28.3)%
Improved
Δ Lost time injury rate

On time delivery rate



Proportion of customer orders that are delivered in full within the customer required time slot.

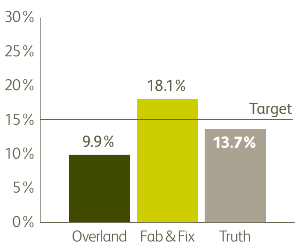
Purpose
To evaluate the manufacturing productivity and how efficient the business is at meeting delivery deadlines.

Target
To maintain and steadily improve the on time delivery rate to achieve an on time in full ("OTIF") delivery performance to customer request of over 95 per cent.

Performance
The on time delivery rate decreased to 81.5 per cent from 93.0 per cent in 2012. OTIF performance for the Group was impacted by factory moves in Europe and North America during the year. Core OTIF performance across other businesses was consistently greater than 90 per cent.

1,150bps
Target missed
Δ On time delivery rate

Returns on acquisition investment



Annualised underlying operating profit attributable to the acquired business, divided by the Acquisition Enterprise Value[1] less the fair value of controllable capital employed as at the date of acquisition plus the value of controllable capital employed at the date of measurement. The denomination is adjusted for seasonality where material.

1 Refer page 119 for definition of Acquisition Enterprise Value.

Purpose
To evaluate the efficiency and returns achieved by the Group and its investments in recent material business acquisitions.

Target
All acquisitions target an annualised Return on Acquisition Investment ("ROAI") greater than 15 per cent in the first two years following acquisition.

Performance
While Overland has not achieved the required return, it had a much improved second year under our ownership, generating a ROAI close to the target level. Fab & Fix has performed very strongly for the Group since acquisition and has already significantly exceeded the required return threshold within 18 months of acquisition. Truth has made a strong contribution in the first six months and looks well positioned to exceed the required return within 12 months of the date of acquisition.

Operational review

Amesbury

£'million except where stated	2013	2012	Change	Constant currency like for like
Revenue	**132.4**	118.6	**+11.6%**	+10.2%
Underlying operating profit	**14.6**	11.5	**+26.6%**	+25.0%
Underlying operating margin	**11.0%**	9.7%	**+130bps**	

$'million except where stated	2013	2012	Change	Constant currency like for like
Revenue	**207.1**	188.0	**+10.2%**	+10.2%
Underlying operating profit	**22.8**	18.2	**+25.0%**	+25.0%
Underlying operating margin	**11.0%**	9.7%	**+130bps**	

Markets
The housing market in the USA continued to recover through 2013 with residential housing starts up 18.3 per cent in the year to 923,400 and completions (our most relevant in year indicator) up 17.4 per cent to 762,200. Single family housing starts increased by approximately 15.4 per cent across the year and completions by 17.6 per cent. Repair and remodelling saw the first signs of a return to sustained growth in the second half of the year and overall we believe the USA market for our products improved by approximately 8.0 per cent in 2013.

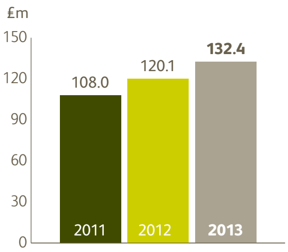
The Canadian market was more difficult in 2013. The first half of the year saw total housing starts fall by 16.8 per cent and single family starts fall by 9.7 per cent. The second half of the year was stronger than the first with a degree of recovery and, over the year as a whole total housing starts fell by some 12.5 per cent with single family starts down 8.1 per cent. Overall, we believe that the Canadian market for our products contracted by approximately 10.0 per cent in 2013.

Performance
Amesbury's revenues increased by some 10.2 per cent to US$207.1 million (2012: US$188.0 million) with consistent gains across all product lines and strong performance from our hardware and sealing products in particular. Underlying operating profit increased by 25.0 per cent to US$22.8 million (2012: US$18.2 million) and underlying operating margins improved from 9.7 per cent to 11.0 per cent.

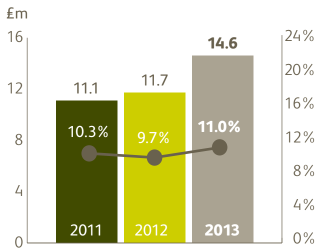
We saw particularly strong growth in the year from the mid to large customer range with those customers who have vinyl offerings in their portfolio demonstrating incremental volume growth compared with the higher end timber window manufacturers. We continued to grow our commercial presence during the year with a number of new customer wins and made further progress in Canada.

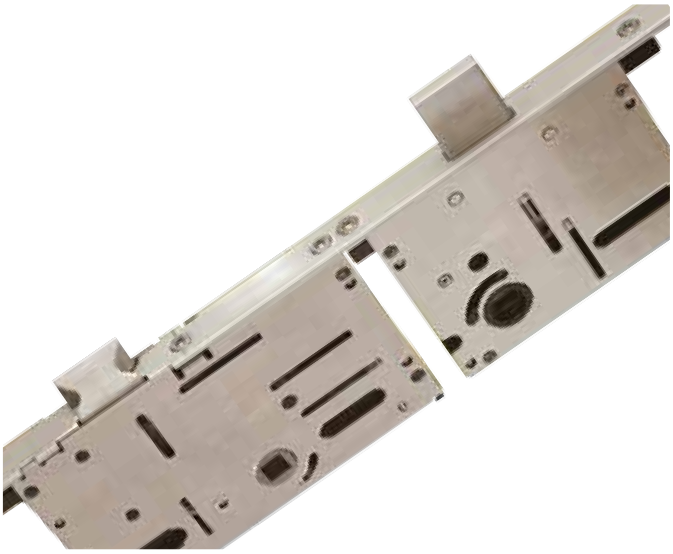
Business developments
During the year we announced the reorganisation of Amesbury into a functional structure as a precursor to the integration of Truth. We implemented our new ERP system for the first time at our Foamtite plant in Amesbury MA and completed the integration of the Unique balance business into our Statesville plant.

Revenue at constant exchange rates



Operating profit and margins at constant exchange rates





Amesbury Hardware Products Premiere 3000 multi-point lock

Amesbury's new patented P3000 multi-point lock ("MPL") system is a perfect solution for today's consumer. The system is oriented with the thumb-turn above the handle, more similar to the standard front entry door configurations today.

In addition, the dead-bolt operates independently from the other locking points, allowing a user to secure the door when unfamiliar with MPL technology. The misuse device is buried within the gearing mechanism, eliminating protruding buttons and the damage they can cause on strike plates.

This system incorporates a pull and twist latch design and is constructed of corrosion resistant materials throughout. Standard configurations are available as well as customisable configurations to best fit your application.

AMESBURY

Truth Hardware

Statutory segmental results for the six months under Tyman ownership

£'million except where stated	Six months ending Dec 2013	Dec 2012	Change	Constant currency like for like
Revenue	**42.9**	40.7	**+5.4%**	+4.0%
Underlying operating profit	**7.7**	6.0	**+28.3%**	+26.6%
Underlying operating margin	**17.9%**	14.7%	**+320bps**	

$'million except where stated	Six months ending Dec 2013	Dec 2012	Change	Like for like
Revenue	**67.1**	64.5	**+4.0%**	+4.0%
Underlying operating profit	**12.0**	9.5	**+26.6%**	+26.6%
Underlying operating margin	**17.9%**	14.7%	**+320bps**	

Performance under Tyman ownership

Truth had a strong first six months under Tyman ownership. Despite slower growth in revenues than Amesbury, a function of a greater proportion of the business being weighted towards Canada, Truth delivered a significant improvement in its operating profit and margins with no loss of momentum in the business as a result of the acquisition.

In the period since completion, Truth reported revenues of US$67.1 million (2012: US$64.5 million) and underlying operating profit of US$12.0 million (2012: US$9.5 million) after allocation of Tyman central costs of approximately US$1.1 million. The reported performance for Truth in the six months benefitted from US$0.9 million of early delivery of synergies, as discussed further in the integration section below.

Segmental results for the year as a whole excluding central cost allocations

$'million except where stated	Twelve months ending Dec 2013	Dec 2012	Change
Revenue	**130.2**	126.0	**+3.3%**
Underlying operating profit	**23.4**	18.6	**+25.6%**
Underlying operating margin	**18.0%**	14.8%	**+320bps**

Performance 2013

Across the year as a whole Truth's revenues increased by 3.3 per cent to US$130.2 million (2012: US$126.0 million), with 8.2 per cent growth in US revenues offset in part by revenue declines of around 8.8 per cent in Canada where we believe the business performed better than the market. Truth's underlying operating profit, before allocation of Tyman central costs, improved by 25.6 per cent to

Operational review
continued

US$23.4 million (2012: US$18.6 million) with underlying operating margins for the year increasing by over 300bps compared with 2012.

Business developments

Truth has continued to invest in the automation of its manufacturing processes to improve the operational environment for employees, increase production capacity, reduce costs and to optimise plant layouts. Four automation projects were commissioned and delivered during 2013 and a further four projects are scheduled for delivery by the summer of 2014.

Integration and structure

In our first six months of ownership, we have made considerable progress with the integration of Truth into the Amesbury business. On completion we formed an integration steering committee comprising the CEO and CFO of Tyman and the two CEOs of Amesbury and Truth, to co-ordinate and direct the integration process. We also established a clear integration plan with allocated milestones and responsibilities cascaded down the organisations.

This level of focus has enabled us to commence the delivery of synergy benefits earlier than expected, with some US$0.9 million of cost synergies delivered in the first six months of ownership. In addition, we have revised our synergy targets and now expect to deliver US$5.0 million of synergies in 2014 and a total of US$8.0 million of synergies in 2015 – an increase of 60 per cent over our original 2015 synergy target.

Since the acquisition, we have made substantial changes to the operational footprint of the Truth sites in North America. Two external warehouses in Owatonna have been closed, with one sold and the other handed back at the end of the lease term. In Toronto, a new lease on a reduced and more appropriate footprint was entered into from the start of 2014.

From January 2014, Amesbury and Truth have been combined as a single business, with Amesbury as the umbrella brand for all our North American businesses and Truth designated as our premium North American hardware brand. We now have a single leadership team for our North American business, comprising individuals drawn from both Truth and Amesbury, and a combined sales and marketing organisation under the leadership of an external hire.

North American outlook

We expect to see further recovery in the USA new build market in 2014, supported by the continued gradual acceleration in repair and remodelling. The Canadian market is expected to be broadly flat in 2014 compared with 2013. Delivery of our synergy targets, together with opportunities for market share gain, should lead to further growth and good momentum in North America this year.

2014 initiatives include the completion of the integration process for Amesbury and Truth, further ERP implementations across a number of sites, the commencement of targeted automation projects within Amesbury and a structured evaluation of our medium term North American manufacturing footprint.

High Performance Casement Hinge

New energy specifications and requirements for increased window performance has necessitated the need for sashes to contain triple pane or laminated glass.

This, combined with the move towards larger windows, has expanded the boundaries on what standard duty concealed casement windows can handle. Truth's High Performance Casement Hinge is capable of supporting a 140 lb sash, allowing manufacturers to build operable windows that meet these demanding new requirements.

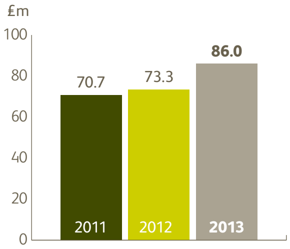
Additional features of the High Performance Casement Hinge include:

- Innovative patented shoe design with a built-in roller to reduce friction during operation, thereby providing smoother travel even under maximum load. This "super shoe" is able to withstand up to 240 lbs of pull-out force in open position and also acts as a shipping block to help protect the hinge from damage during shipping and handling.
- Larger adjustable brass stud to provide more adjustment and weight carrying capacity. Nearly 1/8th of an inch of adjustability of the sash helps to ensure a consistent reveal and optimum weather seal while helping to reduce sash drag.
- Available in 300 Series stainless steel, which offers corrosion protection.

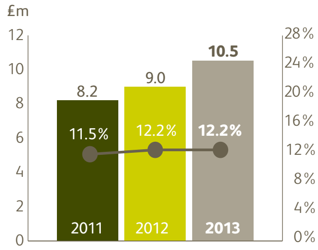
Grouphomesafe

£'million except where stated	2013	2012	Change	Like for like
Revenue	**86.0**	73.3	**+17.3%**	+3.9%
Underlying operating profit	**10.5**	9.0	**+17.0%**	+0.1%
Underlying operating margin	**12.2%**	12.2%	**Flat**	

Revenue at constant exchange rates



Operating profit and margins at constant exchange rates



Market

After a slow first quarter, the UK market saw good momentum across the remainder of the year. New build activity in 2013 increased by approximately 23.0 per cent and RMI, which comprises substantially all of the UK market, increased by an estimated 4.5 per cent. Overall, we believe that the market for our products grew by approximately 5.0 per cent in the year, which was significantly ahead of our expectations coming into 2013.

Performance

Grouphomesafe had a strong year with good financial performance backed up with significant market share gains in hardware.

Revenues in the UK increased by 17.3 per cent to £86.0 million (2012: £73.3 million). On a like for like basis, revenues in the UK increased by 3.9 per cent to £76.2 million (2012: £73.4 million). Lower steel pricing through the year at our reinforcer business impacted our reported revenues somewhat, however we saw strong gains in volumes across all of our UK hardware businesses.

Underlying operating profit increased by 17.0 per cent to £10.5 million (2012: £9.0 million) reflecting a full year contribution from Fab & Fix and our continued focus on margin management across the Grouphomesafe portfolio. Reported like for like profitability is affected by the fact that overall synergy benefits arising from the integration of Fab & Fix into Grouphomesafe have all been captured in Fab & Fix rather than spread across the whole of Grouphomesafe's operations.

We reported good growth at ERA, Fab & Fix and Balance – with notable share gains in the door hardware segment where we benefitted from being able to sell the high quality Fab & Fix product to a wider customer base.

Our routes to market saw solid performance from the builders merchants and the signs of recovery from our core OEM fabricator customers. The general distribution channel was broadly flat in the year following our exit from low margin retail distribution business in 2012.

Ventrolla, our sash window refurbishment business, repurchased one further franchise during the year and has an encouraging pipeline of projects for 2014.

Business developments

During the year we completed the integration of Fab & Fix into Grouphomesafe, with Fab & Fix now positioned as the premium quality product within our portfolio and with a single sales force.

We moved certain legacy hardware products out of individual sites to consolidate elements of our general hardware offer at our Wolverhampton distribution site and closed our small distribution centre in Falkirk.

We have also continued to improve our supply chain, identifying and pre-qualifying a number of additional potential manufacturing partners in the Far East, and have diversified the Fab & Fix supplier base; which was a key objective identified at the time of acquisition.

UK outlook

Coming into this year, there appears to be greater confidence in the sustainability of the recovery in the UK and, for the first time in a number of years, we are forecasting growth for the UK market.

2014 initiatives include the development of a full service e-commerce platform for the UK market, the completion of the integration of Fab & Fix, further rationalisation of obsolete SKUs as we refine the product offering, a number of new product launches and further investment in the supply chain. We also intend to target the distribution sector in a more structured manner in 2014 and we continue to evaluate our UK footprint.

Operational review
continued

All under one roof Bi-fold door hardware

Building on rapid growth over the past three years, the market for bi-fold doors in the UK is forecast to double in value by 2016.

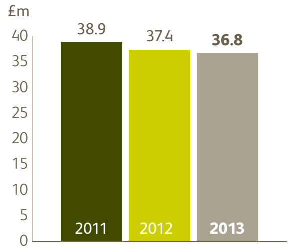
To capitalise on this trend, Grouphomesafe has worked in close partnership with leading PVCu and aluminium system companies to develop a complete range of bi-fold door hardware. This has called upon every aspect of Grouphomesafe's expertise and includes bespoke locking systems, rollers and hinges from ERA, seals from Schlegel, reinforcement from EWS and decorative hardware from Fab & Fix.

The ability to produce all of these components under one roof means that they work in perfect harmony. This, coupled with market leading features and benefits, has lead to PVCu system companies extruding new profiles specifically to take advantage of the package. Typically profile development leads hardware design; this turnaround is testament to the quality of the system and Grouphomesafe's growing reputation for innovation.

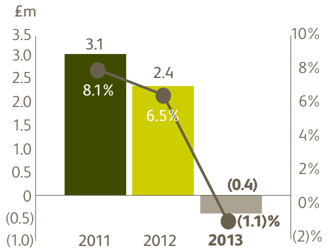
Schlegel International

£'million except where stated	2013	2012	Change	Constant currency like for like
Revenue	**36.8**	36.8	**(0.1)%**	(1.6)%
Underlying operating profit	**(0.4)**	2.5	**(116.0)%**	(116.5)%
Underlying operating margin	**(1.1)%**	6.7%	**(780)bps**	

Revenue at constant exchange rates



Operating profit and margins at constant exchange rates



Market

European markets were very subdued in 2013 with the key geographies of Northern and Eastern Europe all showing significant declines. Adverse weather conditions in Q1, general destocking of inventories and lack of end user demand meant that the sales environment was particularly challenging. The market in Australia saw a strong first half, however eased off somewhat in the second half to end the year broadly flat. The Brazilian market continued to perform strongly in the year and we believe the market improved by around 15.0 per cent in 2013.

Performance

Schlegel's revenues decreased by some 1.6 per cent on a constant currency basis to £36.8 million (2012: £37.4 million), with difficult trading in Europe offset in part by stronger performances in Brazil and Australia. These difficult trading conditions, combined with the impact of the factory moves undertaken in the first quarter and the investment made in the business, meant that Schlegel only broke even at the operating level and made a small loss after the allocation of central costs.

All our European geographies had a very tough opening quarter, although as the year progressed trading did improve, with the exceptions of Belgium and France, both of which saw quarter on quarter declines throughout the year. We had a strong 2013 in Italy with good market share gains against a very low base, due to two competitors exiting the marketplace and in Poland new dedicated sales resource on the ground enabled us to win back some lost customers.

Australia had a strong year as a whole, taking market share and benefitting from continued penetration of new products. Brazil had another strong year, with new product introductions in the second half of 2012 giving a boost to first half 2013 comparatives and Singapore had a solid first year as a stand alone entity.

Business developments

We made significant changes to the Schlegel International business in 2013. In the first quarter we closed our Belgian Building Products facility and moved production to our Newton Aycliffe and Barcelona plants. These moves give the Group clearly defined centres of excellence for sealing manufacture in Europe. We also recruited a number of new senior managers to the Schlegel team with new hires filling the roles of Sales Director, Development Director and Operations Director, together with a number of new recruits and promotions at individual site locations.

This rebalancing of our European footprint, combined with the strengthening of the Divisional team, positions Schlegel well for growth as and when European markets recover.

Australia saw a number of new hires as well as a reconfiguration of the Sydney facility in order for it to become the Australasian distributor of Truth products from 2014. From 1 January 2013, Singapore was constituted as a separate legal entity, and during the year was moved to a new location reflecting its growing importance to the division. Again, Singapore will become our South East Asian hub for the distribution of Truth's products.

Acquisition of Vedasil Brasil

On 26 February 2014, Schlegel International completed the acquisition of Vedasil Brasil ("Vedasil"), the market leader in the manufacture and supply of pile weatherseals in Brazil.

Established in 1978, Vedasil has grown to be one of South America's leading providers of pile weatherseals. In addition, Vedasil manufactures and supplies polypropylene extruded seals under the Eco-PDM brand and other seal and screen components to the Brazilian door and window market. In 2013, Vedasil reported revenues of approximately BR19.3 million (£5.7 million) and Tyman's existing Brazilian business reported revenues of approximately BR6.6 million (£2.0 million).

Vedasil is based near Valinhos, 90km from Sao Paulo where Schlegel Brazil is located. We intend to integrate the two businesses at the Valinhos site, under the Schlegel brand, with a management team drawn from both businesses.

We expect that the combination of the two businesses will bring Schlegel International significantly increased opportunities in Brazil and across South America, as well as the advantages of local manufacturing.

Outlook

2014 should see an improved performance from the division as the investments we have made to date start to deliver. Material profit improvement however will depend on significantly increased volumes, which in turn will depend on a sustained recovery in European markets, which are not expected to come through until at least 2015.

Across Europe as a whole we expect to see broadly flat markets in 2014 with some pockets of growth. We expect to see continued improvement in Australian markets, where we will benefit from selling Truth products direct for the first time, and further growth in Singapore and in Brazil where we will benefit from our increased share following the acquisition of Vedasil.

Financial review

Group revenues increased by 30.3 per cent, in large part due to the consolidation of Truth from the half year and the strong top line performance from Amesbury.

James Brotherton
Chief Financial Officer

Revenue and operating profit
Group revenues increased by 30.3 per cent to £298.1 million (2012: £228.8 million), in large part due to the consolidation of Truth from the half year and the strong top line performance from Amesbury. On a constant currency, like for like basis, Group revenues increased by approximately 6.3 per cent year on year.

Gross margins improved by 60 basis points to 33.3 per cent (2012: 32.7 per cent), reflecting a full year contribution from Fab & Fix and a six month contribution from Truth, offset by lower gross margins seen in Schlegel International as a consequence of lower European trading levels.

Underlying administrative expenses increased by 34.6 per cent to £66.9 million (2012: £49.8 million), principally reflecting the overhead acquired as part of the Truth acquisition made and the levels of investment made in the business.

Underlying operating profit increased by 40.9 per cent to £32.3 million (2012 restated: £23.0 million), and increased marginally on a constant currency like for like basis; again as a result of the greatly reduced underlying operating profit contribution from Schlegel International.

Finance costs
Despite the Group's increased levels of gross indebtedness, interest payable on bank loans and overdrafts decreased slightly to £3.5 million (2012: £3.6 million). This reduction reflects the Group's improved margin grid on both of its facilities and strong cash generation.

The reported net finance costs of £3.5 million (2012: £4.6 million) benefitted from an exceptional foreign currency gain of £1.2 million which arose on the conversion of the equity proceeds into dollars to finance the acquisition of Truth.

In 2013 the component of the net finance charge that relates to the unwinding of discounts on provisions was negligible (2012: £0.3 million).

Interest rates
The Group has entered into interest rate contracts to swap around 41.0 per cent of the Group's outstanding debt from floating rates to a weighted average fixed rate of 1.1 per cent until maturity.

As at 31 December 2013, the Group's portfolio of swap contracts at fair value amounted to a liability of £0.8 million (2012: £0.6 million). Any changes in fair value until maturity, classified as an effective hedge, will be recognised directly in other comprehensive income, with only the ineffective portion taken through the income statement.

Taxation
The Group incurred an underlying tax credit on profit before taxation of £0.2 million (2012: 3.7 million). Taxation before deferred tax rate changes, amortisation and impairment of acquired intangibles and exceptional items amounted to £7.6 million, which represents an effective underlying rate of 26.7 per cent (2012 restated: 30.1 per cent) and the Group paid £6.2 million (2012: £4.9 million) of corporate taxes in the year.

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

- The Group's operations are international in nature. In 2013, 67.2 per cent of the Group's trading profits before central cost allocations were generated in the USA, 32.3 per cent generated in the UK and 0.5 per cent in Schlegel International's overseas territories (depressed in 2013 by the trading losses made in Europe). Each division is therefore exposed to different country, state and local taxation rates and allowances.
- The Group has a proactive capital investment programme in each of its divisions. These investments are amortised for tax purposes in accordance with the laws relating to capital allowances in each country, which may not match with the Group's depreciation policy.
- Group companies sometimes generate losses, in 2013 most notably in certain European jurisdictions. Where these losses can be relieved or carried forward to be relieved in future periods, the Group does so in accordance with the relevant laws, however this treatment is broadly dependent on sufficient eligible taxable profits being generated in the relevant jurisdiction.
- Certain losses, most notably those related to the amortisation and impairment of intangible assets and the write off of goodwill arising on acquisition cannot be relieved against taxable profits. As the Group has developed through acquisition, these charges have a material impact on the Group's statutory tax charge as a proportion of pre-tax profits.
- Group share options and LTIPs will generate varying levels of tax relief to the Group dependent on the vesting outcomes of awards and the share price as at the date of vesting. Given the share price appreciation over the life of the 2010 and 2011

awards, LTIP tax relief had a material impact on the Group's overall, tax charge in 2013.
- The Group does not make material use of special incentive arrangements that might impact the tax charge such as research and development tax credits or patent box structures.

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

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

Earnings per share

Underlying earnings per share increased by 19.3 per cent to 13.71 pence (2012 restated: 10.31 pence). The increase reflects the improvement in underlying operating profit from Amesbury and Grouphomesafe, the incremental impact of the Truth acquisition, together with early delivery of synergies, the reduction in finance charges, and the slightly lower effective tax rate for the year, offset by the increase in the weighted average number of shares in issue.

Underlying earnings per share for the year were also impacted by the six week delay between the raising of the equity finance and the date of completion of the Truth acquisition.

Ringfenced underlying earnings per share, excluding the results of the Truth acquisition and associated financing, were 13.02 pence per share; implying that the Truth transaction was earnings enhancing in the first six months of ownership – again well ahead of schedule.

Basic earnings per share from continuing operations was 0.63 pence (2012 restated loss per share: 17.07 pence).

Dividends

A final dividend of 4.50 pence per share (2012: 3.50 pence), equivalent to £7.5 million, will be proposed at the Annual General Meeting. In 2013, the Group declared and paid an interim dividend of 1.50 pence per share (2012: 1.00 pence per share).

The total dividend declared for the 2013 financial year is therefore 6.00 pence per share (2012: 4.50 pence per share), an increase of 33.3 per cent which equates to dividend cover of 2.29x.

In accordance with IFRS, only dividends paid during the year have been charged in the 2013 financial statements.

Exceptional items

	2013 £'000	2012 £'000
Transaction costs associated with M&A activity	**4,515**	966
Truth integration costs	**1,434**	–
Write-off of Truth inventory fair value adjustment	**2,304**	–
Redundancy, restructuring, inventory obsolescence alignment and warranty costs	**2,650**	1,608
	10,903	2,574

Exceptional items of £10.9 million were incurred during the year (2012: £2.6 million). These charges are regarded by the Group as exceptional as they are significant and non-recurring in nature. The exceptional items principally concern the acquisition of Truth, the associated transaction costs – including anti-trust fees – and the costs associated with the integration.

Of the £1.4 million Truth integration costs, £0.9 million comprise non-cash write downs of discontinued products and product lines.

The write-off of Truth inventory fair value adjustment relates to the IFRS requirement that finished goods held in inventory must be revalued to their market value on acquisition. As the inventory acquired at the date of acquisition has been substantially sold in the subsequent six months, this uplift in the book value has been written off as exceptional as the cost is considered to be of a one-off nature and is of a magnitude that would distort the underlying trading result of Truth in the period.

Redundancy, restructuring, inventory obsolescence alignment and warranty costs primarily relate to the restructuring of the European footprint and the changes made to the North American management team. They also include a charge of £0.8 million relating to changes made to the Group's provision estimate for slow-moving inventory held for greater than one year and followed a review of the Group's overall inventory provisioning methodology undertaken on acquisition. The Group believes that aligning Tyman's inventory obsolescence calculation with that of Truth is appropriate given the enlarged Group's experience of slow-moving and obsolete inventory.

Materials and input costs

The raw material pricing backdrop was more benign in 2013 than we had expected coming into the year. We track the pricing of all raw materials closely within the divisions in order to ensure we are procuring at the best price for the quantities we consume. Within each major category of purchase we also monitor weekly at a Group level the direction of pricing of certain specific purchases – UK galvanised steel, European polypropylene and USA zinc. Each of these key raw materials will also form a significant part of the raw materials that go into the manufacture of those products we source from third parties.

Financial review
continued

Steel (pro forma Group 2013 purchases: c. £31.0 million) is our largest raw material purchase across a number of different types and grades. Within this category, pricing of UK galvanised steel increased by c. 4.0 per cent in the year. Oil derivatives (2013 purchases: c. £26.0 million), are key to the manufacture of our seal, extrusion and injection moulded products. Within this category, European polypropylene pricing increased by approximately 1.0 per cent. Zinc (pro forma 2013 purchases: c. £8.0 million) has increased significantly as a raw material and component for the Group since the acquisition of Truth. In addition, we purchase around £12.0 million of zinc based hardware from third party suppliers. Within this category, USA zinc pricing decreased by approximately 1.0 per cent in the year.

In addition, we track closely the pricing of a representative basket of those products we source from the Far East into the UK – which will be influenced by local labour and overhead rates, raw material price changes and the exchange rate. Over the course of 2013, the pricing of the basket decreased slightly – with the strengthening of the Pound masking significant underlying local inflation.

We were broadly successful with our continued policy of full input cost recovery; other than in Europe where overall market conditions in 2013 were not conducive to price recovery beyond raw material cost increases.

Acquisitions

The Group acquired Truth on 3 July 2013 for a consideration of US$204.7 million. The total costs of acquiring Truth were £8.2 million of which £2.4 million related to the raising of equity finance and have been offset against share premium and £1.5 million related to bank facility arrangement fees which will be amortised over the two year life of the facility. The remaining £4.3 million of costs relating to the Truth acquisition are included within exceptional items.

Annualised Returns on Acquisition Investment ("ROAI") for the three businesses of size acquired since 2011 are as follows:

	Date of acquisition	Original acquisition investment '000	ROAI in 2013	Annualised ROAI since date of acquisition
Overland	Dec 2011	$16,493	14.8%	9.9%
Fab & Fix	Aug 2012	£15,217	20.4%	18.1%
Truth[1]	Jul 2013	$206,438	13.7%	13.7%

1 Truth ROAI for 2013 has been annualised.

The Group requires that all acquisitions target an annualised ROAI greater than 15 per cent in the first two years following acquisition.

While Overland has not achieved the target in this timeframe, it had a much improved second year under our ownership generating a ROAI close to the target level and stampings remain a core part of our North American product offering. Fab & Fix has performed very strongly for the Group since acquisition and has already significantly exceeded the required return threshold within 18 months of acquisition. Truth has made a strong contribution in its first six months and looks well positioned to exceed the required return within 12 months of the date of acquisition.

Amortisation and impairment of acquired intangible assets

Amortisation of £16.6 million (2012: £10.8 million) represents the annual charge relating to the Group's intangible assets, with the increase due to the first six months' amortisation of the intangible assets created as a result of the Truth acquisition. In 2012, alongside various adjustments to intangibles and goodwill relating to discontinued operations, we also recorded an accelerated amortisation charge of £12.6 million and an impairment charge of £20.3 million.

In accordance with accounting standards, the Board has reviewed the carrying value of goodwill and other intangible assets across the Group in the light of current trading and prospects and progress towards achieving the divisions' strategic plans. The Board concluded that the carrying value of goodwill and other intangible assets remained appropriate and that no impairment had occurred.

Segmental analysis

During 2013, the Board, in its capacity as the Group's Chief Operating Decision Maker, reviewed the continuing appropriateness of the Group's operating segment disclosures. The Group operates through three clearly defined divisions – Amesbury, Grouphomesafe and Schlegel International – each headed up by a Divisional CEO and each reporting to the Board, via the CEO and CFO, on a regular basis. Accordingly, the Board has concluded that the most appropriate segmental analysis for stakeholders is based on the three reporting divisions with an allocation of Group central overheads made to each division.

For 2013, the Board believes that it is appropriate that Truth should be disclosed as an additional segment given its size and the fact that throughout the year it was managed as a stand alone entity with its own CEO and management team.

From January 2014, our North American businesses have been managed as a single entity with an integrated management team. Accordingly, Truth has been incorporated into the Amesbury operating segment from the start of 2014 and the 2014 results will therefore not include Truth as a distinct operating segment.

In the opinion of the Board there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically defined segments to be reportable.

Liquidity and covenant performance

At 31 December 2013 the Group had gross outstanding borrowings of £124.6 million (2012: £72.8 million), cash balances of £43.6 million (2012: £35.9 million) and undrawn working capital facilities of £29.7 million (2012: £29.6 million).

Underlying net debt was £80.9 million (2012: £37.0 million). Under IFRS, which reduces gross debt by the unamortised portion of finance arrangement fees, net debt at the year end was £78.7 million (2012: £35.2 million).

At the year end, the Group had headroom on its banking covenants ranging from 39.5 per cent to 60.5 per cent. Leverage, calculated on the same basis as our banking covenant tests, was 1.81x (2012: 1.22x), well within our target range of 1.50x to 2.00x and significantly ahead of the 2013 year end leverage target of 2.00x that we announced at the time of the Truth acquisition.

The Group maintains sufficient cash balances and undrawn borrowing facilities to finance all investment and capital expenditure included in its strategic plan, with an additional margin for contingencies.

Shares in issue

The acquisition of Truth was part funded through a fully underwritten placing and open offer of 32.8 million shares, which increased the total number of shares in issue to 170.1 million. The basic weighted average number of shares in issue for 2013 was 152.8 million (2012: 129.6 million) and the fully diluted weighted average number of shares in issue for 2013 was 155.1 million (2012: 131.8 million). As at 31 December 2013 the Group had 0.6 million shares in treasury (2012: 7.4 million) and the Tyman Employee Benefit Trust held 2.2 million shares (2012: 0.9 million).

Cash flow

The Group saw very strong conversion of profit into cash during the year, with operating cash conversion of 111.9 per cent (2012 restated: 83.6 per cent), reflecting the tight management of the working capital cycle by the divisions and despite the increased investments in capital expenditure made during 2013.

Capital expenditure

In 2013 we continued our programme of targeted investment across each of the businesses. Overall net capital expenditure increased to £8.1 million (2012: £6.8 million) or 1.3x depreciation with notable projects including the reconfiguration of our UK distribution centre at EWS, the factory moves in Europe and North America and further investment in automation projects at Truth.

Of this amount, intangible capital expenditure comprised £1.3 million (2012: £1.4 million) principally as a result of our investment in Amesbury's ERP system.

Working capital

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

Despite increased levels of trading and the impact of the Truth acquisition, the overall movement of working capital in 2013 was a net cash inflow of £12.4 million (2012: £2.3 million) of which US$13.9 million related to Truth, which was acquired at the peak of its working capital cycle. While we will need to work through a complete 12 month trading cycle at Truth before drawing absolute conclusions, we were pleased with the significant reductions in trade working capital we were able to secure at Truth when compared with the prior year end position.

Net trade working capital to revenue at the year end improved by 90 basis points to 13.2 per cent (2012: 14.1 per cent). Inventories on the balance sheet increased to £40.7 million as a function of the acquisition (2012: 27.6 million) with inventory turns improving slightly to 4.8x (2012: 4.6x), assisted by targeted inventory reduction programmes that were put in place at a number of sites.

Our credit management processes remained robust with bad debts written off amounting to only 0.1 per cent of revenues (2012: 0.3 per cent). Continued proactive management of customer credit, which starts at the point of sale, will remain a priority for the businesses in 2014 as mature markets recover and customers' working capital needs increase.

Pensions and post-retirement medical benefits

The Group's gross pension and post-retirement medical benefit obligations under IAS 19 at 31 December 2013 were £21.1 million (2012: £24.2 million) with the majority of the movement over the course of the year being due to actuarial gains following reassessments of discount rates. The principal schemes are located in North America where the pension scheme is closed to new entrants and post-retirement healthcare benefits are capped.

Cash contributions made to the schemes during the year were £0.9 million (2012: £1.0 million).

The 2013 revision of IAS 19 increased the net pension charge in the income statement for 2013 by approximately £0.4 million, with a corresponding increase in other comprehensive income. The 2012 financials have also been restated to take account of the IAS 19 revision, which increased the comparative's net pension charge in the income statement and reduced the charge to other comprehensive income by £0.2 million.

No pension or post-retirement medical benefit obligations were transferred to Tyman as a result of the Truth acquisition.

Financial review
continued

Property

On expiry of the lease on the Montreal facility in the first quarter of 2013, Unique Balance production was transferred to Statesville. In 2013, Schlegel International disposed of approximately one quarter of the surplus Gistel site and is exploring potential options for the remainder of the site.

Our small Falkirk distribution facility was closed during the year. The lease runs until 2016 and efforts are underway to sublet the vacant space.

We have also greatly reduced the footprint of the Truth business since acquisition, as further detailed in the Truth integration section.

Since the year end we have disposed of surplus property in Sioux Falls, South Dakota for net cash consideration of US$1.7 million, realising a book profit on disposal of US$0.7 million.

Summary 2014 guidance

Underlying tax rates for the Group for 2014 are expected to be c. 27 – 28 per cent as a result of the continued reductions in the UK corporation tax rate. The final rate for the year will depend on the Group's mix of taxable profits. Cash taxation rates are expected to broadly be in line with the Group's underlying tax rate.

Capital expenditure for the year is expected to be in the range £10.0 – £12.0 million.

Interest payable on borrowings for the full year under the existing facilities is expected to be c. 3.0 – 3.5 per cent – dependent on leverage. Subject to market conditions, the Group intends to move a portion of its borrowings into longer dated funds during the course of 2014 in order to diversify its financing structure. This will increase the blended interest rate payable on the Group's borrowings.

Working capital trough to peak for the year is expected to be c. £15.0 million.

2014 exceptional costs in respect of the integration of Truth into Amesbury are expected to be in the range of US$1.0 million to US$1.5 million. Cash costs incurred in connection with integration in 2014 are expected to be in the range US$2.25 – US$2.75 million.

LTIP purchases by the employee benefit trust are expected to be £2.0 – £3.0 million.

Currency

As an international group, Tyman's reported results will be impacted by exchange rate movements – most notably the US Dollar. Had the Group's 2013 results been reported on the basis of exchange rates as at 28 February 2014, the impact would have been as follows:

£'million unless stated

Currency	US $	Euro	Aus $	Other	**Total**
Average rate 2013	1.5646	1.1780	1.6224		
Rate at 28 February 2014	1.6665	1.2179	1.8634		
% movement	(6.5)%	(3.4)%	(14.9)%		
Revenue impact	(7.8)	(0.8)	(1.1)	(0.7)	**(10.4)**
Underlying operating profit impact	(0.9)	(0.1)	(0.1)	(0.1)	**(1.2)**

The 2014 translational impact on the 2013 underlying operating profit for Amesbury (including Truth for the full calendar year) for a 1 US cent change in the exchange rate would be c. £200,000; a 1 Euro cent change in the exchange rate for the European businesses of Schlegel International would be c. £3,000, and a 1 Australian cent change in the exchange rate for the Australian business of Schlegel International would be c. £10,000. In addition there are transactional exposures for those divisions that purchase or sell products in currencies other than their functional currency.

The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to underlying operating profit.

Financial reporting

This financial information has been prepared under IFRS and in accordance with the Group's accounting policies. There have been no changes to the Group's accounting policies during the year ended 31 December 2013.

Going concern

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

James Brotherton
Chief Financial Officer
11 March 2014

Schlegel Australia 50th anniversary

During 2013 Schlegel celebrated its 50th anniversary in manufacturing for the Australian market.

In April 1963, Schlegel Australia commenced production in a small warehouse in Ultimo, Sydney. In the ensuing five decades, the company's products have become an integral part of the Australian window and door industry.

In addition to being Australia's first, and now only, manufacturer of woven pile weatherseals, the company also designs and manufactures foam weatherseals, extruded seals, window and door hardware, and window and door operating systems.

Having grown with the industry, Schlegel Australia has built an enviable reputation in the manufacture and supply of sealing solutions and high end hardware products to the local market.

Principal risks and uncertainties

Risk	Description	Mitigation
Market conditions	Demand in the building products sector is subject to the usual drivers of construction activity, including general economic conditions, interest rates, inflation, availability of credit, 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 recent recessionary economic environment experienced in Europe has resulted in reduced demand for some of our businesses.	Maintaining significant headroom between the Group's net debt and its available banking facilities, with the £30m revolving credit facility committed until March 2016, helps the Group to withstand future downturns in its markets. The geographic spread of our business and our ability to flex our cost base helps to mitigate some of this risk. For example, our European operations account for 9 per cent of total Group sales. Management prepares regular forecasts that focus on remedial action plans required to deliver the desired performance during the balance of the year. Continuing to measure our performance enables us to offer industry leading customer service which improves customer retention and wins new customers. The continuing investment in ERP systems will enhance management visibility of operational performance and drive continuous improvement in customer service and product quality.

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

Risk	Description	Mitigation
Loss of major customers	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 Group aims to build long-term relationships with our customers based on value, quality and range of products, industry leading service and value added technical support. The Group continues to focus on a broad range of customers in a number of geographic markets. The top 10 customers account for less than 32 per cent of total Group sales.

Risk	Description	Mitigation
Raw material costs and supply chain failures	The raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminium and zinc) caused by changes in supply and demand, and commodity market fluctuations. The Group's ability to meet customer demands depends in large part on obtaining timely and adequate supplies of components and raw materials on competitive terms. Failure by any of the Group's suppliers could significantly limit the Group's sales and increase its costs.	The Group continues to invest in and improve its sourcing and procurement capability. The Group manages the risks associated with raw material costs and supply chain failure through strong long-term relationships with suppliers, economies of purchasing, multiple suppliers and inventory management. In addition, the Group will mitigate this risk by increasing selling prices or applying surcharges to recover unavoidable input cost increases.
Business integration	The Group will continue to make strategic acquisitions in the future, which will impact the performance and the risk profile of the Group. The subsequent integration of acquisitions involves further risks such as the diversion of management, disruption of operations and the retention of key personnel in the acquired business.	The Group mitigates this risk by extensive due diligence prior to the acquisition and the preparation of a detailed integration plan following acquisition, covering all key areas of activity. The Truth integration process is led by the Executive Directors and supported by dedicated project teams that include specialised management from the wider Group. Rolling out our ERP investment and our internal audit programme helps to establish best practise in governance and control procedures.
Key executives and personnel	The Group's future success is substantially dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel.	The Remuneration Committee and the Tyman Management Committee mitigate the risk of losing key personnel through robust succession planning, strong recruitment processes, long-term management incentives and retention initiatives.
Funding and financial risks	The Group operates on a global basis and is therefore exposed to transactional and translational foreign exchange risk against Sterling. 69 per cent of the Group's underlying operating profit are derived from US operations. The Group is also exposed to interest rate risks, liquidity and credit risks.	The Group denominates some of its debt in foreign currency to match some of its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are available to manage some of the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments. The Group maintains adequate cash balances and credit facilities with sufficient headroom and tenure to mitigate credit availability risk. Further information on these risks is given in note 25 to the Group's financial statements.

Corporate social responsibility report

Employees

Diversity

All Tyman employees have the right to work in an environment that supports diversity and fosters a culture of dignity and respect.

The Group is committed to supporting employment policies and practices that support equal opportunities, non-discrimination, and that comply with relevant local legislation and accepted employment practice codes.

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

In considering appointments to the Board and senior management positions, it is the Group's policy to make an appointment on the basis of the candidate's knowledge, skills and experience with due regard for the benefit of diversity. Set out below is an analysis of the number of employees by gender as at 31 December 2013.

	Male	Female	Total	% Male	% Female
Tyman plc Board	5	1	6	83%	17%
Senior managers	100	18	118	85%	15%
Other employees	1,622	977	2,599	62%	38%
Total Tyman Group	**1,727**	**996**	**2,723**	**63%**	**37%**

As at 31 December 2013, the Group had a female representation of 15 per cent in senior management positions and 17 per cent at the Board level. This proportion is higher across the total workforce, with 37 per cent of the profile being female.

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

Training, development and retention

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

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

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

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

Communication

In order for our employees to gain an understanding of the role they play within their local operations and that of the Group, employees are regularly kept informed on matters relating to their employment, recent business developments and other activities of the Group and its divisions. These communications are effected through management briefings, internal communications, as well as external announcements and press releases posted on the Group's website.

Health and safety

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

Management and accountability

The Chief Executive Officer ("CEO") holds the overall responsibility for the Group's health and safety performance. Through the Tyman Management Committee ("TMC"), local management are tasked with the responsibility of creating a health and safety management system, and are held accountable for their:

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

Health and safety performance is reviewed at each weekly TMC meeting. A Health and Safety Report is prepared and presented by the CEO to the Board at each of its meetings.

Health and safety management system

It is essential that awareness is raised amongst all employees as to the importance of health and safety in creating a safe and healthy working environment. Local management's health and safety management system:

- identifies and assesses risks;
- takes actions to reduce risks;
- develops safe working practices; and
- emphasises training and development.

As part of the health and safety management system, each location is audited to identify and assess the impact of any risk areas, institute corrective actions and put the necessary plans in place to address any deficiencies. The Group requires that all accidents, dangerous incidents and near-miss situations are promptly and thoroughly investigated. The details of such incidents as well as the remedial and preventative measures taken are shared between sites as a means of raising awareness and reducing the risk of repetition. There is a requirement that any incidents involving lost time of greater than one working day are reported to the TMC and the Board.

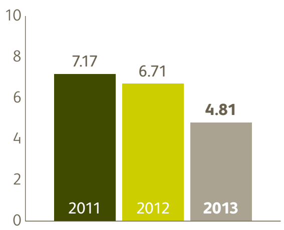
Operations representing 49 per cent of the value of total Group sales in 2013 have achieved accreditation for OHSAS 18001 (Health and Safety) or for OSHA SHARP (the Safety & Health Achievement Recognition Program run by the Occupational Safety & Health Administration of the United States Department of Labor). Most of the other Group operations have programmes in place with the objective of achieving accreditation.

2013 performance

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

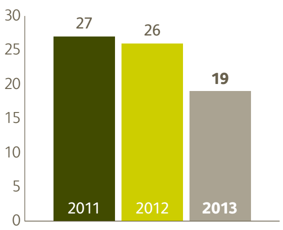
Both KPIs show a considerable improvement in the Group's health and safety performance and the Group remains committed to a programme of continuous improvement in health and safety, targeting further injury reductions in 2014.

Lost time injury rate



Lost time injury rate – the number of lost time injuries per 1,000,000 hours worked.

Number of lost time injuries



Number of lost time injuries – the absolute number of lost time injuries over the last 12 months.

Ethics, anti-corruption and compliance

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

In all relationships and dealings, employees and other persons acting on behalf of the Group are expected to:

- engage in honest and ethical conduct, including the avoidance and reporting of any conflicts of interest;
- maintain effective procedures to prevent confidential information being misused or used for personal gain;
- advance the legitimate interests of the Group, having regard to the Group's values and standards;
- uphold all applicable laws and regulations in jurisdictions in which the Group operates, focusing in particular on the implementation of policies and procedures that ensure compliance with the Bribery Act 2010 and the Foreign Corrupt Practices Act 1977 and the prevention of bribery, corruption and fraud;
- maintain a healthy and safe working environment for employees;
- treat customers fairly, openly and honestly;
- be intolerant of discrimination or harassment of any kind;
- maintain high standards of integrity in business relationships with suppliers; and
- encourage the use of those suppliers who operate with values and standards equivalent to those of the Group.

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

Environmental

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

The most significant areas of environmental impact associated with the Group's operations are energy consumption, waste to landfill, the use of outer packaging and transport.

- Process development: the Group strives to design manufacturing processes that are as environmentally efficient as possible and monitors developments in alternative materials and production processes which may reduce the environmental impact of its products. Operations across the Group are encouraged, through internal development and investment, to:
  - make use of recycled materials where possible;
  - minimise resource consumption and waste generation through re-use and recycling;
  - reduce harmful emissions;
  - reduce their global carbon footprint from transportation.
- Energy consumption: the Group continues to invest in energy efficiency measures such as lighting, improved heating and cooling systems.
- Waste to landfill: the Group acts to minimise the amount of waste sent to landfill by selling for recycling any waste that cannot be used internally.
- Outer packaging and transport: the Group minimises the use of outer packaging where appropriate and encourages the use of returnable outer packaging formats. The Group reduces the environmental impact of transport through vehicle efficiency measures such as improved load fill, reductions in empty running and route optimisation.

The Group is committed to the introduction of environmental management systems such as ISO 14001. Currently 15 of the Group's manufacturing sites have achieved accreditation to the environmental management systems standard ISO 14001.

Corporate social responsibility report
continued

Greenhouse gas emissions
The greenhouse gas ("GHG") emissions generated by the Group's operations present considerable risks to both the Group and the environment. These risks include:
- The agricultural impact of the Group's dependence on extraction and use of raw materials.
- The potential disruption of the Group's operations and those of its customers and suppliers.
- Changes in the nature or distribution of consumer demand as a result.

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

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

As 2013 is the first year the Group reported detailed GHG emissions, no comparative information has been provided. The Group has compiled and disclosed emissions data relating to those emission sources that are considered to be within the Group's operational control and over which the Group has responsibility. Emission sources falling outside the Group's operational control and other Scope 3 emissions have not been collated and reported. Emission data for businesses acquired during the year has only been included from the date of acquisition.

Data on the actual consumption of combustible fuels (Scope 1), and purchase of externally provided energy services (Scope 2) has been collected from all material locations operated or controlled by the Group. In addition, process emissions arising from other "Kyoto" gases have also been identified and included within Scope 1. The consumption data has been converted into CO_2e by using emission factors specific to each identified Scope 1 source and by using specific geographic emission factors for each identified Scope 2 source.

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

The following tools were used in converting the Group's consumption data into CO_2e:
- World Resources Institute (2008). GHG Protocol tool for stationary combustion. Version 4.0.
- World Resources Institute (2012). GHG Protocol tool for emissions from purchased electricity. Version 4.4 August 2012.
- World Resources Institute (2008). GHG Protocol tool for mobile combustion. Version 2.5 June 2013.

Our GHG emissions, measured as the quantity of CO_2e generated by the Group's activities, for the year ended 31 December 2013 are presented in the table below.

Scope	Description	GHG emissions (tonnes CO_2e)
Scope 1	Emissions that arise directly from our operations and comprise the combustion of fuels and process emissions	8,005
Scope 2	Indirect emissions that arise from our use of electricity and gas	23,939
Total direct and indirect emissions		31,944
Intensity ratio: £'000 of revenue per tonne CO_2e		9.33

Community
The Group understands the importance of being a contributing member of society and its impact on the long-term development and sustainability of the business. The Group policy on donations and community involvement is to support local educational and charitable causes.

Each operating unit is tasked with the responsibility of managing its relationship with its local community. This responsibility involves the positive engagement and support of worthwhile projects and programmes as a company as well as the volunteering activities and efforts of its employees.

Operating units and their employees participate in a variety of local activities including projects with local schools and charity events. Some examples of Group community activities include:

In North America:
- Monetary donations totalling US$59,000 to local charities and initiatives such as Local Chambers of Commerce, United Way, Volunteers for America, Make A Wish Foundation.
- Local involvement and support of Habitat for Humanity, participation in Red Cross blood drives, donation of gifts to the Community Christmas Wish Tree, a community-sponsored gift drive for needy families.

In Europe:
- In the UK, sponsorship of Macmillan Cancer Support through a series of coffee mornings across all sites, raising £1,000 as well as donations to various other cancer charities including Lennox Children's Cancer Fund and the Sir Bobby Robson Foundation.
- A donation by Tyman plc to Lupus UK, the only national charity supporting people with systemic or discoid Lupus, of £5,000 to mark the end of the Group's association with the word Lupus.
- In Spain, a donation of €1,000 to the San Juan de Dios children's hospital in Barcelona for cancer research.

In 2013, the Group made donations of £44,000. No political donations were made.

Human rights

Human rights is not considered to be a material risk for the business owing to the fact that the Group's activities are substantially carried out in developed countries that have strong legislation governing human rights. The Group is considered to be in compliance with appropriate legislation in the jurisdictions in which it operates.

In working with and during regular reviews of our suppliers, the Group always seeks to encourage suppliers to operate with values and standards equivalent to those of the Group.

Whilst the Group does not have a specific human rights policy at present, careful consideration will be made as to whether a specific human rights policy is required in the future.

Product integrity

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

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

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

Relationships with suppliers

Each division is responsible for negotiating the terms and conditions of trade with suppliers. In the UK and North America, a large proportion of product sourcing is conducted through the combined activity of the Group's Chinese operating unit.

Through its Chinese sourcing operations, the Group conducts annual quality assessments of its Asian supplier chain. The quality assessments are conducted by suitably qualified employees and involves the scoring of strategic suppliers' procedures and efficiencies in respect of procurement, manufacturing and quality control.

Quality management standards

It is Group policy to maintain accreditation to the quality management standard ISO 9001 and encourage operating units to gain accreditation to any specific standards required by the markets served.

ISO 9001 certification will ensure that operations maintain and adopt efficient quality management systems that save time and cost, improve efficiency, and ultimately improve customer relationships.

Currently, operating units comprising 92 per cent of the Group's turnover have ISO 9001 accreditation.

Amesbury stays SHARP

Two of Amesbury's Sioux Falls companies were recently recognised as a SHARP work site.

SHARP, which stands for Safety and Health Achievement Recognition Program, is an OSHA Cooperative program that recognises small business employers who operate an exemplary injury and illness prevention program.

Amesbury partnered with OSHA consultants out of South Dakota State University ("SDSU") to achieve this goal. As a partner with Amesbury, SDSU does inspections of the floor and record keeping. Upon receiving SHARP recognition, OSHA exempts the work site from OSHA programmed inspections during the period of the SHARP inspection.

As at December 2013, there were only three certified companies in South Dakota, of which two were Amesbury's Sioux Falls facilities.

Board of Directors

Jamie Pike
Non-executive Chairman and Chairman of the Nominations Committee

Date of appointment
Jamie Pike (aged 58) became a Non-executive Director and Non-executive Chairman in November 2009.

Background and experience
He was chief executive of Foseco plc, an international business serving the foundry and steel making industries, until its acquisition by Cookson Group plc in April 2008. He led the buy-out of Foseco from Burmah Castrol in 2001, which culminated in flotation on the main market in 2005. Mr Pike was educated at Oxford, holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers.

His early career was as a consultant with Bain and Co and A T Kearney before joining Burmah Castrol in 1991. He rose to chief executive of Burmah Castrol Chemicals before leading the Foseco buy-out. He has previously been a non-executive director of two FTSE 250 companies, RMC Group plc and Kelda Group plc, and is currently chairman of RPC Group plc and the Lafarge Tarmac Joint Venture.

Committee membership
Remuneration Committee
Nominations Committee

Louis Eperjesi
Chief Executive Officer

Date of appointment
Louis Eperjesi (aged 51) was appointed to the Board in February 2010.

Background and experience
Mr 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, Lafarge, Redland plc and Caradon plc.

Committee membership
None

James Brotherton
Chief Financial Officer

Date of appointment
James Brotherton (aged 44) was appointed as Chief Financial Officer in May 2010.

Background and experience
Mr 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.

Committee membership
None

Les Tench

Non-executive Director and Chairman of the Remuneration Committee

Date of appointment

Les Tench (aged 68) became a Non-executive Director and the Chairman of the Remuneration Committee in December 2009.

Background and experience

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

Committee membership

Audit Committee
Remuneration Committee
Nominations Committee

Martin Towers

Non-executive Director, the Senior Independent Director and Chairman of the Audit Committee

Date of appointment

Martin Towers (aged 61) became a Non-executive Director, the Senior Independent Director and the Chairman of the Audit Committee in December 2009.

Background and experience

He was chief executive of Spice plc until its sale to Cinven in December 2010. Previously, he was group finance director of Kelda Group plc from 2003 until February 2008.

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

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

Committee membership

Audit Committee
Remuneration Committee
Nominations Committee

Dr Angelika Westerwelle

Non-executive Director

Date of appointment

Dr Angelika Westerwelle (aged 51), a German national, became a Non-executive Director in November 2012.

Background and experience

She is the managing director of Karlie Group 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.

Committee membership

Audit Committee
Remuneration Committee
Nominations Committee

Tyman Management Committee

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

Kevin O'Connell
Company Secretary and Group Financial Controller

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

Jeff Graby
President and Chief Executive Officer – Amesbury

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

Brian Cann
Vice President – Finance and Chief Financial Officer – Amesbury

Brian Cann was appointed the Vice President – Finance and Chief Financial Officer of Amesbury in August 2012. He previously worked for such companies as General Electric ("GE"), Fidelity Investments, and Concentra Integrated Services in several management capacities. Most recently, Mr Cann worked in the bio-discovery business of PerkinElmer, Inc. a US$2 billion diversified environmental, health and safety business.

Mr Cann is a seasoned finance leader with more than 20 years' experience in finance and accounting and trained in GE's Financial Management Program. Mr Cann graduated from the University of Massachusetts.

Darren Waters
Chief Executive Officer – Grouphomesafe

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

Peter Santo
Chief Executive Officer – Schlegel International

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

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

Richard Swan
Group Finance Director – Grouphomesafe and Schlegel International

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

Directors' report

Review of the business
The review of the business along with the key performance indicators used to monitor performance are set out on pages 10 to 26, which are incorporated into this report by reference.

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

Business review
A description of the Group's strategy and business model is given on pages 7 to 9. A review of the Group's development and performance, including financial performance and the key financial performance indicators during the year ended 31 December 2013, its position at that date and the outlook for the Group can be found on pages 10 to 26. A description of the principal risks and uncertainties facing the Group can be found on pages 28 and 29. Information concerning environmental matters, employees, social, community and human rights issues are included in the Corporate social responsibility report on pages 30 to 33. Details of the key financial and non-financial performance indicators are set out on pages 12 to 15. The information that fulfils the requirements of the Business review referred to above is to be treated as part of this report.

Results and dividends
The total Group profit for the year after taxation amounted to £956,000 (2012: £15,241,000 restated).

The 2012 final dividend of 3.50 pence per ordinary share, which amounted to £4,511,000, and the 2013 interim dividend of 1.50 pence per ordinary share, which amounted to £2,528,000, were paid in the financial year ended 31 December 2013. The Board is recommending a final dividend of 4.50 pence per ordinary share (2012: 3.50 pence) to be paid on 21 May 2014, subject to approval at the forthcoming Annual General Meeting ("AGM") of the Company on 16 May 2014, to shareholders on the register on 22 April 2014. The ex-dividend date will be 16 April 2014. This brings the total dividends for 2013 to 6.00 pence per ordinary share (2012: 4.50 pence).

Directors
The names and biographical details of all the current Directors are set out on pages 34 and 35. There were no changes to the Board up to the date of this report and all the Directors served throughout the period.

Except for their shareholdings, the Non-executive Directors are entirely independent. There were no contracts subsisting during or at the end of the year in which a Director was or is materially interested. The Company maintains a policy of insurance against Directors' and Officers' liabilities.

A description of the Board's method of operation, its work during the year and that of its committees, is given in the report on Corporate governance on pages 40 to 44. Details of the Directors' remuneration, notice periods under their service contracts or terms of appointment and their interests in the share capital of the Company are shown in the Remuneration report on pages 48 to 65. The service contracts for Executive Directors and terms of appointment for Non-executive Directors are available for inspection at the Company's registered office and at the AGM.

Re-election of Directors
The Company's Articles of Association ("Articles") require that any Director who has been appointed by the Board since the last AGM must retire from office but is eligible to submit themself for election by the shareholders. The Articles require that all Directors are subject to re-election at intervals of no more than three years. However, in accordance with best practice under the UK Corporate Governance Code, each Director will stand for re-election at each Annual General Meeting. Accordingly, Mr Pike, Mr Eperjesi, Mr Brotherton, Mr Tench, Dr Westerwelle and Mr Towers will offer themselves for re-election at the 2014 Annual General Meeting.

Share capital
On 23 May 2013, the Group completed the fully underwritten firm placing and open offer of ordinary shares as part of the funding for the acquisition of Truth Hardware ("Truth"). Gross proceeds of £73.4 million were raised through the sale of 6,864,000 treasury shares and the issue of 32,816,904 new ordinary shares at the issue price of 185 pence per share. Share issue costs of £2.4 million were incurred and netted against share premium.

On 8 July 2013, the Company's shares were admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange. Trading in the Company's ordinary shares on AiM was cancelled simultaneously.

The Company had 170,104,385 ordinary shares of 5 pence each in issue at 31 December 2013. Full details of the Company's issued share capital, including the rights, obligations and restrictions attaching to the shares, are set out in note 22 to the financial statements.

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

On 1 July 2013, the Group drew down US$100 million under a new multicurrency loan facility for the purposes of funding the Truth acquisition. The facility extends to and is repayable in full on 30 June 2015 and is unsecured. Full details of the Group's borrowing facilities are set out in note 17 to the financial statements.

The main risks arising from the Group's borrowings are market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and the policies, which have been applied throughout the year, are set out in note 25 to the financial statements.

Acquisition
On 3 July 2013, the Group completed the acquisition of Truth for a net cash consideration of US$204.7 million from Melrose Industries plc. Truth is a manufacturer of operating hardware for residential and light commercial windows and doors in North America and comprises the US-based Truth Corporation (located in Owatonna, Minnesota), where the business is headquartered, and the Canadian-based Atlas (located in Brampton, Ontario). Full details of the Truth acquisition are set out in note 24 to the financial statements.

The acquisition was funded from a combination of the net proceeds of the firm placing and placing and open offer of ordinary shares, new borrowings and the Group's existing cash reserves.

Directors' report continued

Purchase of the Company's own shares
A resolution concerning the purchase of the Company's own shares was approved at the AGM on 24 June 2013. The Directors believe that the Company should continue to have an authority to purchase shares of the Company. They will therefore propose a special resolution, in accordance with best practice, at the forthcoming AGM to obtain authority to make market purchases up to the date of the AGM in 2015. The authority will be limited to 14.99 per cent of voting shares in issue (that is, excluding shares held in Treasury).

Allotment of shares
The Companies Act 2006 ("the Act") provides that the Directors may not allot ordinary shares unless authorised to do so by the Company in general meeting or by its Articles. At the forthcoming AGM the Directors will seek renewal, for a further period expiring at the earlier of the close of the next Annual General Meeting or 16 August 2015, of the authority previously granted to the Directors at last year's Annual General Meeting held on 24 June 2013.

The Act gives holders of ordinary shares, with limited but important exceptions, certain rights of pre-emption on the issue for cash of new equity securities. The Directors believe that it is in the best interests of the Company that, as in previous years, the Board should have limited authority to allot some shares for cash without first having to offer such shares to existing shareholders. The Directors' current authority expires at the close of the forthcoming AGM and, accordingly, will seek to renew this authority on similar terms for a further period, expiring at the earlier of the close of the next Annual General Meeting or 16 August 2015.

Substantial shareholders
In addition to the holdings of the Directors described in the Directors' remuneration report, at the latest practicable date before publication of this report the Company had been notified of, or had identified, the following direct or indirect interests comprising 3% or more of its voting share capital (the issued share capital less shares held by the Company in Treasury):

	Ordinary shares	%
F&C Asset Management (UK)	18,985,155	11.20
Standard Life Investments	18,400,985	10.85
Aviva Investors	15,844,608	9.35
BlackRock Investment Management	10,213,784	6.03
Threadneedle Investments	8,703,828	5.13
GVO Investment Management	7,388,383	4.36
GMO	6,575,837	3.88

Creditors payment policy
Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. Creditor days for the Group have been calculated at 78 days (2012: 66 days). The Company, as a holding company, did not have any amounts owing to trade creditors at 31 December 2013 (2012: £Nil).

Financial risk management
A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out in note 25 to the Group financial statements.

Safety, health and the environment
The Board recognises that the highest standards in safety, health and environmental issues are an essential part of sound business practice. The Board is committed to improving the impact on the environment from any of its operations and to incorporating the principles of sustainable development. A full description of the Group's policies with respect to health and safety and the environment are given in the Corporate social responsibility report on pages 30 to 33.

Greenhouse gas ("GHG") emissions
Details of the Group's GHG emissions for 2013 are set out in the Corporate social responsibility report on pages 30 to 33.

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

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

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

A full description of the Group's policies with respect to ethics, communication, training and development in respect of the Group's employees is given in the Corporate social responsibility report on pages 30 to 33.

Corporate governance statement
The corporate governance statement on compliance with the UK Corporate Governance Code ("the Code"), and information on how the Company has applied the Main Principles of the Code in accordance with the Listing Rules and section 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority and other corporate governance matters, can be found in the Corporate governance report on pages 40 to 44, the Audit Committee report on pages 45 to 47 and the Remuneration Committee report on pages 48 to 65 which are to be treated as part of this report.

Going concern

The Group's current activities, and the factors likely to affect its future development and performance are discussed in the Business review on pages 10 to 26 and the principal risks are set out on pages 28 and 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 22 to 26. In addition, note 25 to the financial statements sets out the Group's objectives and policies for managing its capital, its financial risk, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

The Directors have reviewed the Group's budget and cash flow forecasts. On the basis of this review, and in the light of the current financial position and the existing borrowing facilities, the Board believes it is appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts, as stated in the Directors' responsibilities statement on page 43.

Auditors and disclosure of information to auditors

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

The auditors, PricewaterhouseCoopers LLP ("PwC"), have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Financial reporting

The Annual Report and Accounts and the Interim Report are intended to provide a balanced and clear assessment of the Group's past performance, present position and future prospects. A statement by the Directors on their responsibility for preparing the financial statements is given on page 43 and a statement by the auditors on their responsibilities is given on page 69.

Annual General Meeting

The Notice of the Company's AGM to be held on 16 May 2014 and related explanatory notes accompany this Annual Report and Accounts. As mentioned above, all the Directors are submitting themselves for re-election. The other business to be considered at the AGM is to renew the Directors' authority to allot shares, to disapply pre-emption rights in certain limited circumstances and to purchase its own shares and other routine matters.

Further information on these resolutions is given in the explanatory notes to the Notice of AGM.

By order of the Board

Kevin O'Connell
Company Secretary
11 March 2014

Company registration number: 02806007

Corporate governance

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

Statement of compliance

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

The Board

How the Board operates

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

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

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

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

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

Board composition

The Board comprises two Executive and four Non-executive Directors and the names and biographical details of all the current Directors are set out on pages 34 and 35. All the current Directors served throughout the year ended 31 December 2013 and there were no changes to the Board.

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

The Nominations Committee is responsible for reviewing the structure, size and composition of the Board (including skills, knowledge, experience, independence and diversity) and making recommendations to the Board with regard to any changes. The Board actively encourages diversity and equal opportunities throughout its business and applies the same principles to Board appointments. Diversity in all areas be it gender, race, skills or background are a key part of strong and effective achievement. There is currently one female Director on the Board and the Nominations Committee will consider boardroom diversity in future succession planning and will establish a formal policy for this in the coming year.

Board meetings

During the year ended 31 December 2013, the number of Board and committee meetings held and attended by their members was as follows:

Director	Board		Remuneration Committee		Audit Committee		Nominations Committee	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
James Brotherton	10	10	n/a	n/a	n/a	n/a	n/a	n/a
Louis Eperjesi	10	10	n/a	n/a	n/a	n/a	n/a	n/a
Jamie Pike	10	10	4	4	n/a	n/a	–	–
Les Tench	10	10	4	4	3	3	–	–
Martin Towers	10	10	4	4	3	3	–	–
Angelika Westerwelle	10	9	4	4	3	3	–	–

During 2013 the Board visited three of the Group's operating units, namely Fab & Fix in Coventry in the UK, Schlegel in Hamburg, Germany and Truth in Minnesota in the US. In addition, the Board attended the Group wide management conference held during 2013.

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

- Approving the fully underwritten firm placing and open offer of ordinary shares to raise gross proceeds of £73.4 million as part of the funding for the acquisition of Truth.
- Approving a US$100m multicurrency loan facility to partly fund the Truth acquisition.
- Approving the acquisition of Truth from Melrose plc.
- Approving the admission of the Company's shares to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange.
- Monitoring the integration of Truth with Amesbury in the US.
- Monitoring the risks faced by the Group including the macro-economic environment in the US, UK and the Eurozone, and movements in commodity raw material input prices.
- Continued development of the Group's strategy and objectives including exploring opportunities for further organic and acquisitive growth.
- Received and reviewed presentations from management on US structural reorganisation, patent and intellectual property management process, attractiveness of global markets, Schlegel International product strategy and the Group's M&A strategy.

Chairman and Chief Executive Officer

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

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

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

The Chief Financial Officer

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

The Senior Independent Director

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

Corporate governance continued

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

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

Board performance
Following the admission of the Company's shares to the Official List and to trading on the Main Market of the London Stock Exchange, the Board reviewed and revised its Board performance appraisal process. A review of the Board's performance and that of the individual Directors commenced in January 2014, with the help of an external facilitator, Independent Audit Limited, a firm of specialist board governance consultants. Independent Audit Limited do not have any other connection with the Company.

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

The review covered key areas of Board performance including:
- the Board's role;
- composition, skills and dynamics;
- the focus of the Board's work;
- meetings;
- information and decision-making; and
- internal and external communications.

The Board review was undertaken during February and March 2014 and Independent Audit Limited will report back their findings at the May 2014 Board meeting. Any recommendations made will be considered by the Board and actions undertaken to improve the effectiveness of the Board will be periodically reviewed thereafter.

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

The Board intends to engage an external facilitator again in three years' time. Reviews in the intervening years will be conducted internally, with the focus being on progress against the Thinking Board assessment and the areas identified for improvement in this year's review.

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

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

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

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 Tyman Management Committee and the Company Secretary and of the service providers contracted to perform executive functions for the Group as well as long-term share incentive and share option schemes for all employees.

The membership and work of the Committee during the year ended 31 December 2013 and details of the remuneration policy and Directors' remuneration packages are set out in the Directors' remuneration report on pages 50 to 65.

Audit Committee
The Audit Committee's primary responsibilities are to monitor the integrity of the financial statements and any formal announcements relating to the Company's financial performance, to review any changes in accounting principles and consider the appropriateness of accounting policies adopted by the Company, review the Group's internal and external audit activity and review and monitor the effectiveness of the risk management and internal control systems within the business. The membership and work of the Committee during the year ended 31 December 2013 is described in detail in the Audit Committee report on pages 45 to 47.

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

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

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

The Group has an established system for assessing the effectiveness of the Group's systems of internal financial controls. This includes strategic business planning and monthly monitoring and reporting of financial performance. A detailed annual budget, prepared by senior management, is reviewed and formally adopted by the Board. The budget and other targets are regularly updated and regular business review meetings are held monthly involving the Tyman Management Committee to assess performance. The results of these reviews are in turn reported to and discussed by the Board at each meeting.

Going concern
In order to satisfy themselves that the Group has adequate resources for the future, the Board reviewed the Group's committed funding and liquidity positions, its ability to generate cash from trading activities and its ability to raise external funding in the future. The operational performance, as described in the Financial review on pages 22 to 26, the future plans for the Group and the risks facing the Group, described on pages 10 and 11, and 28 and 29, were also reviewed. In addition, notes 17, 18 and 25 to the consolidated financial statements include the Group's policies and processes for managing capital, liquidity and credit risks as well as details of its financial instruments and hedging strategies.

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

Consequently, based on the reviews outlined above, the Board concluded that both the Group as a whole and Tyman plc have adequate resources to meet their operational needs for the foreseeable future, and that it remains appropriate to adopt the going concern basis in preparing the financial statements.

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

The Committee is responsible for the following:
- review and make recommendations to the Board on the structure, size and composition of the Board;
- succession planning for Directors and other senior managers;
- evaluate the balance of skills, knowledge and experience of the Board;
- prepare a description of the role and capabilities required for a particular appointment;
- identify and nominate for the approval of the Board, candidates to fill Board and senior management vacancies as and when they arise;
- review the time required from Non-executive Directors and evaluate the membership and performance of the Board and its committees; and
- recommend the re-appointment of Non-executive Directors and re-election of Directors.

During the year, as part of a Board meeting, the Nominations Committee discussed and reviewed Board composition and succession planning and reviewed the plan to restructure the North American management organisation.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively.

Corporate governance continued

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

The Directors are responsible for the maintenance and integrity of the Company's website (www.tymanplc.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 34 and 35, confirm that, to the best of their knowledge:

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

By order of the Board

Kevin O'Connell
Company Secretary
11 March 2014

Audit Committee report

The Audit Committee is made up of the three Non-executive Directors and meets at least three times a year. The Executive Directors, the Chairman and representatives of the external and internal auditors also attend upon invitation, certain meetings of the Committee. The Chairman of the Committee meets separately with the external auditor, the internal auditor and the Group CFO and his team during the course of the year.

The Committee's primary responsibilities are to monitor the integrity of the financial statements and any formal announcements relating to the Company's financial performance, to review the Company's compliance with legal and regulatory requirements, to review any changes in accounting principles and consider the appropriateness of accounting policies adopted by the Company, review the performance and independence of the Group's internal and external audit activity and review and monitor the effectiveness of the risk management and internal control systems within the business. The Board is satisfied that Mr Towers, Chairman of the Audit Committee, has both current and relevant financial experience.

The Committee receives and reviews regular reports from the external auditor, the internal auditor and the Group CFO. The Committee is authorised to seek independent advice should it wish to do so, however it did not require this in 2013.

The Audit Committee also reviews any non-audit services provided by the auditors. In accordance with best practices and FRC guidelines, the Company policy in relation to non-audit services is kept under regular review, it outlines which non-audit services are pre-approved, which services require prior approval of the Audit Committee and which services the auditor is excluded from. The prohibited non-audit services include bookkeeping and accounting, internal audit, design or implementation of financial information systems, payroll, actuarial, legal and recruitment services. Permitted non-audit services requiring pre-authorisation include due diligence, tax planning, advice on IT projects and advice on corporate and reporting structures. The Committee is satisfied that the provision of such services does not in any way prejudice the objectivity and independence of the auditors. Professional firms other than the auditors also provide tax compliance work and tax advice. Fees for permitted non-audit services can be pre-authorised by the CFO for fees up to £100,000 and by the CFO, after consultation with the Chair of the Committee, for fees up to £400,000. Where fees for permitted non-audit services exceed £400,000 or where the aggregate of such fees in a financial year exceeds 100 per cent of estimated Group audit fees for that financial year, the Committee will review and approve these non-audit services.

Non-audit fees and services are reported to the Committee regularly. During 2013 total non-audit fees paid to PwC were 329 per cent of the annual Group audit fee, principally reflecting the work done by PwC in connection with the acquisition of Truth Hardware where the use of the external auditors was necessary and specifically approved by the Committee.

The Committee was chaired by Mr Towers and while the Committee's terms of reference state that meetings shall be held not less than four times a year, the Committee met three times during 2013 and considered this appropriate to enable it to complete its work in 2013. The composition of the Committee remained unchanged during 2013. The work of the Committee during the year included consideration of the following matters:

(1) Monitoring the integrity of the financial statements including significant judgements

- The appropriateness of Group accounting principles, practices and policies and changes to, and compliance with, accounting standards on an ongoing basis.
- Prior to recommending the publication to the Board of the prospectus issued related to the acquisition of Truth Hardware, the Committee reviewed the financial and legal due diligence related to the acquisition and approved the contents of the prospectus.
- Prior to recommending their publication to the Board, the Committee reviewed the half-year results for the six months ended 30 June 2013 with the external auditor and compared the results with management accounts and budgets, focusing on key areas of judgement.
- The review, prior to advising the Board on whether the Committee believes the Annual Report and Accounts for the year ended 31 December 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In undertaking this review, the following critical accounting policies and judgements were discussed with management and the external auditor:

Acquisition accounting

On 3 July 2013, the Group completed the acquisition of Truth for a net cash consideration of US$204.7 million. IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to separately identify intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets include purchased brands and customer relationships. There is judgement involved in estimating fair value, particularly in relation to identifiable intangible assets, which requires the Directors to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate. Given the size of the Truth transaction the Committee engaged BDO LLP to assist in performing the fair value exercise over the opening balance sheet. The auditor provided the Committee with their review of the fair value exercise and following discussion the Committee was satisfied that the assumptions used were appropriate and that the resultant fair values were reasonable. Details of how this acquisition has been accounted for are set out in note 24 to the Group financial statements.

Carrying value of goodwill and intangibles

As set out in notes 10 and 11 to the Group financial statements, as at 31 December 2013, the Group had goodwill of £244.8 million with intangible assets amounting in total to £109.6 million. In order to satisfy itself that these balances were appropriately stated, the Committee considered the impairment reviews carried out by management. These reviews involve the discounting of the forecasted cash flows of each cash generating unit, using appropriate discount rates relative to the Company's cost of capital. These assumptions are then subjected to sensitivity analysis. The auditor provided the Committee with their review of the impairment review process and, following discussion, the Committee was satisfied that the assumptions used were appropriate and that there was significant headroom on all calculations thus obviating the need for any impairment.

Audit Committee report continued

Provisions
The Group has provisions of £9.7 million as at 31 December 2013 as outlined in note 19 to the Group financial statements which, by their nature, are uncertain and highly judgmental in nature. The Committee considered the nature of the provisions, the potential outcomes, any developments relating to specific claims, and the prior history of lease obligations, provisions and claims in order to assess whether the provisions recorded are appropriate and suitably conservative. The Committee discussed with management and with the auditor the key elements of judgement to assure themselves as to the adequacy and appropriateness of the provisions. Following this discussion, the Committee was satisfied that the judgements exercised were appropriate.

Carrying value of inventory
As set out in note 13 to the Group financial statements, as at 31 December 2013, the Group had gross inventories of £47.0 million and provisions for slow moving and obsolete inventories of £6.3 million. Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives. The auditor provided the Committee with their review of inventories and following discussion, the Committee was satisfied that the inventory valuation was consistent with our accounting policy and previous practice and that the resultant valuation was reasonable.

Carrying value of trade receivables
As set out in note 14 to the Group financial statements, as at 31 December 2013, the Group had gross trade receivables of £32.0 million and provisions for bad debts of £2.1 million. Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write-downs required which is based on current assessments of the creditworthiness of current customers. The auditor provided the Committee with their review of trade receivables and following discussion, the Committee was satisfied that the book value of trade receivables was consistent with our accounting policy and previous practice and that the resultant valuation was reasonable.

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

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

(2) Review the Group's internal and external audit activity
PwC were appointed for the first time as the Group's auditors in 2012, following a competitive tender process. The 2013 year end audit is the second full audit that PwC have conducted. The Committee is satisfied with PwC's performance, independence and effectiveness and their fees are regularly compared with peer companies by the Committee. Accordingly, the Committee has recommended to the Board that PwC should be reappointed as the Group's auditors at the AGM. There are no contractual restrictions on the Group with regard to PwC's appointment.

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee reviews a detailed audit plan from PwC LLP, identifying their assessment of these key risks. For the 2013 financial year the primary risks identified were in relation to acquisition accounting, the carrying value of goodwill and intangibles. The Committee reviews the work performed by the auditors to test management's assumptions and estimates around these areas and assesses the effectiveness of the audit process in addressing these matters when reviewing the audit plan prepared by PwC. For the 2013 financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

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

PwC, as auditor, report to the Committee on their compliance with the fundamental principles of objectivity, integrity and professional behaviour, including independence. PwC use a global independence system which provides real time identification of independence issues. They have confirmed to the Committee that they have not identified any threats to independence that would impact on their ability to perform their audit work. The Committee reviews the policy on auditor independence and non-audit services, and the consideration of the nature, scope and appropriateness of non-audit services supplied by the external auditor.

During 2013 the Committee considered it appropriate to augment internal resources with external resources to establish an internal audit programme. A specialist team from BDO provided internal audit services to the Group to complete an internal audit programme, visiting 10 operating units in the Group. The Committee have reviewed reports from BDO detailing their audit findings together with divisional management responses and action plans. Progress completing these action plans will be reviewed regularly by the Committee. Future internal audit programmes will be reviewed and approved by the Committee and will be structured to ensure that every operating unit will have an internal audit visit at least once every three years, with the largest operating units being audited at least once every two years.

(3) Review the effectiveness of the risk management and internal control systems in the Group

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

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

Committee effectiveness

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

On behalf of the Audit Committee

Martin Towers
Chairman, Audit Committee
11 March 2014

Remuneration report letter

Dear Shareholder

It is my pleasure to present the Directors' remuneration report for the year ended 31 December 2013.

Background to the Group's remuneration policy

Our remuneration policy seeks to achieve a balance between the interests of our employees and those of our shareholders. The Group operates a simple remuneration structure for Executive Directors comprising base salary and benefits, a bonus plan incorporating deferral of half of any bonus award for three years and a single long-term incentive plan, which provide a clear link between pay and our key strategic priorities.

In addition, our Executive Directors are also required to hold Tyman shares to the value of at least one year's salary and a significant proportion of their remuneration is paid to them in the form of Tyman shares though our Executive Share Plans.

Our senior management teams around the world have remuneration structures derived from those of the Executive Directors to ensure a clear line of sight between local performance and Group objectives.

Activities of the Remuneration Committee

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

- assessed performance of Executive Directors and determined annual bonuses for 2013;
- established the Executive Directors' bonus arrangements and set bonus targets for 2014;
- consulted with shareholders and shareholder bodies on the structure and targets for 2013 LTIP awards and made the awards to Directors and key senior management;
- consulted with shareholders and shareholder bodies on amendments to historic LTIP awards following the acquisition of Truth and the associated placing and open offer;
- reviewed and revised the Directors' service contracts to reflect best practice for a Main List company;
- reviewed remuneration benchmarking and set 2014 base salaries and benefit packages for Executive Directors;
- codified the treatment of share awards for senior managers who leave the Group and who are viewed as good leavers;
- considered remuneration market trends and corporate governance developments; and
- reviewed the revised remuneration reporting regulations and prepared the Directors' remuneration report.

In addition, the Committee participated in the March 2013 FRC Reporting Lab on the reporting of pay and performance – the only AiM company to participate.

Remuneration for 2013

Details of the remuneration decisions for 2013 are set out in the Directors' annual remuneration report.

As highlighted in the Chairman's letter, Tyman demonstrated solid financial performance in 2013, with good growth in the US and the UK, and our key strategic initiatives progressing well. Group PBTA performance during the year was robust with achievement of £17.9 million for 2013. This was ahead of the target range, resulting in 85.1 per cent of the bonus relating to PBTA becoming payable.

The Group's cash collection in the period was very strong and was significantly ahead of the Group's expectations at the time of the announcement of the Truth transaction. Accordingly 100 per cent of the bonus relating to cash flow became payable. Overall, this resulted in the Executive Directors receiving a bonus equal to 89.6 per cent of 2013 salary for the year, of which 50 per cent will be deferred until March 2017 under the rules of the Deferred Share Bonus Plan.

The announcement of the Group's results for the year ended 31 December 2013 was the trigger event for the vesting of the 2010 and 2011 LTIP awards. Cumulative EPS over the period for both the 2010 and the 2011 awards was 34.15 pence against targets of 32.40 pence and 34.20 pence respectively. Therefore 100 per cent of the 2010 awards and 99.44 per cent of the 2011 awards will vest.

Key remuneration decisions for 2014

The Committee consulted major shareholders holding c.50 per cent of share capital on proposed increases to Executive Director base salaries and the CFO's cash allowance in lieu of pension. Some common themes emerged from these discussions; there was widespread acknowledgement that the Company had made considerable progress under the leadership of the current Executive Directors; that the Company had grown significantly in size and complexity since their appointment in early 2010; and that as there had been no substantive adjustment to Executive Director pay to date, a substantial gap had developed between Tyman base pay and market median levels.

Following consultation with major shareholders, the Committee has decided to phase-in salary increases to closer to median over two years, subject to an annual review of each executive's performance and Company performance. In line with these discussions, the Committee set the CEO's base salary at £334,000 per annum (c.25 per cent increase) and the CFO's base salary at £226,000 per annum (c. 11 per cent increase) from 1 January 2014. The Committee also increased the pension allowance for the CFO from c. 5 per cent of salary to 15 per cent of salary (the CEO's cash allowance remains 20 per cent of salary).

The second phase will be considered at the next salary review date, which is in January 2015, and will take into account both individual and Company performance. This will include an assessment of the successful integration of, and delivery of the anticipated benefits from, the Truth acquisition which completed in 2013.

To further strengthen alignment with shareholders, the Committee intends to extend the time horizon of future LTIP awards to Executive Directors through the introduction of a two-year holding period on vested LTIP shares (net of tax).

Remuneration disclosure

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

The report contains two sections:

1. The Directors' remuneration policy report (pages 50 to 56). This section contains details of the remuneration policy that we propose will apply from the 2014 AGM subject to obtaining shareholder approval at the AGM.

2. The Directors' annual remuneration report. This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2013 and how we intend for the policy to apply for the year ended 31 December 2014.

At the AGM in May 2014 the Directors' remuneration policy report will be put to a binding shareholder vote and the Directors' annual remuneration report will be put to an advisory shareholder vote.

It is my hope that you find this a clear and comprehensive report and I look forward to hearing the views of our investors on the information presented here over the coming months.

Les Tench
Chairman, Remuneration Committee

Remuneration policy report

Introduction

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

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

The key components of the remuneration policy and associated arrangements for Board members are shown below. This policy statement will be submitted for approval by shareholders at the Annual General Meeting scheduled to be held on 16 May 2014. If approved, the policy will take effect from the conclusion of the 2014 AGM and remain in effect until the 2017 Annual General Meeting, or earlier if amended by the shareholders.

Remuneration at a glance

Current salary	CEO – £334,000 and CFO – £226,000
Pension allowance	Maximum contribution of 20 per cent of base salary.
Benefits	Typically life assurance cover, critical illness cover, private medical and dental cover, car allowance and professional tax and financial advice.
Annual bonus	100 per cent of base salary, with 50 per cent in cash and 50 per cent in shares deferred for three years. Targets are usually 100 per cent financial but can have up to 20 per cent targeted on individual personal objectives.
LTIP	Normally nil cost options up to 100 per cent of base salary, but exceptionally 150 per cent. Performance metrics based on cumulative underlying EPS measured over a three-year period, with a discretionary underpin. Typically, 25 per cent vests for threshold performance (zero per cent below threshold) increasing pro rata to 100 per cent vesting for stretch performance. From 2014 new LTIP awards to be retained for two years after vesting, thereby making a five-year holding period for an LTIP award from date of grant to permitted disposal.

Executive Directors' remuneration policy

Purpose and link to strategy	Operation and opportunity
Base salary	
To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved. The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and management of its business in the international environment in which it operates.	Base salary is paid monthly in cash in the currency specified in the employment contract. The Executive Directors' salaries are reviewed annually by the Committee which takes into account: › prevailing market and economic conditions; › scope of the role; › pay levels at companies of a similar size, internationality and complexity; and › company and individual performance. In normal circumstances, annual increases in salary will be limited to the general annual salary increase received by Group employees in the relevant Director's country of residence. The Committee may consider it appropriate and necessary to award larger increases, for example, in circumstances where the nature or complexity of the Group has increased materially or if an individual assumes significantly more responsibility. If there were a material change in business size or complexity (up or down), then this would be reflected in the market comparability.

Purpose and link to strategy	Operation and opportunity
Benefits	
To provide a range of market competitive benefits to encourage retention and which enable an Executive Director to perform his or her duties.	Executive Directors are eligible for a range of benefits that may include: › life assurance cover; › critical illness cover; › private medical and dental cover for Executive Directors and their dependants; › car allowances; › professional tax and financial advice. Additional benefits may also be provided in certain circumstances which may include relocation and associated expenses. Other benefits may be offered if considered appropriate, reasonable and necessary by the Committee.
Pension	
To provide a market-competitive benefit for retirement which rewards sustained contribution and encourages retention.	Eligible to participate in the relevant pension arrangements offered by the Group or to receive a cash salary supplement in lieu of pension entitlement. The maximum opportunity, either by way of a contribution to a Group pension arrangement or payment of a cash salary supplement, is 20 per cent of base salary. The Committee may amend the form of any Executive Director's pension arrangements in response to changes in legislation or similar developments, provided that the amendment does not materially increase the cost to the Company of the pension provision.
Annual bonus	
To reward achievement of annual financial goals consistent with the strategic direction of the business.	The maximum annual bonus opportunity for the Executive Directors is 100 per cent of salary. Performance targets are set annually and relate to the achievement of financial and strategic objectives. In normal circumstances, the Committee would expect to set annual bonus targets 100 per cent dependent on the achievement of defined financial performance targets, however there may be circumstances where the Committee feels it is appropriate and necessary to have not more than 20 per cent of maximum bonus weighted towards the achievement of individual personal objectives. Annual financial performance targets to date have been focused on profit and cash metrics, however the Committee may elect to use different financial performance measures in future years. The Committee retains the discretion to revise any formulaic bonus award downwards or upwards in the event that an exceptional negative or positive event occurs during the bonus year in question, however in practice would not expect to revise any formulaic bonus upwards. Any bonus payable to Executive Directors under the annual bonus scheme is paid 50 per cent in cash and 50 per cent in shares deferred for three years under the Deferred Share Bonus Plan ("DSBP") and is not pensionable.

Remuneration policy report continued

Purpose and link to strategy	Operation and opportunity
Long term incentive plans	
To align interests of senior executives and those of shareholders in developing the long-term growth of the business and execution and delivery of the Group's strategy. To facilitate share ownership by Executive Directors and other senior management to provide further alignment with shareholders.	Executive Directors are eligible to participate (subject to selection by the Committee) in long term incentive plans approved by shareholders. Awards made under long term incentive plans are not pensionable. **The Tyman Long Term Incentive Plan (the "LTIP")** The LTIP was approved by shareholders on 30 November 2010 and has a maximum life of 10 years. Awards are determined by the Committee at its discretion, with a maximum annual performance share award under the current plan of 100 per cent of salary or 150 per cent of salary in exceptional circumstances. Such circumstances typically include recruitment or the retention of critical talent on a targeted basis. Awards are subject to the Company meeting defined financial targets over three financial years, starting with the financial year in which the grant takes place. A percentage of the award, typically 25 per cent, vests for threshold performance (0 per cent below threshold) increasing pro rata to 100 per cent vesting for stretch performance. LTIP vesting depends on the aggregate underlying EPS of the Group over the three year life of an award. More recent LTIP awards have incorporated a discretionary TSR underpin and the Committee considered and has extended the number of performance parameters it considers when assessing the underpin. These are set out in the annual report on remuneration. The Committee reviews the LTIP performance measures in advance of each LTIP grant to ensure their ongoing appropriateness and consults with shareholders over both the measures and their associated targets. The Committee retains the discretion to adjust the financial targets in the event of any material acquisitions, disposals or other corporate events in order to maintain an equivalent level of difficulty. The LTIP provides for the grant of: (i) performance shares or nil-cost options; and/or (ii) fair-market value options, vesting on the satisfaction of stretching performance criteria over three years (subject to a maximum annual award of 200 per cent of salary). If awards are a mix of performance shares and market value options, then the aggregate fair value would be no higher than the fair value of an award of 100 per cent of salary in performance shares. Awards under the LTIP to date have been made in the form of nil-cost options; however, the Committee retains the flexibility to consider other forms of award (such as fair-market value options) for future cycles as it is mindful that alternative forms of award remain prevalent in some of the geographies (eg the USA) in which the Company competes for senior executive management. From 2014, awards made under the LTIP will normally require Executive Directors to retain any awards that vest, net of tax, (whether held as shares or options) for a minimum of two further years from the date of vesting. This will make the aggregate holding period for an LTIP award five years from date of grant to permitted disposal.

Purpose and link to strategy	Operation and opportunity
Minimum shareholding requirement	
To require Executive Directors to retain a minimum shareholding in the Company to ensure alignment with shareholders' interests as a whole.	Executive Directors are expected to retain a minimum shareholding equivalent to 100 per cent of basic salary. Executive Directors are required to retain 50 per cent of shares vesting (after any disposals necessary to pay associated tax charges) under both the deferred share plan and the LTIP until the minimum shareholding is reached.

Remuneration outcomes in different performance scenarios

The charts below set out an illustration of the remuneration policy for 2014 in line with the remuneration policy. The charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component.

Three scenarios have been illustrated for each Executive Director:

Below threshold performance	› Fixed remuneration › No annual bonus payout › No vesting of LTIP awards
At target performance	› Fixed remuneration › 50 per cent annual bonus payout › 25 per cent of LTIP awards vest
Stretch performance	› Fixed remuneration › 100 per cent annual bonus payout › 100 per cent of LTIP awards vest

The fixed pay element is based on the following elements:

- Base salary is the base salary effective for the year ended 31 December 2014, as set out on page 50.
- Benefits are the value of benefits paid in the year ended 31 December 2013, as set out on the table of Directors' remuneration on page 57.
- Cash contribution in lieu of pension and benefits effective for the year ended 31 December 2014, which is 20 per cent of base salary for the CEO and 15 per cent of base salary for the CFO.

The scenarios below do not take into account share price appreciation or dividends.

CEO

Remuneration policy report continued

Non-executive Directors' remuneration policy

Purpose and link to strategy	Operation and opportunity
Fees	
Attract and retain high calibre Non-executive Directors.	Fees are reviewed annually, taking into account time commitment, responsibilities and fees paid by companies of a similar size and complexity. Fee increases, if applicable, for Non-executive Directors, will take effect from 1 July. Additional fees may be paid to Chairmen of Board Committees and to the Senior Independent Director. Aggregate annual fees to Directors are limited to £500,000 under the Articles of Association. No eligibility to receive bonuses, retirement benefits or to participate in the Group's long term incentive plans or employee share plans.

Non-executive Directors' letters of appointment

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

Non-executive Directors are employed for terms of three years' duration, terminable on a month's notice by the Company or the Director.

All Non-executive Directors are required to undertake that they will submit themselves for re-election at each Annual General Meeting occurring during their term of office and no Non-executive Director will serve more than three terms of three years without prior shareholder approval.

Non-executive Directors' shareholding guidelines

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

Other policies

Recruitment of Non-executive Directors

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

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

Recruitment of Executive Directors

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

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

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

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

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

Any such reimbursement would be made in cash or in shares in Tyman plc, and may be subject to performance conditions attached to Tyman.

No incentives were paid in connection with the recruitment of Mr Eperjesi or for the promotion of Mr Brotherton to their respective roles, both of which occurred in 2010.

Exit payment policy for Executive Directors

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

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

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

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

Policy on external appointments

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

As at 11 March 2014, neither Louis Eperjesi nor James Brotherton held any external directorships.

Other share plans

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

Remuneration policy report continued

Consultation with employees

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

Consultation with shareholders and shareholder bodies

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

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

Dilution

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

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

Remuneration implementation report

Remuneration Committee

The 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. During 2013 the Committee was chaired by Mr Tench and met four times.

The Remuneration Committee is responsible for:

- setting, reviewing and recommending to the Board for approval the Company's overall remuneration policy and strategy;
- determining and reviewing the terms of appointment and the remuneration arrangements of the Executive Directors of the Company and the Chairman;
- determining and reviewing the terms of appointment and the remuneration arrangements of the members of the Tyman Management Committee of the Company; and
- approving any Company share, share option or cash-based incentive plan, and the grant, award, allocation or issue of shares, share options or payments under any such plan.

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

During the year, Kepler advised the Committee on developments in market practice, corporate governance and institutional investor views and in the development of the Company's incentive arrangements. Total fees for advice provided to the Committee during the year were £30,510. Kepler are members of the Remuneration Consultants Group, and as such, voluntarily operate under the Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence.

The Committee also took advice from the Group's legal advisers, Pinsent Masons LLP, as well as advice from a number of law firms around the world relating to local laws and regulations surrounding the granting, vesting and exercise of awards made to senior divisional management. Total fees for legal advice provided to the Committee during the year were £56,316.

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

Executive Directors' remuneration 2013

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

Single figure remuneration table (audited)

The table below sets out a single figure of remuneration for each Director for 2013:

	Salary/fees		Annual cash bonus		Annual bonus settled with deferred shares		Cash payments in lieu of pension and benefits		Non-cash benefits		LTIP awards vested		Total remuneration	
Directors' remuneration for the year ended 31 December 2013	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Executive Directors														
James Brotherton[1]	**203**	199	**91**	68	**91**	68	**10**	10	**1**	–	**825**	–	**1,221**	345
Louis Eperjesi[1]	**266**	261	**120**	89	**120**	89	**54**	53	**1**	1	**1,100**	–	**1,661**	493
Non-executive Directors														
Jamie Pike	**100**	100	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**100**	100
Les Tench[2]	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
Martin Towers[3]	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40
Angelika Westerwelle	**35**	3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**35**	3
Total	**684**	643	**211**	157	**211**	157	**64**	63	**2**	1	**1,925**	–	**3,097**	1,021

1 The 2013 single figure remuneration for the Executive Directors is above the maximum shown in the performance scenarios due to two LTIP cycles, the 2010 Transitional LTIP and the 2011 LTIP, vesting on performance to 31 December 2013 and the impact of share price appreciation between grant and vesting.
2 These fees include £5,000 in respect of chairmanship of the Remuneration Committee.
3 These fees include £5,000 in respect of chairmanship of the Audit Committee.

Additional disclosures for single figure for total remuneration table

Base salary

Base salaries for the Executive Directors were increased by 2.0 per cent from 1 January 2013 which was the same level of increase as was awarded for 2012 and reflected the general level of salary increases in the Group's UK businesses.

Annual bonus

The annual bonus for Executive Directors increased by 34 per cent and reflected the improvement in underlying earnings of the Group during 2013. The annual bonus for the Group's UK businesses increased by 176.0 per cent, reflecting the improvement in the underlying earnings of the Group's UK businesses in 2013. This increase in bonus payments for UK employees does not reflect any change in the level of bonuses as a result of recruitment or promotion.

Remuneration implementation report continued

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

Cash payments in lieu of pension and other benefits
In 2013, Louis Eperjesi was paid £54,000 (2012: £53,000) and James Brotherton was paid £10,000 (2012: £10,000) as a salary supplement in lieu of pension and other benefits. These amounts were non-bonusable.

Performance related remuneration

Annual bonus
For 2012 and 2013 the annual bonus scheme for Executive Directors was based 70 per cent on profitability ("PBTA") targets and 30 per cent on free cash flow. The actual target ranges for the two bonus components have not been disclosed as this is considered by the Board to be commercially sensitive information; however the 2013 targets for both of the bonus components were increased by some 26 per cent and 50 per cent respectively during the year to take account of the acquisition of Truth.

Under the Deferred Share Bonus Plan, 50 per cent of Executive Director bonuses that would otherwise have been payable are delivered in the form of nil-cost options, to strengthen alignment with shareholders' interests. These awards will normally vest (together with dividend equivalents in cash or shares) after three years and are not subject to any performance conditions. Other senior employees are also required to defer a proportion of their bonuses pursuant to the Deferred Share Bonus Plan.

2013 bonus outcome
As highlighted in the Chairman's letter, Tyman demonstrated solid financial performance in 2013, with good growth in the US and the UK, and our key strategic initiatives progressing well. Group PBTA performance during the year was robust with achievement of £17.9 million for 2013. This was ahead of the target range, resulting in 85.1 per cent of the bonus relating to PBTA becoming payable.

The Group's cash collection in the period was very strong and was significantly ahead of the Group's expectations at the time of the announcement of the Truth transaction. Accordingly 100 per cent of the bonus relating to cash flow became payable.

While none of the 2013 bonus was subject to the achievement of strategic or personal objectives, in approving the 2013 bonus amounts the Committee took into account the strategic achievements of the Group during the year and the individual contributions of the Executive Directors in securing those achievements.

Overall, this resulted in the Executive Directors receiving a bonus equal to 89.6 per cent of 2013 salary for the year, of which 50 per cent will be deferred until March 2017 under the rules of the Deferred Share Bonus Plan.

LTIP awards vesting
The announcement of the Group's results for the year ended 31 December 2013 was the trigger event for the vesting of the 2010 and 2011 LTIP awards.

The 2010 awards were made in December 2010 and the 2011 awards were made in July 2011. Both awards covered the performance period from 1 January 2011 to 31 December 2013. Awards were dependent on the cumulative underlying basic EPS from continuing operations for the three years measured against a defined target range.

Following consultations with institutional shareholders, the target ranges for both awards were restated following the disposal of Gall Thomson in 2012, however due to the proximity to the end of the measurement period the target ranges were not restated following the acquisition of Truth Hardware. Instead, the 2013 performance year was ringfenced for the effects of the Truth acquisition and its associated financing. The underlying basic EPS achieved is set out below.

Performance year	Earnings per share
2011[1]	9.64p
2012[2]	11.49p
2013 (ringfenced)[3]	13.02p
Underlying cumulative EPS	**34.15p**

Notes
1 Restated in 2012.
2 Restated in 2013.
3 See calculation of ringfenced EPS for 2013 on page 59.

A reconciliation of the ringfenced EPS for 2013 is set out below:

	Source	£'000
Tyman plc reported underlying profit after taxation	Note 9 on page 89	20,948
Less: Truth operating profit	Note 3 on page 83	(7,688)
Add: Interest charge on financing	Note 7 on page 87	892
Add: Tax effect on Truth operating profit and interest charge	See note below	2,609
Ringfenced profit after taxation		16,761
Weighted average number of shares in issue		128.770 million
Ringfenced 2013 EPS		13.02 pence

Notes
The Tax effect is calculated using an effective tax rate of 38 per cent, which is a combination of a US tax rate on the Truth earnings and a UK tax rate on the interest charge.

The percentage of awards vesting for the 2010 and 2011 awards are set out below:

Award	Range	Achievement	% of award to vest
2010 awards	25.7 – 32.4p	34.15	100.00%
2011 awards	27.5 – 34.2p	34.15	99.44%

The Remuneration Committee has satisfied itself that the recorded underlying cumulative EPS is a genuine reflection of the underlying business performance of the Group over the performance period and accordingly has approved the vesting of the 2010 and 2011 awards at their respective calculated percentages. Awards were adjusted for the impact of the bonus element of the open offer as a result of which a total of 1,836,954 awards, excluding dividend shares, vested in March 2014.

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

Award	Executive Directors	Senior managers	Total
2010 awards	357,000	865,781	1,222,781
2011 awards	355,002	259,171	614,173
Total	**712,002**	**1,124,952**	**1,836,954**

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

Award	Executive Directors £'000	Senior managers £'000	Total £'000
2010 awards	40	96	136
2011 awards	33	24	57
Total	**73**	**120**	**193**

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

LTIP awards granted in 2013

On 14 November 2013 the Remuneration Committee granted nil or nominal cost options over 925,217 ordinary shares in the Company to around 32 senior managers, executives and Executive Directors ("2013 Awards"). Vesting of the 2013 awards is based on the Company's three year cumulative underlying for the financial years 2013 to 2015.

If, over the three financial years 2013 to 2015, cumulative underlying EPS is less than 45 pence, no 2013 awards will vest; 25 per cent of 2013 awards will vest for cumulative underlying EPS of 45 pence, rising on a straight-line basis to full vesting for cumulative underlying EPS of 51.5 pence or higher.

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

Remuneration implementation report continued

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

› Tyman's TSR relative to the FTSE All-Share Index and the TSR of the median company in a list of comparator companies, in order of their TSR performance over the three calendar years 2013, 2014 and 2015, using such methodology for TSR calculations as the Committee shall consider appropriate; and
› the EPS achieved in financial year 2015 and the extent to which this exceeds the EPS achieved in financial year 2012; and
› whether, in the Committee's opinion, any inappropriate risk taking has occurred; and
› whether, in the Committee's opinion, the three year cumulative EPS target has been achieved simply through increased and inappropriate gearing of the balance sheet.

The 2013 awards are expected to vest in March 2016, following the announcement of the Company's results for the year ended 31 December 2015.

LTIP awards granted in 2012

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

› make no adjustment to the existing EPS targets (25 per cent vesting at 33 pence up to 100 per cent vesting at 45.6 pence) for the Truth acquisition, but,
› re-state the existing EPS targets for the capital raising completed as part of the Truth acquisition, as this was at a discount to the prevailing market price, based on the standard theoretical ex-offer price adjustment factor (c. 0.98).

Dilution limit

Generally, it is the intention that LTIP awards will be satisfied through the transfer of existing shares by the Company's employees' benefit trust unless the Remuneration Committee, in its discretion, feels that a new issue of shares would be more appropriate. In the event that LTIP awards are satisfied through new issue shares, the Company will operate within the Association of British Insurers' ("ABI") guideline dilution limit of 10 per cent in 10 years for all share-based incentive schemes (excluding awards to the former Executive Chairman granted in 2004 and 2008). Expected dilution should not exceed the 10 per cent dilution limit, even if the awards made to the former Executive Chairman are taken into account.

The Remuneration Committee has the flexibility to operate outside the ABI guideline of 5 per cent in 10 years dilution limit for discretionary share-based incentive schemes to accommodate LTIP awards for a broader employee population. In managing dilution, the Company will nevertheless be mindful of the 5 per cent in 10 years guideline and will be prudent in managing the flow rates, keeping shareholders informed of actual and anticipated dilution levels over time. The majority of the 2010, 2011 and 2012 LTIP awards are likely to be satisfied through the transfer of existing shares rather than the issue of new shares.

Assuming that all performance targets are met in full, the Remuneration Committee currently envisages that a maximum of 1,103,390 of the 3,815,232 shares subject to all the Awards outstanding (approximately 29 per cent) will be satisfied through new issue shares to ensure that local trusts, tax and securities laws are complied with in certain overseas jurisdiction.

As at 31 December 2013, shares equivalent to 2.25 per cent of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Employee and Executive Share Plans, assuming maximum vesting.

Tyman Employee Benefit Trust ("EBT")

The EBT held 2,179,282 Tyman ordinary shares at 31 December 2013. The outstanding LTIP awards at 31 December 2013 are as follows:

LTIP awards granted in:	Vesting date:[1]	Number of shares:
2010	March 14	1,198,806
2011	March 14	605,514
2012	March 15	1,140,180
2013	March 16	870,732
		3,815,232

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

Summary of Directors' service contracts

The following table shows details of the service contracts for Executive Directors who were in office at 31 December 2013:

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

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

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

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

Directors' shareholdings and interests (audited)

Shares

The interests of each person who was a Director of the Company as at 31 December 2013 (together with interests held by his or her connected persons) were:

	Ordinary shares at 31 Dec 2013	Ordinary shares at 31 Dec 2012
James Brotherton	**186,898**	149,191
Louis Eperjesi	**181,648**	145,000
Jamie Pike	**507,362**	405,000
Les Tench	**117,445**	93,750
Martin Towers	**62,984**	50,277
Angelika Westerwelle	**131,318**	–

Executive Directors' minimum shareholding requirement

The table below sets out the minimum shareholding required by the remuneration policy and the level of shareholding achieved for each Executive Director at 31 December 2013:

Directors' minimum shareholding	Salary[1] £'000	Value of shareholding[2] £'000	Minimum shareholding as % of salary	Actual shareholding as % of salary
James Brotherton	203	427	100%	210%
Louis Eperjesi	266	415	100%	156%

Notes to Directors' minimum shareholding table above:

1 Base salary as at 31 December 2013.

2 Based on the closing price of a Tyman plc ordinary share of £2.285 on 31 December 2013.

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

The interests of each person who was a Director of the Company as at 31 December 2013 in awards made under the Deferred Share Bonus Plan are set out below:

Deferred Share Bonus Plan	Award date	Market value[1] at award date	Shares over which deferred bonus awards granted after the year end[1]	Normal vesting date	Expiry date
James Brotherton	23/03/11	£1.33	68,819	March 2014[2]	23/03/21
	16/03/12	£1.23	17,580	March 2015[2]	16/03/22
	08/05/13	£2.05	32,986	March 2016[2]	08/05/23
	11/03/14	£2.67	34,001	March 2017[2]	11/03/24
Louis Eperjesi	23/03/11	£1.33	86,880	March 2014[2]	23/03/21
	16/03/12	£1.23	23,132	March 2015[2]	16/03/22
	08/05/13	£2.05	43,402	March 2016[2]	08/05/23
	11/03/14	£2.67	44,736	March 2017[2]	11/03/24

1 The number of shares awarded is calculated by dividing one-half of the gross value of the bonus payable by the market value of a share. Market value means the average of the daily closing prices of a share over the five dealing days immediately preceding the award date. Awards are in the form of nil-cost options and are granted for nil consideration.

2 The exact day in March will be determined by the day the Group's results for the year ended on the previous 31 December are announced.

Remuneration implementation report continued

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

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

LTIP	Award date	Market value at award date	**Shares over which LTIP awards held at 1 Jan 2013**	Shares over which LTIP awards granted during the year	**Shares over which LTIP awards held at 31 Dec 2013**	Face value[2]	Normal vesting date	Expiry date
James Brotherton	10/12/10	£1.0375	**150,000**	–	**150,000**	**£155,625**	11/03/14	10/12/20
	06/07/11	£1.2300	**150,000**	–	**150,000**	**£184,500**	23/03/14	06/07/21
	03/07/12	£1.2950	**153,193**	–	**153,193**	**£198,385**	March 2015[1]	03/07/22
	14/11/13	£2.2800	**–**	86,302	**86,302**	**£196,769**	March 2016[1]	14/11/23
Louis Eperjesi	10/12/10	£1.0375	**200,000**	–	**200,000**	**£207,500**	11/03/14	10/12/20
	06/07/11	£1.2300	**200,000**	–	**200,000**	**£246,000**	23/03/14	06/07/21
	03/07/12	£1.2950	**201,570**	–	**201,570**	**£261,033**	March 2015[1]	03/07/22
	14/11/13	£2.2800	**–**	113,555	**113,555**	**£258,905**	March 2016[1]	14/11/23

1 The exact day in March will be determined by the day the Group's results for the year ended on the previous 31 December are announced.
2 Face value is the number of shares awarded multiplied by the market value at the award date.

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

Non-executive Directors' fees and Chairman fees

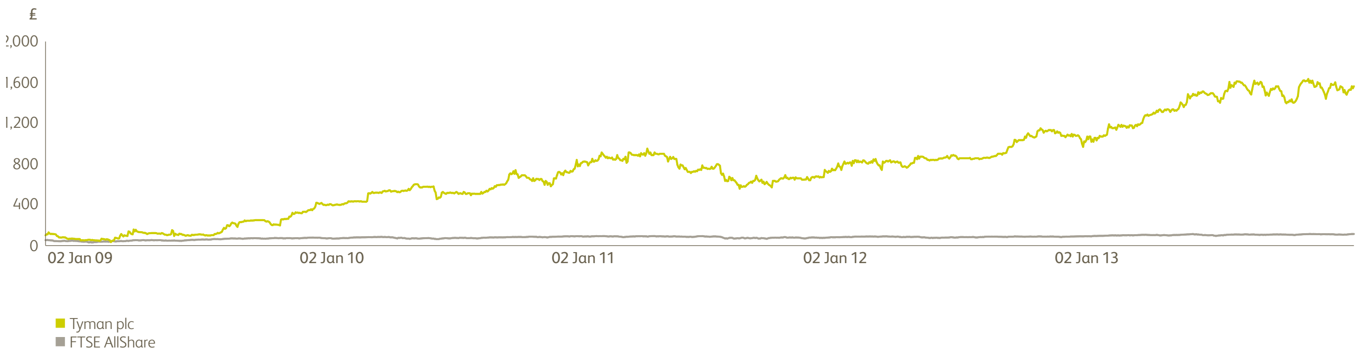
During 2013 there were no increases to the levels of Chairman fees, Non-executive Director fees or committee fees. The fees payable to the Chairman, Non-executive Directors and Committee Chairmen during 2013 were as follows:

Position/role	**Fees payable in year ended 31 December 2013 £**
Chairman	**100,000**
Non-executive Director	**35,000**
Chairman of the Audit Committee	**5,000**
Chairman of the Remuneration Committee	**5,000**

TSR performance

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

Five year historical TSR performance growth in value of hypothetical £100 holding



Historical Chief Executive remuneration outcomes

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

		2009 £'000	2010 £'000	2011 £'000	2012 £'000	**2013 £'000**
Louis Eperjesi	Single figure of remuneration	n/a	394	338	493	**1,661**
	Annual bonus payout (as % maximum opportunity)	n/a	100%	22%	68%	**90%**
	LTIP or equivalent	n/a	Nil	Nil	Nil	**1,100**
Denis Mulhall	Single figure of remuneration	n/a	438	n/a	n/a	**n/a**
	Annual bonus payout (as % maximum opportunity)	n/a	0%	n/a	n/a	**n/a**
	LTIP or equivalent	n/a	Nil	n/a	n/a	**n/a**
Keith Taylor	Single figure of remuneration	572	73	n/a	n/a	**n/a**
	Annual bonus payout (as % maximum opportunity)	100%	n/e	n/a	n/a	**n/a**
	LTIP or equivalent	n/e	n/e	n/a	n/a	**n/a**
Greg Hutchings	Single figure of remuneration	713	n/a	n/a	n/a	**n/a**
	Annual bonus payout (as % maximum opportunity)	0%	n/a	n/a	n/a	**n/a**
	LTIP or equivalent	Nil	n/a	n/a	n/a	**n/a**

Notes
"n/a" = not applicable – individual was not employed as CEO of the Group in the year in question.
"n/e"= not eligible – individual was employed during the year but was not eligible to participate in the bonus or LTIP scheme as appropriate that year.

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

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

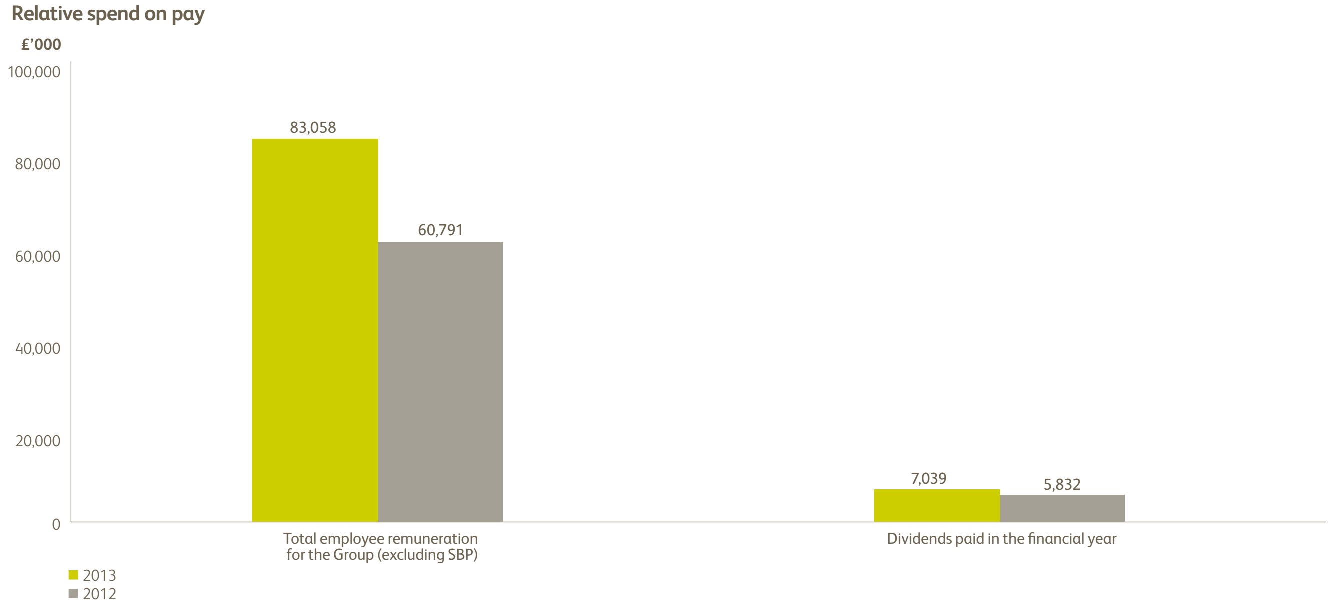
Denis Mulhall
Appointed as acting Chief Executive Officer for the Group for the period between Keith Taylor's resignation and Louis Eperjesi's appointment. Denis Mulhall was not paid any incremental salary or benefits for the period of time that he was acting CEO and did not receive any bonus or long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

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

Remuneration implementation report continued

Relative spend on pay

The chart below shows both the total cost of employee remuneration in the Group as shown on page 85 as well as dividends paid.



Statement of implementation of remuneration policy for the year ended 31 December 2014

Basic salary

As explained in the Chairman's remuneration report letter, following consultation with major shareholders, the Committee has decided to phase-in salary increases to closer to median over two years, subject to an annual review of each executive's performance and Company performance. In line with these discussions, the Committee set the CEO's base salary at £334,000 per annum and the CFO's base salary at £226,000 per annum from 1 January 2014.

The second phase will be considered at the next salary review date, which is in January 2015, and will take into account both individual and Company performance. This will include an assessment of the successful integration of, and delivery of the anticipated benefits from, the Truth acquisition which completed in 2013.

The review of Executive Director base salaries took into account the executives' performance, experience and responsibilities, the overall impact of any salary adjustment on total remuneration and changes to pay across the Group, in addition to market competitive positioning. Comparators included international building products comparators and companies of similar size and complexity. The Committee wishes to emphasise that if there were a material change in business size or complexity (up or down), then this would be reflected in the market comparability.

Pension and benefits

As explained in the Chairman's remuneration report letter, the Committee also increased the pension allowance for the CFO from c. 5 per cent of salary to 15 per cent of salary (the CEO's cash allowance remains 20 per cent of salary).

Annual bonus

The maximum opportunity for the two Executive Directors under the annual bonus plan is 100 per cent of basic salary. The performance measures for 2014 remain 70 per cent profitability (PBTA) and 30 per cent free cash flow. Targets for the annual bonus plans are not disclosed because they are considered by the Board to be commercially sensitive.

LTIP awards

The maximum opportunity for the two Executive Directors under the LTIP is 100 per cent, or 150 per cent in exceptional circumstances, and further awards are expected to be made in 2014. The measurement period for the 2014 awards will be from 1 January 2014 to 31 December 2016.

2014 Awards are expected to vest (to the extent that the performance conditions have been satisfied) in March 2017, however in line with the Group's amended policy on vesting of LTIPs, Executive Directors will ordinarily be required to hold all vested awards under the 2014 Awards for a further two years until March 2019.

Proposed 2014 Awards performance measures

As in previous years, the Committee intends to discuss the awards, the proposed performance measures and targets with institutional shareholders and shareholder bodies prior to finalising awards. The Committee will report back on the final position for the 2014 awards in its 2014 Implementation Report.

Shareholder votes

At the time of the 2013 AGM, Tyman's shares were traded on the AiM market of the London Stock Exchange. Accordingly, the Committee was not required to put its Remuneration report to the vote; however elected to do so voluntarily. A summary of the voting is set out below.

Votes for	Votes against	Votes cast	Votes withheld
127,154,111 (99.9%)	18,478 (0.0%)	127,268,369 (100.0%)	6,437

Share price

The market price of ordinary shares in Tyman plc at 31 December 2013 was £2.285 and the range during the year was £1.510 to £2.410.

By order of the Board

Les Tench
Chairman, Remuneration Committee
11 March 2014

Independent auditors’ report to the members of Tyman plc

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements defined below:
- give a true and fair view of the state of the Group’s affairs as at 31 December 2013 and of the Group’s profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by Tyman plc, comprise:
- the Group statement of financial position as at 31 December 2013;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the 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 (the “Annual Report”) to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £1.5 million. This represents approximately 0.5 per cent of revenue. In our view revenue is the most appropriate benchmark of underlying performance.

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

Overview of the scope of our audit

The Group is structured along four business lines being Amesbury, Schlegel International, Grouphomesafe, and Truth Hardware. The Group financial statements are a consolidation of 49 reporting units, comprising the Group’s operating businesses which map into the four business lines and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Accordingly, of the Group’s 49 reporting units, we identified 13 which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures on certain balances and transactions were performed at a further three reporting units and rotational visits to two additional small reporting units were made.

This provided coverage of 71 per cent of Group revenue. We have considered the quantitative and qualitative characteristics of the remaining reporting units which comprise a large number of small units in which we considered the risk of material misstatement to the Group to be low and performed analytical procedures on their financial information. Together with additional procedures performed at the Group level on balances such as goodwill and intangible assets, this gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus
In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 45 and 46.

Area of focus	How the scope of our audit addressed the area of focus
Impairment assessment We focused on this area because the determination of whether or not an impairment charge for goodwill or intangible assets was necessary involved significant judgements about the future results of the business. (Refer to note 10 to the financial statements).	We evaluated the Directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We challenged: › the Directors' key assumptions for long term growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; and › the discount rate by assessing the cost of capital for the Company and comparable organisations. We also performed sensitivity analysis around the key drivers of the cash flow forecasts; being revenue growth rates and EBITDA margins. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising.
Accounting for business combinations The Group acquired Truth Hardware Inc. during the year. This acquisition was significant to the financial statements of the Group and accounting standards require that all assets and liabilities are recorded at their fair value on acquisition. The identification and valuation of intangible assets and valuation of inventory, property, and provisions in particular required significant judgement. (Refer to note 24 to the financial statements).	We evaluated the nature of intangible assets identified considering the rationale for the acquisition and the methodology and assumptions used by the Directors in valuing these assets. In respect of the customer relationship and brand intangible assets, we evaluated the cash flow forecasts used by the Directors and challenged key assumptions which included customer attrition rates, sales growth, and implied royalty rates. In respect of inventory valuation, we assessed the margin uplift against historic actual margins earned and tested the calculation of obsolescence provisions based on inventory ageing. In respect of the property, management obtained an independent third party valuation and we have evaluated the work performed by the valuers, and in respect of provisions we evaluated the judgements made around potential future liabilities and challenged the assumptions made by management in calculating the provisions.

Independent auditors' report to the members of Tyman plc
continued

Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. (Refer to note 3 to the financial statements).	We evaluated the design of controls over revenue and receivables and used a combination of automated data analysis to check that either a receivable was created or cash received upon recognising a revenue transaction and manual testing of product delivery and cash collection to check that revenue transactions were appropriately recorded. We tested accounts receivable through a combination of third party confirmations and testing of cash received after the year end date. We also tested journal entries posted to revenue accounts to identify unusual or irregular items.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 43, in relation to going concern. We have nothing to report having performed our review.

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

As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

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

Opinions on matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other matters on which we are required to report by exception
Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

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

Corporate Governance Statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

On page 43 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 45, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Directors' responsibilities statement set out on page 43, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the parent company financial statements of Tyman plc for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2014

Consolidated income statement
For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 (Restated)
Continuing operations			
Revenue	3	**298,054**	228,753
Cost of sales	3	**(198,758)**	(154,023)
Gross profit		**99,296**	74,730
Administrative expenses		**(94,985)**	(95,945)
Operating profit/(loss)		**4,311**	(21,215)
Analysed as:			
Underlying[1] operating profit	3	**32,348**	22,958
Property provision release	3	**–**	2,021
Exceptional items	6	**(10,903)**	(2,574)
Amortisation of intangible assets	11	**(16,605)**	(10,754)
Accelerated amortisation of intangible assets and impairment of intangible assets and goodwill	10,11	**(529)**	(32,866)
Operating profit/(loss)		**4,311**	(21,215)
Finance income	7	**137**	356
Finance costs	7	**(4,925)**	(4,974)
Exceptional foreign exchange gain	7	**1,271**	–
Net finance costs	7	**(3,517)**	(4,618)
Profit/(Loss) before taxation		**794**	(25,833)
Income tax credit	8	**162**	3,700
Profit/(Loss) for the year from continuing operations		**956**	(22,133)
Discontinued operations			
Profit for the year from discontinued operations		**–**	37,374
Profit for the year		**956**	15,241
Basic earnings/(loss) per share			
From continuing operations	9	**0.63p**	(17.07p)
From discontinued operations	9	**–**	28.83p
From profit for the year	9	**0.63p**	11.76p
Diluted earnings/(loss) per share			
From continuing operations	9	**0.62p**	(17.07p)
From discontinued operations	9	**–**	28.37p
From profit for the year	9	**0.62p**	11.30p
Non-GAAP measure			
Basic earnings per share			
Underlying[1] basic EPS from continuing operations	9	**13.71p**	11.49p
Underlying[1] basic EPS from discontinued operations	9	**–**	28.95p
Total underlying basic EPS	9	**13.71p**	40.44p
Underlying[1] profit before taxation from continuing operations	9	**28,586**	21,313
Underlying[1] profit before taxation from discontinued operations	9	**–**	37,225
Total underlying profit before taxation		**28,586**	58,538

1 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.

The notes on pages 74 to 111 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 (Restated)
Profit for the year		**956**	15,241
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	20,21	**2,300**	(1,402)
Total items that will not be reclassified to profit or loss		**2,300**	(1,402)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on retranslation of foreign operations		**(10,566)**	(8,763)
Effective portion of changes in value of cash flow hedges	18	**(163)**	92
Total items that may be reclassified subsequently to profit or loss		**(10,729)**	(8,671)
Other comprehensive loss for the year, net of tax		**(8,429)**	(10,073)
Total comprehensive (loss)/income for the year		**(7,473)**	5,168

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

The notes on pages 74 to 111 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2013

	Share capital £'000	Share premium £'000	Other reserves[1] £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2012	6,864	101	10,389	(7,014)	(697)	33,084	206,491	249,218
Total comprehensive (loss)/income	–	–	(1,469)	–	92	(8,763)	15,308	5,168
Profit for the year	–	–	–	–	–	–	15,241	15,241
Disposal of subsidiary	–	–	(1,469)	–	–	–	1,469	–
Other comprehensive income/(loss)	–	–	–	–	92	(8,763)	(1,402)	(10,073)
Transactions with owners	–	–	–	(1,147)	–	–	(5,350)	(6,497)
Share-based payments[2]	–	–	–	–	–	–	482	482
Dividends paid	–	–	–	–	–	–	(5,832)	(5,832)
Purchase of treasury shares	–	–	–	(1,147)	–	–	–	(1,147)
At 31 December 2012 (restated)	**6,864**	**101**	**8,920**	**(8,161)**	**(605)**	**24,321**	**216,449**	**247,889**
Total comprehensive (loss)/income	–	–	–	–	(163)	(10,566)	3,256	(7,473)
Profit for the year	–	–	–	–	–	–	956	956
Other comprehensive (loss)/income	–	–	–	–	(163)	(10,566)	2,300	(8,429)
Transactions with owners	1,641	63,155	–	3,314	–	–	(5,586)	62,524
Issue of shares	1,641	69,390	–	–	–	–	–	71,031
Share-based payments[2]	–	–	–	–	–	–	1,453	1,453
Dividends paid	–	–	–	–	–	–	(7,039)	(7,039)
Sale of treasury shares	–	(6,235)	–	6,235	–	–	–	–
Purchase of treasury shares	–	–	–	(2,921)	–	–	–	(2,921)
At 31 December 2013	**8,505**	**63,256**	**8,920**	**(4,847)**	**(768)**	**13,755**	**214,119**	**302,940**

1 Other reserves are non-distributable capital reserves which arose on previous acquisitions.
2 Share-based payments includes a deferred tax credit of £772,000 (2012: £Nil).

The notes on pages 74 to 111 are an integral part of these consolidated financial statements.

Consolidated balance sheet
As at 31 December 2013

	Note	2013 £'000	2012 £'000 (Restated)
ASSETS			
Non-current assets			
Goodwill	10	**244,845**	184,896
Intangible assets	11	**109,595**	73,834
Property, plant and equipment	12	**39,942**	29,785
Deferred tax assets	20	**12,102**	9,774
		406,484	298,289
Current assets			
Inventories	13	**40,668**	27,558
Trade and other receivables	14	**34,473**	27,269
Cash and cash equivalents	15	**43,607**	35,857
Current tax asset		**199**	–
		118,947	90,684
TOTAL ASSETS		**525,431**	388,973
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(51,348)**	(32,375)
Current tax payable		**–**	(1,868)
Interest-bearing loans and borrowings	17	**(6,834)**	(7,521)
Provisions	19	**(2,641)**	(2,456)
		(60,823)	(44,220)
Non-current liabilities			
Interest-bearing loans and borrowings	17	**(115,464)**	(63,575)
Derivative financial instruments	18	**(767)**	(605)
Deferred tax liabilities	20	**(29,292)**	(11,766)
Retirement benefit obligations	21	**(7,478)**	(11,230)
Provisions	19	**(7,100)**	(7,513)
Other payables	16	**(1,567)**	(2,175)
		(161,668)	(96,864)
TOTAL LIABILITIES		**(222,491)**	(141,084)
NET ASSETS		**302,940**	247,889
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	**8,505**	6,864
Share premium	22	**63,256**	101
Other reserves		**8,920**	8,920
Treasury reserve		**(4,847)**	(8,161)
Hedging reserve		**(768)**	(605)
Translation reserve		**13,755**	24,321
Retained earnings		**214,119**	216,449
TOTAL EQUITY		**302,940**	247,889

The notes on pages 74 to 111 are an integral part of these consolidated financial statements.

The financial statements on pages 70 to 73 were approved by the Board on 11 March 2014 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 2013

	Note	2013 £'000	2012 £'000 (Restated)
Cash flows from operating activities			
Profit/(Loss) before tax – continuing operations		**794**	(25,833)
Loss before tax – discontinued operations		**–**	(379)
Adjustments	27	**28,802**	50,516
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Inventories		**759**	79
Trade and other receivables		**1,275**	2,768
Trade and other payables		**10,363**	(593)
Provisions utilised	19	**(2,232)**	(1,911)
Pension contributions	21	**(909)**	(1,010)
Income tax paid		**(6,209)**	(4,862)
Net cash generated from operating activities		**32,643**	18,775
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**(7,359)**	(5,462)
Purchases of intangible assets	11	**(1,286)**	(1,355)
Proceeds on disposal of property, plant and equipment		**559**	–
Acquisition of subsidiary undertakings, net of cash acquired	24	**(131,244)**	(16,726)
Proceeds on disposal of subsidiary undertakings		**–**	67,905
Interest received		**150**	309
Net cash (used in)/generated from investing activities		**(139,180)**	44,671
Cash flows from financing activities			
Interest paid		**(2,740)**	(4,540)
Dividends paid		**(7,039)**	(5,832)
Purchase of treasury shares		**(2,921)**	(1,147)
Proceeds from issuance of ordinary shares	22	**71,031**	–
Proceeds from borrowings		**65,738**	–
Repayments of borrowings		**(8,059)**	(39,815)
Refinancing costs paid		**(1,510)**	–
Proceeds from drawdown of working capital facility		**2,642**	–
Repayment of working capital facility		**(2,552)**	–
Net cash generated from/(used in) financing activities		**114,590**	(51,334)
Net increase in cash and cash equivalents		**8,053**	12,112
Exchange losses on cash and cash equivalents		**(303)**	(641)
Cash and cash equivalents at the beginning of the year	15	**35,857**	24,386
Cash and cash equivalents at the end of the year	15	**43,607**	35,857

The notes on pages 74 to 111 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. General information
Tyman plc ("the Company") and its subsidiaries (together, "the Group") is a leading international supplier of components to the door and window industry. The Group operates facilities in 13 countries worldwide.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales at the address shown on page 118.

2. Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The consolidated financial statements of Tyman plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS on a going concern basis. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.22.

2.1.1 Changes in accounting policy and disclosures
New and amended standards adopted by the Group
The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The main change for the Group's accounting policies is to replace the 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 implication of this is that the expected return on assets credited to the income statement (previously calculated based on the expected long-term return on plan assets) is now based on a lower corporate bond rate, being the same rate used to discount the pension liability. The impact of the amended IAS 19 is as follows:
- Profit/(Loss) before tax was approximately £0.4 million and £0.2 million lower for the full year 2013 and 2012 respectively, with a corresponding pre-tax increase in other comprehensive income. The results for 2012 have been restated.
- Basic and diluted earnings/(loss) per share for 2013 decreased by approximately 0.25 pence (2012: a decrease of 0.14 pence).
- No impact on cash flows or the balance sheet at 31 December 2013, 31 December 2012 or 1 January 2012. As such, the impact of the IAS 19 amendments have not been presented at 1 January 2012.

IFRS 13, 'Fair value measurement', 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, which are largely aligned between IFRSs, 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.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have material impact on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (note 2.3).

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

2.2.2 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in the financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may result in amounts previously recognised in other comprehensive income being reclassified to profit or loss.

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2.3 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.4 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.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised when the intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five 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.

2.5 Impairment of non-financial assets

Intangible assets, including goodwill, that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Goodwill previously impaired cannot be reversed at a later date.

2.6 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 amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation is provided on all other property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, at the following annual rates:

- Freehold land – Not depreciated.
- Freehold buildings – 2% to 5%.
- Plant and machinery – 7.5% to 33%.

The carrying amounts of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined in accordance with the first-in, first-out method. Cost includes the cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, a provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated saleability.

2.8 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 provision for impairment.

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 and 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.

2.9 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 re-measured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

For those instruments designated as hedges, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Cash flow hedges

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.10 Employee benefits

The Group operates both defined contribution and defined benefit pension plans and post-employment medical plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group recognises contributions as an employee benefit expense when they are due and has no further payment obligations once the contributions have been paid. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. Prepaid contributions are recognised as an asset to the extent that a cash refund in the future is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit an employee will receive on retirement. This amount is usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

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 at the earlier of the following dates:

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

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

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.

2.11 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. Provisions are not recognised for future operating losses.

2.12 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. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property or 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. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

2.13 Share-based payments

The Group operates an equity-settled share-based compensation plan (Long Term Incentive Plan, "LTIP") for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict target EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.15 Segment reporting

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

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.16 Revenue recognition

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

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

2.17 Current and deferred taxation

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

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax liabilities are recognised if it arises from the initial recognition of:

- goodwill;
- an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same tax entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 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 6, include one-off redundancy and restructuring costs, and transactions costs associated with merger and acquisition activity.

2.19 Foreign exchange

2.19.1 Functional and presentation currency

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

2.19.2 Transactions and balances

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

2.19.3 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.

2.20 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.

2.21 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 items – these are largely one-off in nature and therefore create volatility in reported earnings.
- Amortisation of borrowing costs, amortisation and accelerated amortisation of intangible assets, impairment of intangible assets and goodwill, and unwinding of discount on provisions – these are non-cash in nature and the events giving rise to them are expected to be infrequent.

2.22 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.

2.22.1 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:

Acquisition accounting
IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to separately identify intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets include purchased brands and customer relationships. There is judgement involved in estimating fair value, particularly in relation to identifiable intangible assets, which requires the Directors to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate (note 24).

Carrying value of goodwill and intangibles
As set out in notes 10 and 11 to the Group financial statements, as at 31 December 2013, the Group had goodwill of £244.8 million with intangible assets amounting in total to £109.6 million. An impairment review using a value in use calculation has been performed for each cash generating unit. There is significant judgement involved in determining appropriate assumptions to use in the calculations, including the forecasted cash flows of each cash generating unit and appropriate discount rates relative to the Company's cost of capital. These assumptions have been subjected to sensitivity analyses. Details of estimates used and sensitivities in the impairment reviews are set out in note 10.

Provisions
The Group has provisions of £9.7 million as at 31 December 2013 as outlined in note 19 to the Group financial statements which, by their nature, are uncertain and highly judgemental. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date based on the nature of the provisions, the potential outcomes, any developments relating to specific claims, and previous experience.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Carrying value of inventory

As set out in note 13 to the Group financial statements, as at 31 December 2013, the Group had gross inventories of £47.0 million and provisions for slow-moving and obsolete inventories of £6.3 million. Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives.

Carrying value of trade receivables

As set out in note 14 to the Group financial statements, as at 31 December 2013, the Group had gross trade receivables of £32.0 million and provisions for bad debts of £2.1 million. Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write downs required which is based on current assessments of the creditworthiness of current customers.

2.22.2 Other 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.

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 21.

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 20).

3. Segment information

The reporting segments reflect the manner in which performance is evaluated and resources allocated. During 2013, the Board, in its capacity as the Group's Chief Operating Decision Maker, reviewed the continuing appropriateness of the Group's operating segment disclosures. The Group operates through three clearly defined divisions – Amesbury, Grouphomesafe and Schlegel International – each headed by a divisional CEO and each reporting to the Board via the Group CEO and CFO on a regular basis. Accordingly, the Board has concluded that the most appropriate segmental analysis for stakeholders is based on the three reporting divisions with an allocation of Group central overheads made to each division.

For 2013, the Board considers it appropriate that Truth Hardware ("Truth") be disclosed as an additional segment given its size and the fact that throughout the year it was managed as a stand alone entity with its own CEO and management team. From January 2014, our North American businesses have been managed as a single entity with an integrated management team. Accordingly, Truth has been incorporated into the Amesbury operating segment from the start of 2014. The 2014 results will therefore not include Truth as a distinct operating segment.

Each operating segment broadly represents the Group's geographical focus, being the North American (Amesbury and Truth), United Kingdom (Grouphomesafe) and International (Schlegel International) operations. The Schlegel International segment includes Schlegel Building Products (formerly Linear), the Group's UK-based manufacturer of pile weatherstrip and extrusions.

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.

Revenue

	2013 £'000	2012 £'000
Amesbury	**132,352**	118,600
Truth Hardware	**42,900**	–
Total North America	**175,252**	118,600
Grouphomesafe	**86,047**	73,345
Schlegel International	**36,755**	36,808
Total from continuing operations	**298,054**	228,753

Included within Schlegel International segment are revenues attributable to the United Kingdom of £6,401,000 (2012: £5,483,000).

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

Result

	Note	2013 £'000	2012 £'000 (Restated)
Amesbury		**14,562**	11,506
Truth Hardware		**7,688**	–
Total North America		**22,250**	11,506
Grouphomesafe		**10,496**	8,972
Schlegel International		**(398)**	2,480
Underlying operating profit		**32,348**	22,958
Property provision release		**–**	2,021
Exceptional items	6	**(10,903)**	(2,574)
Amortisation of intangible assets	11	**(16,605)**	(10,754)
Accelerated amortisation of intangible assets and impairment of intangible assets and goodwill	10,11	**(529)**	(32,866)
Operating profit/(loss)		**4,311**	(21,215)
Net finance costs	7	**(3,517)**	(4,618)
Profit/(Loss) before tax and discontinued operations		**794**	(25,833)

Other profit and loss disclosures

	Depreciation		Cost of goods sold	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amesbury	**(3,169)**	(2,779)	**(91,560)**	(83,555)
Truth Hardware	**(974)**	–	**(27,772)**	–
Total North America	**(4,143)**	(2,779)	**(119,332)**	(83,555)
Grouphomesafe	**(1,374)**	(1,274)	**(55,966)**	(48,961)
Schlegel International	**(820)**	(838)	**(23,460)**	(21,507)
Total from continuing operations	**(6,337)**	(4,891)	**(198,758)**	(154,023)

Notes to the financial statements continued

3. Segment information continued

Segment assets and liabilities

At 31 December 2013	Amesbury £'000	Truth Hardware £'000	Total North America £'000	Grouphomesafe £'000	Schlegel International £'000	**Total £'000**
Segment assets						
Total segment assets	212,360	145,302	357,662	117,310	37,479	**512,451**
Unallocated assets						**12,980**
Consolidated total assets						**525,431**
Segment liabilities						
Total segment liabilities	(32,471)	(28,726)	(61,197)	(28,068)	(7,422)	**(96,687)**
Unallocated liabilities[2]						**(125,804)**
Consolidated total liabilities						**(222,491)**
Non-current assets[1]	165,038	122,773	287,811	83,197	23,374	**394,382**
Other segment information						
Employee benefit liability	(7,478)	–	(7,478)	–	–	**(7,478)**
Goodwill	104,397	63,505	167,902	61,910	15,033	**244,845**
Intangible assets	41,255	49,209	90,464	16,708	2,423	**109,595**
Capital expenditure						
– Property, plant and equipment	4,518	952	5,470	1,271	618	**7,359**
– Intangible assets	969	–	969	233	84	**1,286**

At 31 December 2012	Amesbury £'000	Truth Hardware £'000	Total North America £'000	Grouphomesafe £'000	Schlegel International £'000	Total £'000
Segment assets						
Total segment assets	213,676	–	213,676	119,113	37,515	370,304
Unallocated assets						18,669
Consolidated total assets						388,973
Segment liabilities						
Total segment liabilities	(30,127)	–	(30,127)	(25,702)	(8,818)	(64,647)
Unallocated liabilities[2]						(76,437)
Consolidated total liabilities						(141,084)
Non-current assets[1]	176,639	–	176,639	87,397	24,479	288,515
Other segment information						
Employee benefit liability	(11,230)	–	(11,230)	–	–	(11,230)
Goodwill	107,375	–	107,375	61,910	15,611	184,896
Intangible assets	50,542	–	50,542	20,794	2,498	73,834
Capital expenditure						
– Property, plant and equipment	3,681	–	3,681	859	777	5,317
– Intangible assets	1,118	–	1,118	122	115	1,355

1 Non-current assets exclude amounts relating to deferred tax assets.
2 Included within unallocated segment liabilities are borrowings of £122,253,000 (2012: £71,032,000), provisions of £1,200,000 (2012: £2,269,000), and other liabilities of £2,351,000 (2012: £3,136,000).

Non-current assets of the Schlegel International segment include £3,650,000 (2012: £3,460,000) attributable to the United Kingdom.

4. Operating profit/(loss) from continuing operations

Operating profit/(loss) from continuing operations is stated after (charging)/crediting the following:

	Note	2013 £'000	2012 £'000
Depreciation of property, plant and equipment		**(6,337)**	(4,891)
Amortisation of intangible assets	11	**(16,605)**	(10,754)
Amortisation of intangible assets – accelerated basis	11	**–**	(12,566)
Impairment of intangible assets	11	**(529)**	(9,570)
Impairment of goodwill	10	**–**	(10,730)
Operating lease rentals		**(4,632)**	(4,598)
Foreign exchange gain/(loss)		**120**	(318)

The analysis of auditors' remuneration is as follows:

	2013 £'000	2012 £'000
Audit of the Parent Company and consolidated financial statements	**(97)**	(99)
Audit of subsidiaries	**(403)**	(344)
Total audit	**(500)**	(443)
Audit-related assurance services	**(27)**	–
Other assurance services	**(700)**	–
Total assurance services	**(1,227)**	(443)
Tax compliance services	**(24)**	–
Corporate finance services	**(873)**	–
Other non-audit services	**(22)**	(104)
Total non-audit services	**(1,646)**	(104)
Total fees	**(2,146)**	(547)

5. Employees

Number of employees

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

	2013	2012
Administration	**252**	219
Operations	**1,866**	1,486
Sales	**199**	166
	2,317	1,871

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

	2013	2012
Administration	**276**	236
Operations	**2,226**	1,477
Sales	**221**	175
	2,723	1,888

Employment costs

Employment costs of these employees during the year were as follows:

	Note	2013 £'000	2012 £'000 (Restated)
Wages and salaries		**(74,049)**	(53,202)
Social security costs		**(7,052)**	(5,389)
Share-based payments	23	**(681)**	(482)
Pension costs – defined contribution schemes		**(1,153)**	(1,450)
Pension costs – defined benefit schemes	21	**(583)**	(571)
Other post-retirement benefits	21	**(221)**	(179)
		(83,739)	(61,273)

Notes to the financial statements continued

5. Employees continued

Directors' remuneration

The remuneration payable to Directors, considered to be the Group's key management personnel, was as follows:

	2013 £'000	2012 £'000
Short-term employee benefits[1]	**(961)**	(864)
Share-based payments	**(243)**	(180)
	(1,204)	(1,044)

1 Short-term employee benefits exclude Directors' remuneration for deferred share bonus plan and LTIP awards.

Full details of individual Directors' remuneration are given in the remuneration report on pages 48 to 65.

6. Exceptional items

Exceptional items from continuing operations:

	2013 £'000	2012 £'000
Redundancy, restructuring, inventory obsolescence alignment and warranty costs	**(2,650)**	(1,608)
Transaction costs associated with M&A activity	**(4,515)**	(966)
Truth integration costs	**(1,434)**	–
Write-off of Truth inventory fair value adjustment	**(2,304)**	–
	(10,903)	(2,574)

Redundancy, restructuring, inventory obsolescence alignment and warranty costs

Included within this category is a charge of £887,000 relating to changes made to the Group's provision estimate for slow-moving inventory held for greater than one year and followed a review of the Group's overall inventory provisioning methodology undertaken on acquisition of Truth Hardware (note 24). The Group believes that aligning Tyman's inventory obsolescence calculation with that of Truth Hardware is appropriate given the enlarged Group's experience of slow-moving and obsolete inventory. The remainder of this category relates to exceptional costs incurred as a result of the restructuring of the European footprint and the changes made to the North American management team.

Transaction costs associated with M&A activity

These costs principally relate to the transaction costs, including anti-trust fees, which are directly attributable to the acquisition Truth Hardware (note 24).

Truth integration costs

These costs are non-recurring costs incurred as a result of integrating Truth Hardware. Of the £1,434,000 integration costs, £850,000 comprise non-cash write-downs of discontinued products and product lines.

Write-off of Truth inventory fair value adjustment

This charge relates to the IFRS requirement that finished goods held in inventory must be revalued to their market value on acquisition. As the inventory acquired at the date of acquisition has been substantially sold in the subsequent six months, this uplift in the book value has been written off as exceptional as the cost is considered to be of a one-off nature and is of a magnitude that would distort the underlying trading result of Truth Hardware in the period.

7. Finance income and costs

Finance income and costs from continuing operations:

	Note	2013 £'000	2012 £'000 (Restated)
Finance income			
Interest income from short-term bank deposits		**137**	276
Ineffective portion of changes in value of cash flow hedges		**–**	80
		137	356
Finance costs			
Interest payable on bank loans and overdraft		**(3,494)**	(3,620)
Amortisation of borrowing costs		**(997)**	(681)
Unwinding of discount on provisions	19	**(29)**	(271)
Pension scheme and other finance costs		**(405)**	(402)
		(4,925)	(4,974)
Exceptional foreign exchange gain		**1,271**	–
Net finance costs		**(3,517)**	(4,618)

Included within interest income from short-term deposits is £2,000 relating to Truth Hardware.

Included within interest payable on bank loans and overdraft is £894,000 associated with the US$100 million loan drawn down for the Truth Hardware acquisition (see note 24).

8. Income tax credit

8.1 Tax on profit on ordinary activities from continuing operations

	2013 £'000	2012 £'000
Current tax:		
Current tax on profit/(loss) for the year	**(4,162)**	(4,059)
Adjustments in respect of prior periods	**373**	(401)
Total current tax	**(3,789)**	(4,460)
Deferred tax:		
Origination and reversal of temporary differences	**2,273**	6,522
Adjustment due to deferred tax rate change	**1,455**	1,200
Adjustments in respect of prior periods	**223**	–
Exceptional adjustments in respect of prior periods	**–**	438
Total deferred tax	**3,951**	8,160
Income tax credit in the income statement	**162**	3,700
Tax (charge)/credit relating to components of other comprehensive income is as follows:		
Deferred tax (charge)/credit on actuarial gains and losses	**(1,313)**	820
Deferred tax credit on share-based payments	**772**	–
Income tax (charge)/credit in the statement of comprehensive income	**(541)**	820
Total current taxation	**(3,789)**	(4,460)
Total deferred taxation	**3,410**	8,980
Total taxation	**(379)**	4,520

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 23.25% (2012: 24.50%). A tax rate of 21% from 1 April 2014, and a tax rate of 20% from 1 April 2015 were substantively enacted in July 2013. The Group's UK deferred tax assets and liabilities have been remeasured at a rate of 20%, being the rate applicable during the period the deferred tax assets and liabilities are expected to be utilised.

Taxation for other jurisdictions is calculated at rates prevailing in 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.

Notes to the financial statements continued

8. Income tax credit continued

8.2 Reconciliation of the total tax credit from continuing operations

The tax assessed for the year differs from the standard rate of tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit/(Loss) before taxation	**794**	(25,833)
Rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**(185)**	6,329
Effects of:		
Income not taxable for tax purposes	**(43)**	(3,214)
Overseas tax rate differences	**(1,661)**	(652)
Adjustment due to deferred tax rate change	**1,455**	1,200
Adjustment in respect of prior periods	**596**	37
Income tax credit	**162**	3,700

9. Earnings per share

	2013 £'000	2012 £'000
Profit/(Loss) for the year – continuing operations	**956**	(22,133)
Profit for the year – discontinued operations	**–**	37,374
	956	15,241
Basic earnings/(loss) per share		
From continuing operations	**0.63p**	(17.07p)
From discontinued operations	**–**	28.83p
	0.63p	11.76p
Diluted earnings/(loss) per share		
From continuing operations	**0.62p**	(17.07p)
From discontinued operations	**–**	28.37p
	0.62p	11.30p

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:

	2013 '000	2012 '000
Weighted average number of shares (including treasury shares)	**157,337**	137,287
Treasury and employee benefit trust shares	**(4,492)**	(7,643)
Weighted average number of shares – basic	**152,845**	129,644
Effect of dilutive potential ordinary shares – LTIP awards and options	**2,229**	2,108
Weighted average number of shares – diluted	**155,074**	131,752

Non-GAAP measure

Underlying earnings per share

The Group presents an 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:

	Note	2013 £'000	2012 £'000
Profit/(Loss) before taxation from continuing operations		**794**	(25,833)
Exceptional items	6	**10,903**	2,574
Exceptional foreign exchange gain	7	**(1,271)**	–
Amortisation of borrowing costs	7	**997**	681
Amortisation of intangible assets	11	**16,605**	10,754
Amortisation of intangible assets – accelerated basis	11	**–**	12,566
Impairment of goodwill	10	**–**	10,730
Impairment of intangible assets	11	**529**	9,570
Unwinding of discount on provisions	7	**29**	271
Underlying profit before taxation from continuing operations		**28,586**	21,313
Income tax credit	8	**162**	3,700
Add back: Adjustment due to tax rate change	8	**(1,455)**	(1,200)
Add back: Exceptional prior period tax adjustments	8	**–**	(438)
Add back: Tax effect of exceptional items, exceptional foreign exchange gain, amortisation of borrowing costs, amortisation and accelerated amortisation of intangible assets, impairment of intangible assets, and unwinding of discount on provisions		**(6,345)**	(8,477)
Underlying profit after taxation from continuing operations		**20,948**	14,898
Property provision release		**–**	(2,021)
Tax effect of property provision release		**–**	495
Underlying profit after taxation from continuing operations before property provision release		**20,948**	13,372

Underlying profit after taxation from discontinued operations is derived as follows:

	2013 £'000	2012 £'000
Profit before taxation from discontinued operations	**–**	37,010
Exceptional items	**–**	215
Underlying profit before taxation from continuing operations	**–**	37,225
Income tax credit	**–**	364
Add back: Adjustment due to tax rate change	**–**	(2)
Add back: Tax effect of exceptional costs	**–**	(53)
Underlying profit after taxation from discontinued operations	**–**	37,534

Underlying earnings per share is summarised as follows:

	2013	2012
Basic earnings per share		
From continuing operations	**13.71p**	11.49p
From discontinued operations	**–**	28.95p
	13.71p	40.44p
Diluted earnings per share		
From continuing operations	**13.51p**	11.31p
From discontinued operations	**–**	28.49p
	13.51p	39.80p

Underlying earnings per share before property provision release is summarised as follows:

	2013	2012
Basic earnings per share	**13.71p**	10.31p
Diluted earnings per share	**13.51p**	10.15p

Notes to the financial statements continued

10. Goodwill

	Note	£'000
Cost and net carrying value		
At 1 January 2012		213,678
Recognised on acquisition of subsidiaries		3,237
Derecognised on disposal of subsidiaries		(14,307)
Impairment		(10,730)
Exchange difference		(6,982)
At 31 December 2012		184,896
Recognised on acquisition of subsidiaries	24	68,978
Exchange difference		(9,029)
At 31 December 2013		244,845

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 2013 as follows:

	2013 £'000	2012 £'000
Amesbury	**104,397**	107,375
Truth Hardware	**63,505**	–
Total North America	**167,902**	107,375
Grouphomesafe	**61,910**	61,910
Schlegel International	**15,033**	15,611
	244,845	184,896

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 1.50% 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 2013 are as follows:

	Average pre-tax discount rate		Average revenue growth for years one to five	
	2013	2012	**2013**	2012
Amesbury	**14.1%**	12.4%	**12.5%**	8.1%
Grouphomesafe	**10.2%**	11.7%	**6.0%**	3.6%
Schlegel International	**12.6%**	14.5%	**10.0%**	9.8%
Truth Hardware	**13.7%**	n/a	**4.5%**	n/a

Impairment review results: 2013

A review of the carrying values of goodwill and intangible assets across the Group has been carried out in the light of current trading and prospects. As a result of the annual impairment reviews, no impairment losses have been recognised in the year.

Whilst economic conditions in the European markets remain challenging, the goodwill and intangible asset balances are considered sustainable based on current projections. If markets continue to deteriorate, this could give rise to a further impairment charge at a future date.

Impairment review results: 2012

The results of the impairment review process in 2012 indicated that the carrying value of goodwill in the Schlegel International CGU was unsupportable, and that impairment was necessary. An impairment charge of £10.7 million was recognised in administrative expenses in the income statement.

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 5.7 percentage points for each year from year one onwards in perpetuity before any impairment would arise in respect of the CGU with the lowest impairment headroom. Given the strengthened management structure and improving economic prospects in the markets in which this CGU operates, it is considered unlikely that such a sustained deterioration in revenue will occur.

11. Intangible assets

	Note	Computer software £'000	Acquired brands £'000	Customer relations £'000	Total £'000
Cost					
At 1 January 2012		716	33,719	122,087	156,522
Additions		1,279	76	–	1,355
Disposals		(8)	(8,984)	–	(8,992)
Recognised on acquisition of subsidiaries		–	5,534	4,667	10,201
Derecognised on disposal of subsidiaries		–	–	(1,238)	(1,238)
Exchange difference		(77)	(831)	(4,303)	(5,211)
At 31 December 2012		1,910	29,514	121,213	152,637
Additions		1,178	108	–	1,286
Recognised on acquisition of subsidiaries	24	56	15,108	41,419	56,583
Exchange difference		(217)	(1,649)	(5,200)	(7,066)
At 31 December 2013		**2,927**	**43,081**	**157,432**	**203,440**
Accumulated amortisation					
At 1 January 2012		(288)	(15,738)	(41,449)	(57,475)
Amortisation for the year[1]		(111)	(2,092)	(8,551)	(10,754)
Amortisation for the year[1] – 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		–	–	660	660
Exchange difference		46	446	1,420	1,912
At 31 December 2012		(347)	(17,055)	(61,401)	(78,803)
Amortisation for the year[1]		(262)	(3,293)	(13,050)	(16,605)
Impairment		–	–	(529)	(529)
Exchange difference		117	460	1,515	2,092
At 31 December 2013		**(492)**	**(19,888)**	**(73,465)**	**(93,845)**
Net book value					
At 1 January 2012		428	17,981	80,638	99,047
At 31 December 2012		1,563	12,459	59,812	73,834
At 31 December 2013		**2,435**	**23,193**	**83,967**	**109,595**

1 Amortisation for the year is included in administrative expenses in the income statement.

Impairment

2013 Impairment charge

The impairment charge on customer relations of £529,000 relates to intangibles acquired as part of the Unique acquisition in 2012. The impairment was necessitated by the transfer and integration of the Unique business and assets to the Group's Statesville facility (part of the Amesbury division).

2012 Impairment charge

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 net book value, giving rise to an impairment loss in 2012. Impairment losses were recognised in administrative expenses in the income statement.

Notes to the financial statements continued

12. Property, plant and equipment

	Note	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2012		15,182	62,635	77,817
Additions		773	4,689	5,462
Disposals		–	(3,110)	(3,110)
Transfers between fixed asset type		92	(92)	–
Acquisition of subsidiaries		–	935	935
Disposal of subsidiaries		–	(3,793)	(3,793)
Exchange difference		(444)	(1,938)	(2,382)
At 31 December 2012		15,603	59,326	74,929
Additions		144	7,215	7,359
Disposals		(593)	(3,257)	(3,850)
Transfers between fixed asset type		66	(66)	–
Acquisition of subsidiaries	24	4,404	6,612	11,016
Exchange difference		(459)	(6,059)	(6,518)
At 31 December 2013		**19,165**	**63,771**	**82,936**
Accumulated amortisation				
At 1 January 2012		(3,671)	(43,685)	(47,356)
Charge for the year		(482)	(4,603)	(5,085)
Disposals		–	3,040	3,040
Disposal of subsidiaries		–	2,845	2,845
Exchange difference		109	1,303	1,412
At 31 December 2012		(4,044)	(41,100)	(45,144)
Charge for the year		(617)	(5,720)	(6,337)
Disposals		264	2,985	3,249
Exchange difference		42	5,196	5,238
At 31 December 2013		**(4,355)**	**(38,639)**	**(42,994)**
Net book value				
At 1 January 2012		11,511	18,950	30,461
At 31 December 2012		11,559	18,226	29,785
At 31 December 2013		**14,810**	**25,132**	**39,942**

Depreciation relating to continuing operations in the year of £6,337,000 (2012: £4,891,000) is included in administrative expenses in the income statement. Depreciation relating to discontinued operations of £Nil (2012: £194,000) is included in profit for the year from discontinued operations.

13. Inventories

	2013 £'000	2012 £'000
Raw materials and consumables	**14,921**	11,417
Work in progress	**2,987**	1,148
Finished goods	**22,760**	14,993
	40,668	27,558

The cost of materials charged to the income statement during the year ended 31 December 2013 was £134,958,000 (2012: £106,110,000).

As at 31 December 2013, inventories are stated net of an allowance for excess, obsolete or slow-moving items of £6,294,000 (2012: £5,110,000).

An impairment charge of £1,077,000 (2012: £744,000) was recognised in respect of inventories during the year. No inventories (2012: £34,000) were written down to net realisable value.

There were no borrowings secured on the inventories of the Group (2012: £Nil).

14. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**32,012**	25,547
Less: Provision for impairment of trade receivables	**(2,139)**	(1,855)
Trade receivables – net	**29,873**	23,692
Other receivables – net	**1,625**	547
Prepayments and accrued income	**2,975**	3,030
	34,473	27,269

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 2013 trade receivables of £24,546,000 (2012: £20,462,000) were considered to be fully performing.

Net trade receivables of £5,327,000 (2012: £3,230,000) were past due but not impaired as at 31 December 2013. 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		Past due		
	Fully performing £'000	Not fully performing £'000	Within three months £'000	Three to six months £'000	Over six months £'000
At 31 December 2013					
Trade receivables	**24,546**	**–**	**5,282**	**45**	**–**
At 31 December 2012					
Trade receivables	20,462	–	3,109	96	25

All of the Group's trade and other receivables have been reviewed for impairment. At 31 December 2013, trade receivables of £2,139,000 (2012: £1,855,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic circumstances.

Movements on the provisions for impairment of trade receivables are as follows:

	Note	2013 £'000	2012 £'000
At 1 January		**(1,855)**	(2,558)
Provision for receivables impairment		**(555)**	(824)
Receivables written off during the year as uncollectible		**208**	666
Unused amounts reversed		**175**	629
Acquisition of subsidiaries	24	**(142)**	(156)
Disposal of subsidiaries		**–**	350
Exchange difference		**30**	38
At 31 December		**(2,139)**	(1,855)

The creation of provisions for impaired trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables:

	2013 £'000	2012 £'000
Trade receivables within normal terms not fully performing	**(1,493)**	(1,001)
Trade receivables past due date and aged up to three months from invoice date	**(453)**	(757)
Trade receivables past due date and aged between three and twelve months after invoice date	**(193)**	(97)
	(2,139)	(1,855)

Notes to the financial statements continued

14. Trade and other receivables continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2013 £'000	2012 £'000
British Pounds	**12,618**	11,685
US Dollars	**16,548**	10,523
Euros	**3,391**	2,804
Other currencies	**1,916**	2,257
	34,473	27,269

15. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and in hand	**58,430**	49,472
Short-term bank deposits	**2,369**	903
Bank overdrafts	**(17,192)**	(14,518)
	43,607	35,857

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2013 £'000	2012 £'000
British Pounds	**13,989**	22,960
US Dollars	**23,648**	8,660
Euros	**3,026**	2,570
Other currencies	**2,944**	1,667
	43,607	35,857

16. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	**(31,235)**	(19,015)
Other taxes and social security costs	**(1,146)**	(1,762)
Accruals and deferred income	**(20,534)**	(13,773)
	(52,915)	(34,550)
Analysed as:		
Current liabilities	**(51,348)**	(32,375)
Non-current liabilities	**(1,567)**	(2,175)
	(52,915)	(34,550)

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:

	2013 £'000	2012 £'000
British Pounds	**(18,068)**	(14,723)
US Dollars	**(28,488)**	(13,101)
Euros	**(4,117)**	(4,511)
Other currencies	**(2,242)**	(2,215)
	(52,915)	(34,550)

17. Interest-bearing loans and borrowings

	2013 £'000	2012 £'000
Unsecured borrowing at amortised cost		
Bank loans	**(124,509)**	(72,775)
Capitalised borrowing costs	**2,256**	1,743
	(122,253)	(71,032)
Secured borrowing at amortised cost		
Bank loans	**(45)**	(64)
	(122,298)	(71,096)
Analysed as:		
Current liabilities	**(6,834)**	(7,521)
Non-current liabilities	**(115,464)**	(63,575)
	(122,298)	(71,096)

On 1 July 2013, the Group drew down US$100 million under the new multicurrency loan facility for the purposes of funding the Truth acquisition (note 24). The facility extends to and is repayable in full on 30 June 2015, is unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings.

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 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.

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:

	2013 £'000	2012 £'000
Floating rate		
Expiring beyond 12 months	**(29,674)**	(29,594)

The carrying amounts of the Group's interest-bearing loans and borrowings are denominated in the following currencies:

	2013 £'000	2012 £'000
British Pounds	**(21,247)**	(25,807)
US Dollars	**(101,051)**	(45,289)
	(122,298)	(71,096)

18. Derivative financial instruments

	2013 £'000	2012 £'000
Interest rate swaps – cash flow hedges		
Current liabilities	**–**	–
Non-current liabilities	**(767)**	(605)
	(767)	(605)

Cash flow hedges

The full fair values 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 2013 were £51.1 million (2012: £58.3 million).

Notes to the financial statements continued

18. Derivative financial instruments continued

During the year a loss of £163,000 (2012: a gain of £92,000) was recognised in the statement of comprehensive income and £Nil (2012: a credit of £80,000) 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:

	Notional amount '000	Fixed interest rate paid	Floating interest rate received	Fair value '000
At 31 December 2013				
British Pound swaps	**£18,800**	**1.1682%**	**0.6266%**	**(£277)**
US Dollar swaps	**$53,200**	**1.0950%**	**0.4573%**	**($809)**
At 31 December 2012				
British Pound swaps	£21,200	1.1670%	0.6675%	(£204)
US Dollar swaps	$59,900	1.0940%	0.5130%	($649)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

Refer note 25.3 for the fair value measurement methodology.

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 £101,007,000 at 31 December 2013 (2012: £46,334,000). This hedge is considered highly effective, and no ineffective portion has been recognised in profit or loss.

19. Provisions

	Note	Property related £'000	Restructuring £'000	Warranty £'000	Other £'000	Total £'000
At 1 January 2012		(9,923)	(199)	(2,253)	(3,622)	(15,997)
(Charged)/Credited to the income statement						
– Additional provision in the 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
Unwinding of discount		(271)	–	–	–	(271)
Exchange differences		23	–	39	–	62
At 31 December 2012		(6,468)	(14)	(1,836)	(1,651)	(9,969)
Acquisition of subsidiaries	24	(10)	–	(1,292)	(561)	(1,863)
(Charged)/Credited to the income statement						
– Additional provision in the year		(69)	(613)	(718)	(200)	(1,600)
– Unused amounts reversed		322	–	127	650	1,099
Utilised in the year		649	262	1,321	–	2,232
Unwinding of discount		(29)	–	–	–	(29)
Reclassification to other payables		–	–	256	–	256
Exchange differences		(1)	20	68	46	133
At 31 December 2013		**(5,606)**	**(345)**	**(2,074)**	**(1,716)**	**(9,741)**

Analysed as:

	2013 £'000	2012 £'000
Current liabilities	**(2,641)**	(2,456)
Non-current liabilities	**(7,100)**	(7,513)
	(9,741)	(9,969)

Current liabilities are those aspects of provisions that are expected to be utilised within the next year.

Property related
Property provisions include provisions for onerous leases of £4,210,000 (2012: £5,125,000) and leasehold dilapidations of £1,396,000 (2012: £1,343,000), 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 29.2.

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 29.2.

In 2012, the 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 business units and are expected to be utilised by the end of 2014.

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.

20. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013 £'000	2012 £'000
Deferred tax assets	12,102	9,774
Deferred tax liabilities	(29,292)	(11,766)
Deferred tax liabilities (net)	**(17,190)**	(1,992)

The net movement in deferred tax is as follows:

	Note	2013 £'000	2012 £'000
At 1 January		(1,992)	(9,323)
Acquisition of subsidiaries	24	(20,074)	(2,229)
Disposals of subsidiaries		–	144
Income statement credit	8	3,951	8,249
Tax (charge)/credit relating to components of other comprehensive income	8	(541)	820
Exchange difference		1,466	347
At 31 December		**(17,190)**	(1,992)

An income statement credit relating to discontinued operations of £Nil (2012: £89,000) is included in profit for the year from discontinued operations.

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:

Notes to the financial statements continued

20. Deferred tax continued

Deferred tax assets	Accelerated tax depreciation £'000	Post-retirement benefit provisions £'000	Purchased goodwill £'000	Other timing differences £'000	Total £'000
At 1 January 2012	135	3,304	5,439	740	9,618
Acquisition of subsidiaries	–	–	122	–	122
Income statement (charge)/credit	(54)	(136)	(735)	376	(549)
Tax credit relating to components of other comprehensive income	–	820	–	–	820
Exchange difference	20	(158)	(105)	6	(237)
At 31 December 2012	101	3,830	4,721	1,122	9,774
Reclassification to deferred tax liabilities	–	–	3,822	638	4,460
Income statement (charge)/credit	(70)	42	(2,299)	872	(1,455)
Tax (charge)/credit relating to components of other comprehensive income	–	(1,313)	–	772	(541)
Exchange difference	17	(11)	(23)	(119)	(136)
At 31 December 2013	**48**	**2,548**	**6,221**	**3,285**	**12,102**

Deferred tax liabilities	Accelerated tax depreciation £'000	Intangible assets on acquisition £'000	Other timing differences £'000	Total £'000
At 1 January 2012	(2,112)	(16,508)	(321)	(18,941)
Acquisition of subsidiaries	–	(2,351)	–	(2,351)
Disposals of subsidiaries	–	144	–	144
Income statement credit	11	8,461	326	8,798
Exchange difference	94	513	(23)	584
At 31 December 2012	(2,007)	(9,741)	(18)	(11,766)
Transfer between categories	–	(656)	656	–
Reclassification from deferred tax assets	–	(3,822)	(638)	(4,460)
Acquisition of subsidiaries	–	(19,897)	(177)	(20,074)
Income statement (charge)/credit	(821)	6,227	–	5,406
Exchange difference	82	1,507	13	1,602
At 31 December 2013	**(2,746)**	**(26,382)**	**(164)**	**(29,292)**

Factors that may affect future tax charges
There are estimated tax losses of £16,124,000 (2012: £14,403,000) within the Group, comprising capital losses of £4,581,000 (2012: £4,581,000) and trading losses of £11,543,000 (2012: £9,822,000). 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 24% to 23% with effect from 1 April 2013. Accordingly, the Group's UK profits for this accounting year are taxed at an effective rate of 23.25% (2012: 24.50%).

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and a further reduction to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

These reductions in the UK corporation tax rate are likely to lead to a further reduction in the future UK current tax charge. The deferred tax assets and liabilities at 31 December 2013 have been calculated based on the rate of 20% substantively enacted at 31 December 2013.

The amounts of deferred tax not recognised are as follows:

	2013 £'000	2012 £'000
Trading losses	**(1,542)**	(915)
Capital losses	**(916)**	(1,054)
	(2,458)	(1,969)

No deferred tax liability is recognised on temporary differences of £49,300,000 (2012: £40,500,000) relating to the unremitted earnings of overseas subsidiaries. As a result of UK legislation, which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional UK corporate taxes. Furthermore, although the remittance to the UK of those earnings could still result in a tax liability, arising as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate, such jurisdictions provide currently for zero dividend withholding tax in their tax agreements with the UK.

21. Pensions and other post-employment benefit plans

21.1 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 (2012: £Nil) included within employee benefit liabilities.

21.2 Defined benefit pension and post-employment medical benefit schemes

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2013 £'000	2012 £'000 (Restated)
Balance sheet obligations for:		
– Defined pension benefits	**(3,564)**	(6,993)
– Post-retirement medical benefits	**(3,914)**	(4,237)
Liability on the balance sheet	**(7,478)**	(11,230)
Income statement charge for[1]:		
– Defined pension benefits	**(583)**	(571)
– Post-retirement medical benefits	**(221)**	(179)
	(804)	(750)
Remeasurements for:		
– Defined pension benefits	**3,252**	(969)
– Post-retirement medical benefits	**361**	(1,253)
	3,613	(2,222)

1 The income statement charge included within profit/(loss) before taxation includes current service cost, interest cost and past service costs.

The 2012 comparatives have been restated to take account of the IAS 19 revision, which increased the comparative's net pension charge in the income statement and reduced the charge to other comprehensive income by £0.2 million. Refer note 2.1.1.

The Group's principal defined benefit pension scheme and post-employment medical benefit scheme are operated in the United States. The defined benefit schemes provide benefits to members in the form of guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. For US plans, pensions in payment do not receive inflationary increases. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in the US, as is the nature of the relationship between the Group and the trustees and their composition. Responsibility for governance of the plans, including investment and contribution schedules, lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Company and plan participants in accordance with the plan's regulations.

The current service cost, past service costs and expenses relating to the administration of the defined benefit schemes are included in the income statement within administrative expenses. Net expense is included within net finance income and costs. Actuarial gains and losses from participant experience, changes in demographic assumptions, changes in financial assumptions and net return on plan assets are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

Other defined benefit pension schemes had net liabilities of £Nil (2012: £Nil).

Amounts recognised in the balance sheet are determined as follows:

	2013 £'000	2012 £'000 (Restated)
Present value of funded obligations	**(21,090)**	(24,159)
Fair value of plan assets	**13,612**	12,929
Liability on the balance sheet	**(7,478)**	(11,230)

Notes to the financial statements continued

21. Pensions and other post-employment benefit plans continued

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligations £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2012	(21,831)	12,099	(9,732)
Current service cost	(276)	–	(276)
Interest (expense)/income	(937)	535	(402)
Administrative expenses	–	(72)	(72)
	(1,213)	463	(750)
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	745	745
– Loss from change in demographic assumptions	(23)	–	(23)
– Loss from change in financial assumptions	(3,887)	–	(3,887)
– Experience gain	943	–	943
	(2,967)	745	(2,222)
Exchange differences	1,020	(556)	464
Contributions:			
– Employers	–	1,010	1,010
– Plan participants	(49)	49	–
Payments from plans:			
– Benefit payments	881	(881)	–
At 31 December 2012	(24,159)	12,929	(11,230)
Current service cost	(298)	–	(298)
Interest (expense)/income	(910)	505	(405)
Administrative expenses	–	(101)	(101)
	(1,208)	404	(804)
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	521	521
– Loss from change in demographic assumptions	(57)	–	(57)
– Gain from change in financial assumptions	2,780	–	2,780
– Experience gain	369	–	369
	3,092	521	3,613
Exchange differences	342	(308)	34
Contributions:			
– Employers	–	909	909
– Plan participants	(57)	57	–
Payments from plans:			
– Benefit payments	900	(900)	–
At 31 December 2013	**(21,090)**	**13,612**	**(7,478)**

The amounts recognised in the income statement are as follows:

	2013 £'000	2012 £'000
Current service cost	**(298)**	(276)
Expected administrative expense	**(101)**	(72)
Net interest expense	**(405)**	(402)
	(804)	(750)

Of the total charge, £399,000 (2012: £348,000) and £405,000 (2012: £402,000) 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:

	2013 £'000	2012 £'000
Net return on plan assets	**521**	745
Loss from change in demographic assumptions	**(57)**	(23)
Gain/(Loss) from change in financial assumptions	**2,780**	(3,887)
Experience gain	**369**	943
	3,613	(2,222)

Plan assets comprise the following asset classes:

	2013 £'000	%	2012 £'000	%
Equity instruments	**3,318**	**24.4%**	3,415	26.4%
Large US Equity	**1,996**		2,012	
Small/Mid US Equity	**483**		491	
International Equity	**839**		912	
Balanced/Asset Allocation	**682**	**5.0%**	672	5.2%
Fixed Income	**9,612**	**70.6%**	8,842	68.4%
Total	**13,612**	**100.0%**	12,929	100.0%

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The US plans hold a significant proportion of fixed income investments, comprising a mixture of government and corporate bonds, and provides an acceptable level of investment risk to better match liabilities. The Group believes that given the long-term nature of plan liabilities, and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently. Equities are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancies	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The significant actuarial assumptions were as follows:

	2013 £'000	2012 £'000
Discount rate	**4.5%**	3.7%
Inflation	**2.3%**	2.3%
Salary growth rate	**n/a**	n/a
Pension growth rate	**0.0%**	0.0%
Health care cost trend[1]	**7.0% – 4.5%**	8.0% – 4.5%

1 The level of healthcare contributions are capped and adopting a higher trend rate does not materially affect the liability.

Notes to the financial statements continued

21. Pensions and other post-employment benefit plans continued

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each jurisdiction. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2013	2012
Retiring at the end of the reporting year		
– Male	**19.6**	19.9
– Female	**21.5**	21.7
Retiring 20 years after the end of the reporting year		
– Male	**19.6**	21.3
– Female	**21.5**	22.6

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 2.9 %	Increase by 3.0 %

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methodology has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The pension scheme is closed to new entrants; as a result the service costs to the Group will rise in future years. The expected level of contributions to the defined benefit pension scheme and post-employment medical benefits in the year to December 2014 is £1,277,000.

The weighted average duration of the defined benefit obligation is 10.9 years.

The expected maturity analysis of undiscounted pension and post-employment medical benefits are as follows:

At 31 December 2013	No later than one year £'000	Between one to two years £'000	Between two to five years £'000	Later than five years £'000	Total £'000
Pension benefits	800	831	2,741	5,373	9,745
Post-employment medical benefits	267	297	934	1,510	3,008
Total	**1,067**	**1,128**	**3,675**	**6,883**	**12,753**

22. Share capital and share premium

	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 January 2012 and 31 December 2012	137,287	6,864	101
Proceeds from shares issued	32,817	1,641	69,390
Sale of treasury shares	–	–	(6,235)
As at 31 December 2013	**170,104**	**8,505**	**63,256**

On 23 May 2013, the Group completed the fully underwritten firm placing and open offer of ordinary shares as part of the funding for the acquisition of Truth Hardware (see note 24). Gross proceeds of £73.4 million were raised through the sale of 6,864,000 treasury shares and the issue of 32,816,904 new ordinary shares at the issue price of 185 pence per share. The sale of treasury shares resulted in a transfer of £6.2 million from the treasury reserve against share premium. Share issue costs of £2.4 million have been incurred to 31 December 2013, netted against share premium.

The total authorised number of ordinary shares is 180,000,000 (2012: 180,000,000) with a par value of 5 pence per share (2012: 5 pence per share). All issued shares are fully paid.

23. Share-based payments

In 2013, 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 2013 was £681,000 (2012: £482,000).

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. The Remuneration Committee also has the discretion to adjust the number of shares vesting depending on the Tyman performance during the vesting period. Further information on the LTIP and the performance conditions is given in the remuneration report.

The fair value of the awards granted under the LTIP and the assumptions used in the calculation of the share-based payment charge are as follows:

	LTIP
Valuation model	Probability model to predict EPS levels
Date of grant	14 November 2013
Number granted	925,217
Share price at date of award	228 pence
Fair value (pence)	106 pence
Exercise price (pence)	Nil pence
Expected life of award	Three years
Vesting conditions	Continuous service and cumulative underlying EPS over three years 2013 to 2015 in range of 45.0 to 51.5 pence

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2013 Number of shares '000	2012 Number of shares '000
At 1 January	**2,994**	2,022
Granted	**925**	1,177
Lapsed	**(104)**	(205)
At 31 December	**3,815**	2,994

Details of treasury shares purchased:

	2013 '000	2012 '000
Number of ordinary shares	**1,279**	728
Cost to company	**£2,921**	£1,147

Notes to the financial statements continued

24. Acquisition of subsidiaries

On 3 July 2013, the Group completed the acquisition of Truth Hardware ("Truth") for a net cash consideration of US$204.7 million from Melrose Industries plc. Truth Hardware is a manufacturer of operating hardware for residential and light commercial windows and doors in North America and comprises the US-based Truth Corporation (located in Owatonna, Minnesota), where the business is headquartered, and the Canadian-based Atlas (located in Brampton, Ontario). This acquisition strategically enhances the Group's position in the North American door and window components market where the Group sees significant opportunity for continued growth.

Recognised amounts of identifiable assets acquired and liabilities assumed:

	£'000
Intangible assets	56,583
Property, plant and equipment	11,016
Inventories	15,539
Trade and other receivables	9,564
Cash and cash equivalents	3,289
Trade and other payables	(8,708)
Current tax payable	209
Deferred tax liabilities	(20,074)
Provisions	(1,863)
Total identifiable net assets	65,555
Goodwill arising on acquisition	68,978
Total consideration	**134,533**

Satisfied by:

	£'000
Cash	**134,533**

Net cash flow arising on acquisition:

	£'000
Cash consideration	134,533
Less: cash and cash equivalents acquired	(3,289)
	131,244

The fair value of financial assets includes trade receivables with a fair value of £8,790,000 and a gross contractual value of £8,932,000. The best estimate at the acquisition date of the contractual cash flows not recoverable is £142,000.

The Group incurred acquisition-related costs of £4,340,000 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.

Revenue included in the consolidated income statement since 3 July 2013 contributed by Truth was £42.9 million. Truth also contributed £2.2 million to the profit before taxation from continuing operations over the same period.

Had the acquisition of Truth been completed on the first day of the financial year, an additional £40.3 million of revenue and £6.9 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 2014. Any adjustment to the carrying value is unlikely to be significant to the individual acquisition.

Goodwill arising on acquisition is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Truth Hardware.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

25. Financial instruments

25.1 Financial instruments: by category

Assets as per balance sheet	2013 £'000	2012 £'000
Loans and receivables		
Trade and other receivables[1]	**29,873**	23,692
Cash and cash equivalents	**43,607**	35,857
Total	**73,480**	59,549

Liabilities as per balance sheet	31 December 2013 Derivatives used for hedging £'000	31 December 2013 Other financial liabilities at amortised cost £'000	31 December 2013 Total £'000	31 December 2012 Derivatives used for hedging £'000	31 December 2012 Other financial liabilities at amortised cost £'000	31 December 2012 Total £'000
Borrowings[2]	**–**	**(124,554)**	**(124,554)**	–	(72,839)	(72,839)
Derivative financial instruments	**(767)**	**–**	**(767)**	(605)	–	(605)
Trade and other payables[3]	**–**	**(52,915)**	**(52,915)**	–	(34,550)	(34,550)
Total	**(767)**	**(177,469)**	**(178,236)**	(605)	(107,389)	(107,994)

1 Excludes non-financial assets.
2 Excludes capitalised borrowing costs of £2,256,000 (2012: £1,743,000).
3 Excludes non-financial liabilities.

25.2 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 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 2013 the Group operated within its borrowing facilities.

Notes to the financial statements continued

25. Financial instruments continued

The table below analyses the present value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Not later than one year £'000	Later than one year but not later than two years £'000	Later than two years but no later than five years £'000	Over five years £'000	Total £'000
Borrowings[1]	(8,134)	(68,777)	(47,643)	–	(124,554)
Derivative financial instruments	–	–	(402)	(365)	(767)
Trade and other payables[2]	(51,348)	(1,567)	–	–	(52,915)
At 31 December 2013	**(59,482)**	**(70,344)**	**(48,045)**	**(365)**	**(178,236)**
Borrowings[1]	(8,136)	(8,136)	(56,567)	–	(72,839)
Derivative financial instruments	–	–	(287)	(318)	(605)
Trade and other payables[2]	(32,375)	(2,175)	–	–	(34,550)
At 31 December 2012	(40,511)	(10,311)	(56,854)	(318)	(107,994)

1 Excludes capitalised borrowing costs of £2,256,000 (2012: £1,743,000).
2 Excludes non-financial liabilities.

Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2013 was as follows:

	Floating rate borrowings[1] £'000	Fixed rate borrowings £'000	Total £'000
At 31 December 2013			
British Pounds	(23,503)	–	(23,503)
US Dollars	(101,051)	–	(101,051)
	(124,554)	**–**	**(124,554)**
At 31 December 2012			
British Pounds	(27,550)	–	(27,550)
US Dollars	(45,289)	–	(45,289)
	(72,839)	–	(72,839)

1 Excludes capitalised borrowing costs of £2,256,000 (2012: £1,743,000).

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.

	Floating rate borrowings[1] £'000	Covered by swaps £'000	Swap fixed rate %
At 31 December 2013			
British Pounds	(23,503)	(18,800)	1.1682 %
US Dollars	(101,051)	(32,262)	1.0950 %
	(124,554)	**(51,062)**	
At 31 December 2012			
British Pounds	(27,550)	(21,200)	1.1670 %
US Dollars	(45,289)	(37,065)	1.0940 %
	(72,839)	(58,265)	

1 Excludes capitalised borrowing costs of £2,256,000 (2012: £1,743,000).

Interest rate sensitivity
The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £500,000 (2012: £400,000) 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 0.3 per cent during the year (2012: 1.24 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.

Closing rates	**2013**	2012
US Dollars	**1.6490**	1.6161
Euros	**1.1978**	1.2227
Average rates		
US Dollars	**1.5646**	1.5848
Euros	**1.1780**	1.2329

Foreign currency exchange rate sensitivity
Foreign currency financial assets and liabilities, translated into British Pounds at the closing rate, are as follows:

	British Pounds £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2013					
Financial assets					
Trade and other receivables[1]	11,097	14,632	2,739	1,405	29,873
Cash and cash equivalents	13,989	23,648	3,026	2,944	43,607
	25,086	**38,280**	**5,765**	**4,349**	**73,480**
Financial liabilities					
Borrowings[2]	(23,503)	(101,051)	–	–	(124,554)
Derivative financial instruments	(277)	(490)	–	–	(767)
Trade and other payables[3]	(18,068)	(28,488)	(4,117)	(2,242)	(52,915)
	(41,848)	**(130,029)**	**(4,117)**	**(2,242)**	**(178,236)**
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(911)	212	(117)	(816)
10% decrease in functional currency		1,114	(259)	143	998
Potential impact on other comprehensive income – (loss)/gain					
10% increase in functional currency		(537)	(144)	(214)	(895)
10% decrease in functional currency		656	176	261	1,093

Notes to the financial statements continued

25. Financial instruments continued

	British Pounds £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2012					
Financial assets					
Trade and other receivables[1]	10,513	8,922	2,423	1,834	23,692
Cash and cash equivalents	22,960	8,660	2,570	1,667	35,857
	33,473	17,582	4,993	3,501	59,549
Financial liabilities					
Borrowings[2]	(26,441)	(46,398)	–	–	(72,839)
Derivative financial instruments	(204)	(401)	–	–	(605)
Trade and other payables[3]	(14,723)	(13,101)	(4,511)	(2,215)	(34,550)
	(41,368)	(59,900)	(4,511)	(2,215)	(107,994)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(897)	198	(101)	(800)
10% decrease in functional currency		1,096	(242)	124	978
Potential impact on other comprehensive income – (loss)/gain					
10% increase in functional currency		(432)	(11)	(171)	(614)
10% decrease in functional currency		528	14	207	749

1 Excludes non-financial assets.
2 Excludes capitalised borrowing costs of £2,256,000 (2012: £1,743,000).
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 leverage and interest cover. If the Group fails to meet its key financial ratios required by its lenders, this could impact the Group's average interest rate of borrowings and the future availability of credit to the Group.

The Group is in compliance with its financial covenants within its committed bank credit facilities, and has been in compliance throughout the financial year.

	Note	**2013 £'000**	2012 £'000
Total borrowings[1]		**124,554**	72,839
Less: cash and cash equivalents	15	**(43,607)**	(35,857)
		80,947	36,982
Total equity		**302,940**	247,889
Total capital		**383,887**	284,871

1 Excludes capitalised borrowing costs of £2,256,000 (2012: £1,743,000).

25.3 Fair value estimation

The Group's derivative financial instrument used for hedging is measured at fair value. The Group uses the following hierarchy for measuring fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that 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.

There were no transfers between levels during the year.

Valuation techniques used to derive level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives. The fair value of the derivative financial instrument at 31 December 2013 is a liability of £767,000 (2012: liability of £605,000).

There were no changes in valuation techniques during the year.

Group's valuation process

The Group has a team that performs the valuations of financial assets required for financial reporting purposes. This team reports to the Chief Financial Officer and the Audit Committee.

Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	2013 £'000	2012 £'000
Non-current	**(116,421)**	(64,703)
Current	**(7,300)**	(8,013)
	(123,721)	(72,716)

The fair value of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables.
- Cash and cash equivalents.
- Trade and other payables.

26. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2012 of 3.50p per share (2011: 3.50p)	**4,511**	4,535
Interim dividend for the year ended 31 December 2013 of 1.50p per share (2012: 1.00p)	**2,528**	1,297
Total amounts recognised as distributions to owners in the year	**7,039**	5,832
Amounts not recognised in the financial statements:		
Final dividend proposed for the year ended 31 December 2013 of 4.50p per share (2012: 3.50p)	**7,546**	4,538

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.

Notes to the financial statements continued

27. 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	2013 £'000	2012 £'000 (Restated)
Net finance costs – continuing operations	7	**3,517**	4,618
Net finance costs – discontinued operations		**–**	(33)
Depreciation	12	**6,337**	5,085
Amortisation and accelerated amortisation	11	**16,605**	23,320
Impairment of goodwill and intangible assets	10,11	**529**	20,300
Disposal of intangible assets and property, plant and equipment	11,12	**42**	72
Non-cash adjustments		**1,091**	(3,328)
Share-based payments	23	**681**	482
		28,802	50,516

28. Contingent liabilities

There are no contingent liabilities.

29. Financial commitments

29.1 Capital commitments

Capital expenditure contracted for at the end of the reporting year but not yet incurred is as follows:

	2013 £'000	2012 £'000
Property, plant and equipment	**3,551**	904

Included within the capital commitments is capital expenditure committed but not incurred relating to Truth Hardware of £1.9 million.

29.2 Operating lease commitments

The Group has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

The present value of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
No later than one year	**4,265**	3,766	**655**	275
Later than one year but no later than five years	**12,539**	12,191	**927**	425
Later than five years	**2,298**	3,949	**–**	–
	19,102	19,906	**1,582**	700

30. Events after the reporting year

Acquisition

On 26 February 2014, the Group completed the acquisition of Vedasil Brasil ("Vedasil"), the market leader in the manufacture and supply of pile weatherseals in Brazil.

Vedasil manufactures and supplies polypropylene extruded seals under the Eco-PDM brand and other seal and screen components to the Brazilian door and window market. In 2013, Vedasil reported revenues of approximately BR19.3 million (£5.7 million). In 2013, Schlegel América do Sul ("Schlegel Brazil"), Tyman's existing Brazilian business, reported revenues of approximately BR6.6 million (£2.0 million).

Given the short time period elapsed between acquisition and approval of the financial statements, the acquisition accounting has not yet been completed.

31. Principal subsidiaries

Details of the principal subsidiaries of the Group, all of which are wholly owned, are as follows:

Name	Country of incorporation	Nature of business
Corporate		
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Octroi Group Limited	United Kingdom	Holding company
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Tyman Finance S.à r.l.	Luxembourg	Holding company
Tyman Management Limited	United Kingdom	Management services
UK operations		
Balance UK Limited[1]	United Kingdom	Building products
ERA Products Limited[1]	United Kingdom	Building products
EWS (Manufacturing) Limited[1]	United Kingdom	Building products
Grouphomesafe Limited[1]	United Kingdom	Building products
Linear Limited[1]	United Kingdom	Building products
Schlegel UK (2006) Limited[1]	United Kingdom	Building products
Ventrolla Limited[1]	United Kingdom	Building products
Window Fabrication and Fixing Supplies Limited[1]	United Kingdom	Building products
US operations		
Amesbury Acquisition Holdings (No2) Inc[1]	United States	Holding company
Amesbury Canada Inc[1]	Canada	Holding company
Amesbury Door Hardware Inc (SD)[1]	United States	Building products
Amesbury Finance Holdings LLC[1]	United States	Holding company
Amesbury Group Inc[1]	United States	Holding company
Amesbury Group Plastic Profiles Inc[1]	United States	Building products
Amesbury Holdings Limited[1]	United Kingdom	Holding company
Amesbury Industries Inc[1]	United States	Holding company
Atlas Holdings Company Limited[1]	Canada	Building products
Balance Systems Inc[1]	United States	Building products
Bandlock Corporation Inc[1]	United States	Building products
Fastek Products Inc[1]	United States	Building products
Jasper Acquisition Limited[1]	United Kingdom	Holding company
Overland Products Company, Inc[1]	United States	Building products
Schlegel Systems Inc[1]	United States	Building products
Truth Hardware Corporation[1]	United States	Building products
Tyman Investments[1]	United Kingdom	Holding company
Other international operations		
Schlegel América Do Sul Vedações Para Construção Civil Ltda[1,2]	Brazil	Building products
Schlegel Australia Pty Limited[1]	Australia	Building products
Schlegel Belgium BVBA[1]	Belgium	Building products
Schlegel GmbH[1]	Germany	Building products
Schlegel SRL[1]	Italy	Building products
Schlegel Taliana SL[1]	Spain	Building products

1 Held by a subsidiary.
2 Effective interest of 96.55% (2012: 96.55%). Fair value of minority holding immaterial.

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 5.

Full details of individual Directors' remuneration are given in the remuneration report on pages 48 to 65.

Independent auditors' report to the members of Tyman plc

Our opinion

In our opinion the Parent Company financial statements defined below:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013 and of its cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Parent Company financial statements, which are prepared by Tyman plc, comprise:

- the Parent Company balance sheet as at 31 December 2013;
- the Parent Company statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 43, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other Matter

We have reported separately on the Group financial statements of Tyman plc for the year ended 31 December 2013.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2014

Company balance sheet
As at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	4	**284,849**	217,447
		284,849	217,447
Current assets			
Debtors	5	**21,607**	20,731
Cash at bank and in hand		**17,284**	28,829
		38,891	49,560
Creditors: Amounts falling due within one year	6	**(6,297)**	(7,846)
Net current assets		**32,594**	41,714
Total assets less current liabilities		**317,443**	259,161
Creditors: Amounts falling due after more than one year	6	**(7,876)**	(7,876)
Net assets		**309,567**	251,285
Capital and reserves			
Called up share capital	9	**8,505**	6,864
Share premium account	9	**63,256**	101
Other reserves	9	**8,920**	8,920
Treasury reserve	9	**(4,847)**	(8,161)
Profit and loss account	9	**233,733**	243,561
Total shareholders' funds		**309,567**	251,285

The notes on pages 115 to 117 are an integral part of these financial statements.

The financial statement on page 114 was approved by the Board on 11 March 2014 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Notes to the Company financial statements

1. Accounting policies
1.1 Basis of preparation
The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the financial statements have been prepared in accordance with applicable UK accounting standards ("UK GAAP").

The financial statements are prepared on the going concern basis, under the historical cost convention. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Operating leases
Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the lease term.

1.3 Investments in subsidiaries
Investments in subsidiaries are stated at cost less any provisions for impairment.

1.4 Financial instruments
Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Trade creditors are stated at their nominal amount.

1.5 Borrowings
Interest-bearing loans and overdrafts are recorded at the proceeds received. All borrowing costs are expensed as incurred, on an accruals basis, to the Company profit and loss account using the effective interest rate method.

1.6 Share-based payments
The Company has applied the requirements of FRS 20 "Share-based payments". The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant.

The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2. Profit attributable to the shareholders of the Company
The Company is an investment holding company. It receives dividend income from subsidiaries and bank interest. It pays loan interest to a subsidiary. The majority of administrative expenses are paid by the Company's subsidiary, Tyman Management Limited, including the whole amount of relevant auditors' remuneration and operating lease costs.

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year ended 31 December 2013 of £4,242,000 (2012: a profit of £52,870,000). Included in the Company's reported profits for the year ended 31 December 2012 is a profit on disposal of subsidiary of £55,700,000.

3. Employees
Other than the Directors, there were no employees of the Company during the year (2012: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's financial statements.

Notes to the Company financial statements continued

4. Investments

	£'000
Cost	
At 31 December 2012	220,968
Subscription of shares	68,796
Capital contribution relating to share-based payments	681
At 31 December 2013	**290,445**
Impairment	
At 31 December 2012	(3,521)
Charge for the year	(2,075)
At 31 December 2013	**(5,596)**
Net book value	
At 31 December 2012	217,447
At 31 December 2013	**284,849**

The 2013 subscription of shares relates to subscriptions of shares in Jasper Acquisition Holdings Limited of £55,648,000 (2012: £29,200,000) and in Schlegel Acquisition Holdings Limited of £13,148,000 (2012: £Nil).

Details of the principal subsidiaries of the Company, all of which are wholly owned, are as follows:

Principal subsidiary	Country of incorporation	Nature of business
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Octroi Group Limited	United Kingdom	Holding company
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Tyman Management Limited	United Kingdom	Management services

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

5. Debtors

	Note	**2013 £'000**	2012 £'000
Amounts receivable after one year:			
Amounts owed by Group undertakings		**20,514**	20,513
Deferred tax asset	7	**1,093**	218
At 31 December 2013		**21,607**	20,731

The amounts owed by subsidiary undertakings are unsecured, interest free and recoverable on demand but are unlikely to be repaid within one year.

6. Creditors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	**(5,276)**	(7,190)
Other creditors	**(451)**	–
Corporation tax	**(570)**	(656)
	(6,297)	(7,846)
Amounts falling due after more than one year:		
Loan notes to Group undertakings	**(7,876)**	(7,876)
	(7,876)	(7,876)

The amounts owed to Group undertakings are repayable on demand and unsecured.

The loan note is between the Company and Octroi Group Limited, a subsidiary, and interest is charged at a fixed rate of two per cent per annum.

The maturity of creditors falling due after more than one year is as follows:

	2013 £'000	2012 £'000
After five years	**(7,876)**	(7,876)

7. Deferred tax asset

	2013 £'000	2012 £'000
At 1 January	**218**	–
Deferred tax credited to profit and loss account	**103**	218
Deferred tax credited to the statement of total recognised gains and losses	**772**	–
At 31 December	**1,093**	218
Deferred tax comprises:		
Timing differences	**1,093**	218

8. Called up share capital
The share capital of the Company is as set out in note 22 of the Group financial statements.

9. Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Treasury reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	6,864	101	8,920	(7,014)	196,041	204,912
Profit for the year	–	–	–	–	52,870	52,870
Purchase of treasury shares	–	–	–	(1,147)	–	(1,147)
Dividends paid	–	–	–	–	(5,832)	(5,832)
Share-based payments	–	–	–	–	482	482
At 31 December 2012	6,864	101	8,920	(8,161)	243,561	251,285
Profit for the year	–	–	–	–	(4,242)	(4,242)
Issue of shares	1,641	69,390	–	–	–	71,031
Purchase of treasury shares	–	–	–	(2,921)	–	(2,921)
Sale of treasury shares	–	(6,235)	–	6,235	–	–
Dividends paid	–	–	–	–	(7,039)	(7,039)
Share-based payments	–	–	–	–	1,453	1,453
At 31 December 2013	**8,505**	**63,256**	**8,920**	**(4,847)**	**233,733**	**309,567**

Details of share-based payments are provided in note 23 of the Group financial statements.

10. Financial commitments
At 31 December 2013 the Company had future annual lease commitments on land and buildings under non-cancellable operating leases as stated below. These commitments were met on the Company's behalf by Tyman Management Limited.

	2013 £'000	2012 £'000
No later than one year	**212**	197
Later than one year but no later than five years	**–**	197
	212	394

11. Related party transactions
The Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures", as a wholly owned subsidiary, not to disclose details of related party transactions required by this standard.

Advisers

Registered office
65 Buckingham Gate
London SW1E 6AS

Website
www.tymanplc.com

Independent auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrar
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate broker
Canaccord Genuity Limited
88 Wood Street
London EC1V 7QR

Definitions

Where appropriate "Underlying" is defined as 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.

"Underlying administrative expenses" is defined as administrative expenses before property provision release, exceptional items, amortisation and accelerated amortisation of intangible assets, and impairment of intangible assets and goodwill.

"Underlying net debt" is defined as interest-bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.

"Underlying operating profit" is defined as operating profit before property provision release, exceptional items, amortisation and accelerated amortisation of intangible assets, and impairment of intangible assets and goodwill.

"Continuing operations" is defined as the operations of the Tyman Group excluding Gall Thomson Environmental Limited and its subsidiaries, and the Composite Doors business.

"Operational cash flow" is defined as net cash inflow from operating activities before income tax paid, pension contributions, proceeds on disposal of property, plant and equipment, and exceptional transaction costs associated with M&A activity, and after payments to acquire property, plant and equipment and payments to acquire intangible assets.

"Operating cash conversion" is defined as operational cash flow divided by underlying operating profit.

"Return on acquisition investment" is defined as annualised underlying operating profit attributable to the acquired business divided by the acquisition enterprise value less the fair value of controllable capital employed as at the date of acquisition plus the value of controllable capital employed at the date of measurement. The denominator is also adjusted for seasonality where appropriate.

"Acquisition enterprise value" is defined as the gross consideration paid to the seller less any cash left in the acquired business plus any debt acquired with the acquired business plus the expenses of the acquisition, excluding financing expenses, plus any integration expenses booked as exceptional items.

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

"Leverage" is defined as underlying net debt divided by adjusted EBITDA. Underlying net debt is translated at the average rate for the year. Adjusted EBITDA is underlying operating profit with depreciation and share-based payments expenses added back plus the pre-acquisition EBITDA of businesses acquired during the year covering the relevant pre-acquisition period less the EBITDA of businesses disposed of during the year.

"Like for like" is defined as the comparison of revenues or operating profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period.

Roundings

Percentage increase/decrease numbers have been calculated using figures rounded to the nearest thousand from the financial statements, which may lead to small differences in some figures and percentages quoted.

Exchange rates

Closing rates	2013	2012
US Dollars	**1.6490**	1.6161
Euros	**1.1978**	1.2227
Australian Dollars	**1.8583**	1.5581

Average rates		
US Dollars	**1.5646**	1.5848
Euros	**1.1780**	1.2329
Australian Dollars	**1.6224**	1.5307

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www.emperordesign.co.uk +44 (0)20 7729 9090

65 Buckingham Gate
London SW1E 6AS
+44 (0)20 7976 8000
www.tymanplc.com