TYMAN PLC
("Tyman" or the "Group" or the "Company")

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Tyman plc, a leading international supplier of engineered components to the door and window industry, announces preliminary audited results for the year ended 31 December 2016.

Financial highlights

£'m unless stated	2016	2015	Change	CC LFL[(1)]
Revenue	**457.6**	353.4	**+ 29 %**	**+ 1 %**
Underlying Operating Profit	**69.8**	51.4	**+ 36 %**	**+ 5 %**
Underlying Operating Margin	***15.3 %***	*14.6 %*	***+ 70 bps***	
Underlying Profit before Taxation[(2)]	**62.1**	45.1	**+ 38 %**	**+ 5 %**
Underlying EPS[(2)]	**25.41p**	19.33p	**+ 32 %**	
Dividend per share	**10.50p**	8.75p	**+ 20 %**	
Underlying Net Debt	**176.7**	83.2	**(112) %**	
Leverage	**1.89x**	1.35x	**+ 0.54x**	
Return on Capital Employed	***13.8 %***	*12.5 %*	***+ 130 bps***	

(1) CC LFL = Constant Currency Like for Like (see definition on page 55)

(2) 2015 comparatives for Underlying Profit before Taxation and Underlying EPS have been restated (see Alternative Performance Measures on page 55)

Statutory financial highlights

£'m unless stated	2016	2015	Change
Profit before Taxation	**29.4**	**15.6**	**+ 89 %**
Basic EPS	**11.98p**	**4.57p**	**+ 162 %**
Net Debt	**175.6**	**81.6**	**(115) %**

Business highlights

- Year of profitable growth assisted by contributions from strategic acquisitions and favourable exchange rates
- Integration of the three acquisitions completed in the year now well advanced
- Synergy targets for both Giesse and Bilco now expected to be achieved by the end of 2017 – significantly ahead of schedule
- Strong cash generation and tight control over working capital taking Leverage back below 2.00x at the year end

- Dividend increased by 20.0 per cent. to reflect improved cash generation and profitability
- Continued margin progression in AmesburyTruth despite limited volume growth
- Stronger second half for ERA with UK markets holding up better than expected post the EU Referendum
- Schlegel International Underlying Operating Margin increased to 10.0 per cent. due to contribution from Giesse and early delivery of synergies

2017 Trading to date

- Current year has started positively and in line with expectations across each of the Divisions

Louis Eperjesi, Chief Executive, commented:

"2016 was a further year of profitable growth for Tyman assisted by the completion of strategic acquisitions and the benefit of favourable exchange rates, underpinned by strong cash generation. The continued improvement in margins by the Divisions is evidence of the quality of our businesses and their leading market positions.

"The acquisitions of Giesse and Bilco filled two significant gaps in our product portfolio bringing the Group a high quality hardware brand for European markets and a meaningful presence in US commercial for the first time. On a smaller scale, the acquisition of Response has extended our electronic access capabilities in the UK. Progress on integration has been rapid and as a result both Bilco and Giesse will deliver their targeted synergy objectives by the end of 2017 – significantly ahead of schedule.

"2017 has started in line with our expectations across each of the Divisions. We expect that US residential and commercial markets will be stronger this year than they were in 2016. We expect to see a continuation of the gradual recovery in European markets however UK markets are likely to remain variable given lower levels of housing transactions and probable declines in real incomes.

"We expect that input costs will increase in the majority of our markets in 2017 and will look to manage input cost inflation where it arises through effective purchasing, price management and cost reduction programmes.

"Our self help initiatives across each of our Divisions, together with good visibility of synergy opportunities, means Tyman is well positioned for further progress in 2017."

Enquiries:

Tyman plc	020 7976 8000
Louis Eperjesi – Chief Executive Officer	www.tymanplc.com
James Brotherton – Chief Financial Officer	
MHP Communications	020 3128 8100
Reg Hoare	
Jamie Ricketts	
Nessyah Hart	

Tyman will host an analyst and investor presentation at 8.30 a.m. today, Wednesday 8 March 2017, at the offices of Canaccord Genuity, 88 Wood Street, London EC2V 7QR.

The presentation will be webcast at the Group's website - www.tymanplc.com - and the audio conference call details are set out below.

Conference Call Dial In Details

Toll number	020 3139 4830
Toll-free number	080 8237 0030
Participant PIN	19095686#

Forthcoming dates

Ex-dividend date	20 April 2017
Dividend record date	21 April 2017
Annual General Meeting	12 May 2017
Dividend payment date	19 May 2017
Interim results announcement	25 July 2017
Autumn trading update	7 November 2017

Notes to editors

Tyman plc is a leading international supplier of engineered components to the door and window industry. The Group's three Divisions – AmesburyTruth, ERA and Schlegel International – are market leaders in their respective geographies.

The Group employs over 3,500 people and operates facilities in 19 countries worldwide. Tyman is listed on the London Stock Exchange under the ticker TYMN.

Further information on the Group and the Group's products are available at the Group's website - www.tymanplc.com.

RESULTS OVERVIEW

2016 was a further year of profitable growth for Tyman. The Group completed three strategically important acquisitions, developing its capabilities in European hardware with Giesse, in North American commercial with Bilco and in UK electronic access through Response. Despite markets being generally less favourable than expected, Tyman delivered increased revenue and profitability on both a reported and a constant currency like for like basis.

Cash generation in the year was very strong due to growth in profitability underpinned by tight control of working capital. Operating cash conversion improved to 105.9 per cent., despite continued investment in the balance sheet over the year, including gross capital expenditure at 1.32x depreciation. As a result, Leverage at the year end of 1.89x was comfortably back within the Group's core year end target range of 1.50x to 2.00x and the dividend has increased by 20.0 per cent. to 10.50p for the full year.

ROCE improved by a further 130 bps to 13.8 per cent. as the Group continues to make progress towards its medium term target of a ROCE of 15 per cent..

2017 Priorities

The Group's key priorities for 2017 are an extension of the themes we have developed over the past few years and include:

1. Integration

   The completion of the integrations of Giesse and Bilco into their respective Divisions along with accelerated implementation of the synergy plans outlined at the time of acquisition.

2. Footprint

   The start of the second phase of the AmesburyTruth footprint project with construction now under way of the Division's third centre of excellence in Statesville, North Carolina.

   Construction and fit out of ERA's new West Midlands facility consolidating three existing distribution facilities onto a single site.

   Further evaluation of the Schlegel International footprint following the acquisition of Giesse.

   Tyman's aim remains to ensure that each Division operates from safe, modern and flexible facilities that are able to manage the increasing demands of their respective customer bases. The Group's footprint needs to be 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. Intra group collaboration

   Encouraging strong communication, consistency of approach and standards of excellence across each of the Divisions with a particular emphasis in 2017 on health and safety, risk management, cross selling and supply chain.

4. Health and safety

   Renewing the Group's commitment to the health and safety of its employees through increased employee training, the development of safer working practices, necessary capital investment and sharing of best practice across Divisions.

5. Financial objectives

   Sustained margin improvement, working capital discipline and cash generation along with continued expansion in the Group's average return on capital towards the committed medium term target of 15.0 per cent..

   Input cost inflation pressures in 2017 will be managed through a combination of effective purchasing, price management and cost reduction programmes.

6. Self help initiatives

   Continuing with the Group's well established self help initiatives to improve 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 Tyman differentiates itself from the competition and continues to grow market share.

7. M&A

   Pursuing the Group's active acquisition programme, prioritising hardware and seals businesses in Europe and select emerging markets together with commercial hardware businesses in North America and elsewhere.

Outlook

The current year has started in line with expectations across each of the Divisions.

The outlook for the US market appears positive for 2017 with encouraging permit levels for single family construction coming into the year and the Division expects that repair and remodelling markets will show more meaningful growth this year. Residential markets in Canada are expected to remain challenging for AmesburyTruth in 2017, given the strength of the US Dollar, although permit levels for single family homes may indicate some improvement in the underlying market.

Commercial markets are expected to show growth in the US and Canada and AmesburyTruth's commercial platform is now well established to take advantage of opportunities as they arise.

While UK markets held up better than expected in the second half of 2016, the likelihood of falling real incomes and lower levels of housing transactions in 2017 may impact general consumer confidence.

Accordingly, ERA's core expectation for 2017 remains that UK and Irish markets will be flat to down with further cost inflation coming through due to the relative weakness of Sterling. As in previous years, input cost inflation will be managed through a combination of effective purchasing, price management and cost reduction programmes.

Schlegel International expects 2017 will see further growth for the Division's EMEAI and Asia Pacific businesses. Latin American markets are expected to remain challenging but may show some modest improvement.

OPERATIONAL REVIEW

AMESBURYTRUTH

£'m except where stated	2016	2015	Change	*CC LFL*
Revenue	291.3	238.0	***+ 22 %***	*+ 1 %*
Underlying Operating Profit	54.8	43.5	***+ 26 %***	*+ 5 %*
Underlying Operating Margin	*18.8 %*	*18.3 %*	***+ 50 bps***	*+ 70 bps*

US$'m except where stated	2016	2015	Change	*LFL*
Revenue	394.8	363.8	***+ 9 %***	*+ 1 %*
Underlying Operating Profit	74.3	66.6	***+ 12 %***	*+ 5 %*
Underlying Operating Margin	*18.8 %*	*18.3 %*	***+ 50 bps***	*+ 70 bps*

Markets

US residential

US residential markets saw further growth in new build starts and completions during 2016. Seasonally adjusted starts increased by 10.3 per cent. to 1.3 million units and completions by 7.4 per cent. to 1.1 million units per annum with single family starts and completions increasing by 5.6 per cent. and 8.3 per cent. respectively.

Repair and remodelling was softer in 2016 than in recent years with the NAHB RMI sentiment index averaging 54 compared with 57 in both 2014 and 2015 and the LIRA index increasing by 6.9 per cent..

The value of residential construction put in place in the US increased by 3.6 per cent. to US$473.3 billion (2015: 13.4 per cent.) and the Division believes that the residential door and window market in the US increased by a similar percentage during the year.

US commercial

US commercial markets continued to grow in 2016 with the value of non-residential construction put in place increasing by 4.6 per cent. to US$708.2 million (2015: 7.7 per cent.).

Canadian market

Canadian housing starts were broadly flat year on year with slight growth in single family starts offset by declines in multifamily. The value of Canadian non-residential construction put in place was broadly flat year on year.

Performance

Trading performance for AmesburyTruth was subdued in 2016 with a relatively strong first quarter not sustained through the balance of the year. Like for like Dollar Revenue was marginally ahead of 2015, with pricing actions and modest volume growth in larger US accounts being offset by volume declines in both Canada and smaller US accounts, where the Division has lost some less profitable market share.

Bilco Revenue for the full year increased by 5.7 per cent., with strong year on year growth seen in US commercial and, for the period under ownership, was slightly down at US$28.9 million, principally reflecting phasing of order patterns. Export Revenue for AmesburyTruth was in line with 2015.

Despite the small improvement in like for like Dollar Revenue, like for like Underlying Operating Profit increased by 4.6 per cent. demonstrating the success of the Division's focus on margin management and pricing, while the like for like Underlying Operating Margin increased to 19.1 per cent. (2015: 18.4 per cent.), as the Division continues to make progress towards its 20.0 per cent. Underlying Operating Margin target.

Reported Revenue in 2016 for the Division increased by 22.4 per cent. to £291.3 million (2015: £238.0 million). Reported Operating Profit increased by 25.9 per cent. to £54.8 million (2015: £43.5 million) assisted by the strengthening of the US Dollar year on year and the initial contributions from the Giesse and Bilco acquisitions. The reported Underlying Operating Margin is slightly lower than the like for like equivalent, reflecting the lower margin of the Bilco business before synergy benefits start to come through.

Progress against 2013 strategic priorities

In 2013 AmesburyTruth set out its key strategic priorities for the first three years of the then newly created Division:

1. to develop a meaningful position in the US commercial market;
2. to increase the Division's share of the Canadian market; and
3. to extend the Division's residential patio door market share.

US commercial

On a pro forma basis, including a full 12 months of commercial sales for Bilco and Giesse, US commercial revenue in 2016 was approximately US$66.0 million (2013: US$15.0 million) compared with the 2013-16 plan target of US$70.0 million. AmesburyTruth now has the appropriate platform for growth in the US commercial market with recognised brands, a significantly broader product offering and a defined route to market. Over the next three years the Division will grow and develop its commercial business still further through organic growth and further bolt on acquisitions.

Canada

On a pro forma basis, including a full 12 months of sales for Bilco, Revenue generated in Canada in 2016 was US$42.4 million (2013: US$36.0 million), compared with the 2013-16 plan target of US$51.0 million. The Canadian market has performed less strongly over the period than was expected and the AmesburyTruth product offer has become progressively less price competitive for Canadian customers purchasing in US Dollars. The Division still believes that Canada offers opportunities for profitable growth when markets recover, particularly with Bilco as part of the portfolio, and will consider ways to better serve the Canadian customer base.

Patio door

AmesburyTruth's patio door business generated Revenue of US$50.7 million in 2016 (2013: US$34.0 million), compared with the stretching 2013-16 plan target of US$60.0 million. The Division has made good progress over the period, increasing its overall share of the patio door segment of the residential market and, with a number of patio door products in development, is confident that this segment of the business will continue to show above market growth.

Footprint project

AmesburyTruth made further progress in the year with the North American footprint project and the first phase of the project will complete by the end of March 2017. Phase One has involved the build out of the Division's existing site in Juarez, Mexico; the construction of a new 150,000 sq. ft. facility in Sioux Falls, South Dakota; and the closures of two existing sites in Sioux Falls and Canton, South Dakota.

The Juarez site, which operates as a Maquiladora, now employs approximately 680 people, compared with c. 200 at the start of 2015, and is operating as a full service manufacturing unit with competencies such as metal forming, spring winding, die casting and injection moulding all taking place on site. Manufacturing output in Juarez was increased gradually throughout 2016 and the facility is now operating at target production levels. The duplicate manufacturing runs that were required in 2016 to support the expansion in Mexico ceased by the year end.

In recent months there has been increased scrutiny of manufacturing businesses with Mexican operations supplying product into the US. Firm proposals concerning the terms of future trade between Mexico and the US have yet to be brought forward and the Division will closely monitor any proposed changes that may adversely impact the status, economics or logistics of operating in Mexico through a Maquiladora facility.

The significant majority of AmesburyTruth's products are manufactured in the US where the Division has intentionally retained manufacturing redundancy of those products currently made in Mexico. This redundancy could, if required, be utilised to support customers in the US.

The new Sioux Falls site became operational at the start of 2017 and is responsible for the manufacture of window balances, a variety of door and window hardware, as well as acting as the distribution hub for Giesse products in North America.

Since the year end the closed Sioux Falls site has been returned to the landlord and the freehold of the Canton site has been listed for sale.

Phase Two of the project commenced in November 2016 with the construction of a new 240,000 sq. ft. facility in Statesville, North Carolina. The build out of this facility is expected to complete by the end of 2017 and will form the third of the Division's four centres of excellence.

The AmesburyTruth ERP project, which is a precursor to the delivery of the North American footprint project, completed two further implementations during the course of 2016.

Footprint project financials

US$'m	2016 Actual	2017 Forecast	2018 Estimate	2019 Estimate
P&L cash costs	3.5	6.0	6.5	1.0
P&L non cash costs	0.0	3.0	3.0	4.0
Total P&L Costs	***3.5***	***9.0***	***9.5***	***5.0***
Capital expenditure (gross) (1)	*4.2*	7.0	4.0	2.0
Total cash costs	***7.7***	***13.0***	***10.5***	***3.0***
Incremental P&L saving	***0.0***	***2.0***	***2.0***	***3.0***
Cumulative P&L saving	***0.0***	***2.0***	***4.0***	***7.0***

(1) The Division expects to realise cash proceeds of up to US$5.0 million from disposals of capital assets as part of the footprint project which will be offset against the gross capital expenditure of the project

Cash costs incurred during 2016 in connection with the footprint project were lower than expected, principally due to project phasing. The Division now expects a higher proportion of future cash costs associated with the project will be written off as incurred rather than capitalised.

The Division continues to target cumulative P&L savings from the footprint project of US$10.0 million from 2020.

Bilco and Giesse North America

The integration of Bilco is progressing to plan with a number of back office and procurement initiatives completed under the leadership of a dedicated integration team. Notable wins for Bilco in 2016 included projects to provide sidewalk doors in Mexico City and the Gulf and flood tight doors to the New York City transit authority.

The progress on integration of Bilco means that AmesburyTruth now expects to achieve the targeted US$2.5 million of pre tax cost and revenue synergies during 2017; some two years earlier than expected at acquisition.

In the period under ownership, Bilco saw sustained strong performance from its US commercial offering; however the strength of the Dollar led to weaker export sales. In residential the second half of the year was slower than the first, reflecting the more difficult US residential trading environment during the second half of 2016.

The Giesse North America facility was closed during the year and distribution of Giesse products is now managed from the Sioux Falls facility. The Giesse business grew significantly ahead of the market in North America following acquisition, with Revenue increasing by approximately 25.2 per cent. from a low base compared with the equivalent period in 2015.

Outlook

The outlook for the US market appears positive for 2017 with encouraging permit levels for single family construction coming into the year and the Division expects that repair and remodelling markets will show more meaningful growth in 2017. Residential markets in Canada are expected to remain challenging for AmesburyTruth in 2017, given the strength of the US Dollar, although permit levels for single family homes may indicate some improvement in the underlying market.

Commercial markets are expected to show growth in the US and Canada and the Division's commercial platform is now well established to take advantage of opportunities as they arise.

2017 initiatives for AmesburyTruth include completion of the integration of Bilco together with delivery of the committed synergies. The second stage of the Divisional footprint project has now commenced and the Division is conducting a review of how best to serve AmesburyTruth's smaller customers.

ERA

£'m except where stated	2016	2015(1)	Change	CC LFL
Revenue	71.8	78.1	**(8) %**	*+ 4 %*
Underlying Operating Profit	11.6	11.6	**-**	*+ 14 %*
Underlying Operating Margin	*16.1 %*	*14.8 %*	***+ 130 bps***	*+ 150 bps*

(1) 2015 comparative includes Revenue (£11.3 million) and Underlying Operating Profit (£1.3 million) attributable to EWS up to the date of disposal. 2015 LFL Revenue and Underlying Operating Profit were £66.7 million and £10.3 million respectively.

Markets

2016 saw continued growth in UK new build construction with residential housing starts increasing by 5.0 per cent. in the year to 154,000 units; still 15 per cent. below the March 2007 peak. The CPA estimates that private housing RMI, which comprises the substantial majority of the market, grew modestly during the year overall; although the Division believes that the window and door improvement portion of the market was flat to down.

Demand patterns varied significantly through the year in the UK; with modest growth in the first quarter being offset by a gradual slow down in the lead up to the EU Referendum. In the immediate trading period after the EU Referendum there was a noticeable hiatus in the market; however demand stabilised over the summer months and volumes into the market largely held up over the balance of the year.

Business performance and developments

On a like for like basis, excluding Response Electronics from the current year and EWS from the prior year, Revenue increased by 3.7 per cent. principally due to the impact of pricing and surcharge actions year on year. Like for like Underlying Operating Profit increased to £11.6 million from £10.3 million in 2015, with the Underlying Operating Margin benefitting from good cost control over the year and the drop through of pricing.

On a reported basis, Revenue in the ERA Division decreased by 8.1 per cent. and reported Underlying Operating Profit was flat year on year, reflecting the impact of the 2015 disposal of EWS.

The devaluation of Sterling against a number of major currencies in 2016, combined with rising raw material costs, increased the unhedged landed costs of Far Eastern manufactured components significantly. Over the course of the year the index Sterling cost of the ERA basket of components increased by some 24.3 per cent.. To mitigate this impact, the Division implemented a price increase in the first half of the year and a currency surcharge in the second half of the year. In the second half of 2016 the Division had the benefit of currency hedges put in place prior to the EU Referendum that will not repeat in 2017.

The OEM channel saw encouraging volume growth in the UK of 2.2 per cent. with continued strong performance from the Division's bifold hardware range and increased sales of more recent product introductions such as the Invincible cylinder lock.

For the first time in a number of years during 2016, ERA showed improved performance in the distribution channel with new listings won with a number of customers. Distribution remains a meaningful opportunity for ERA and will continue to be a focus for the Division in 2017 given the strength of the ERA, Response and Fab & Fix brands, the expansion of ERA's electromechanical security ranges and the number of established distribution routes to market that exist in the UK.

Ventrolla acquired a further two franchises during 2016 bringing the total number of franchises under direct ownership to ten. Revenue for 2016 was in line with 2015, principally due to joinery capacity constraints, with a year end order book some 23.3 per cent. higher than at December 2015.

Ventrolla has evolved its business model in recent years, adding the in-house manufacture of new timber windows to its established renovation offering and participating in an increasing number of larger scale commercial projects. The significant increase in demand for Ventrolla's joinery products has required a move to larger premises in Q1 2017.

The acquisition of Response has allowed the Division to consolidate its electromechanical offering under a common branding hierarchy with clear distinctions between the ERA trade and retail brands. A new distribution agreement has been signed with Lightwave RF, a smart home automation business, and the Division has made encouraging progress in raising the profile of the ERA and Response brands within the retail channel.

The Division's online portal, ERA Everywhere, was successfully launched during the year and is being used by increasing numbers of OEM customers.

Delays in completing the purchase of the land earmarked for the construction of the new ERA facility in the West Midlands meant that contractors started work later than originally expected. As a result, construction and fit out of the new facility is now expected to take the majority of 2017 to complete, with full occupancy scheduled for the first quarter of 2018. The new facility will allow the Division to consolidate three existing distribution warehouses onto a single site incorporating a test centre, showroom and offices as well as light manufacturing and assembly capabilities.

UK Commercial

Until 2016, Tyman's UK and Ireland business was predominantly residential with only limited sales into the commercial market. The acquisitions of Bilco and Giesse have brought to Tyman extensions to the Group's existing product range that have commercial applications and the development of a meaningful commercial offering for the UK market is now underway.

Since the year end the Group has acquired Howe Green, a UK manufacturer of engineered floor and ceiling access hatches sold into the commercial and infrastructure markets. In the year ended 31 August 2016, Howe Green reported Revenue of approximately £3.0 million.

UK and Ireland outlook

While UK markets held up better than expected in the second half of 2016, the likelihood of falling real incomes and lower levels of housing transactions in 2017 may impact general consumer confidence.

Accordingly, the Division's core expectation for 2017 remains that UK and Irish markets will be flat to down with further cost inflation coming through due to the relative weakness of Sterling. As in previous years, the impact of input cost inflation will be managed through a combination of effective purchasing, price management and cost reduction programmes.

The Division has a number of new products under development, including extensions to the electromechanical range, and will continue to focus on expansion of the distribution channel.

SCHLEGEL INTERNATIONAL

£'m except where stated	**2016**	2015	**Change**	***CC LFL***
Revenue	94.6	37.4	**+ 153 %**	*(3) %*
Underlying Operating Profit	9.4	1.6	**+ 498 %**	*(4) %*
Underlying Operating Margin	*10.0 %*	*4.2 %*	***+ 570 bps***	*(4) bps*

Markets

EMEAI

European markets sustained their gradual recovery in 2016 with encouraging growth seen in the majority of markets and the Division's key Southern region continuing to expand. Eastern Europe was the only European region that did not grow in 2016, principally due to contraction in the two biggest construction markets of Turkey and Russia.

Middle East construction markets saw limited growth as a function of the low oil price; however Indian markets continued to grow.

China and Asia Pacific

Despite slowing GDP growth, Chinese construction markets expanded in 2016 as previously commissioned projects moved towards completion. There was modest growth in the majority of other Asia Pacific construction markets.

Latin America

Latin American construction markets remain relatively subdued. The Brazilian construction market continues to be challenging and the Argentinian market was flat across the year as a whole, despite a strong first quarter following the relaxation of exchange controls at the end of 2015.

Performance

Schlegel International's reported Revenue increased to £94.6 million (2015: £37.4 million) reflecting the initial contribution of Giesse to the Division and strong sales performance in the first ten months of ownership, together with the beneficial impact of foreign exchange translation. On a constant currency, like for like basis, Revenue in the year decreased with continued recovery in demand for seals in Europe being somewhat offset by difficult market conditions in Brazil and slow trading in Australasia.

Underlying Operating Profit increased to £9.4 million (2015: £1.6 million) with the Underlying Operating Margin expanding to 10.0 per cent. (2015: 4.2 per cent.) as the Division made significant progress towards its mid-teens Underlying Operating Margin target, principally due to the higher profitability of the acquired Giesse business and the early delivery of synergies.

Aggregate Group Revenue in EMEAI for the year increased by approximately 4.1 per cent. with improvement seen in most regions other than Eastern Europe and a strong performance in the Middle East. As expected, growth in the second half of the year for EMEAI was slower than the first due to the high volume of projects delivered in the first half of the year and restocking by certain distribution customers which did not repeat in the second half.

In China the Division changed the route to market for Giesse products, working with a smaller number of partner distributors to target the premium end of the Chinese market. As a consequence, while there was only small aggregate Revenue growth in China year on year, profitability was enhanced. Performance in Australasian markets was disappointing and the Division has made a number of changes to the commercial structure as a consequence.

Latin America recorded high levels of local currency Revenue growth with performance in Argentina enhanced by significant local price inflation and distributor restocking somewhat offset by continued declines in volumes in Brazil. Profitability in Latin America was flat year on year, principally due to the challenging Brazilian market.

Schlegel International launched two new Giesse products in 2016 – the Chic handle and the Ultra hinge ranges - which have seen encouraging interest in a number of markets and the Division is making good progress with development of the next generation of sealing products. The Division's capital investments in the year include the automation of certain Giesse manufacturing processes, the refurbishment of foam seal ovens in the UK and the start of a project to migrate the existing Schlegel businesses onto the Giesse ERP system.

Integration of Giesse

Schlegel International increased significantly in size and scale as a result of the acquisition of Giesse. The Division made rapid progress during 2016 with its integration initiatives such that the first phase of integration was completed by the year end; around six months ahead of schedule.

The first phase of integration included the establishment of a functional reporting structure under a single executive team; simplifying the legal and financing structure of the Division; and consolidating certain functions such as sales and marketing, finance, procurement and new product development.

During the year, a number of site rationalisation initiatives were completed. A Divisional headquarters was established at the Giesse site in Bologna, Italy and five facilities were closed. In each case operations were transferred to other Group facilities.

In aggregate €2.4 million (£1.9 million) of synergy benefits were recorded as a consequence of the acquisition of Giesse in 2016, including €0.5 million of synergy benefits recorded below Underlying Operating Profit. The Group now expects that the committed €4.0 million of synergies will be delivered by the end of 2017, some twelve months ahead of schedule.

The formal transfer of the Giesse Gulf trade and assets to Schlegel International completed on 31 August 2016. As the economic risks and rewards of ownership were transferred to Schlegel International on 8 March 2016, the results of the Giesse Gulf business have been consolidated in the Group's results since that date.

2017 integration initiatives include further consideration of the Divisional footprint, the formal launch of the Division's integrated European salesforce and further cost saving initiatives.

Outlook

Schlegel International expects 2017 will see further growth in the Division's EMEAI and Asia Pacific markets; Latin American markets are expected to remain challenging but may show some modest improvement.

The second phase of integration is now underway and the Division is confident that the targeted €4.0 million of synergies relating to the acquisition of Giesse will be delivered earlier than planned by the end of 2017.

FINANCIAL REVIEW

INCOME STATEMENT

Revenue and profit

Reported Group Revenue increased by 29.5 per cent. to £457.6 million (2015: £353.4 million) assisted by initial contributions from the three acquisitions completed in the year and favourable exchange. On a constant currency, like for like basis, Group Revenue increased by approximately 0.9 per cent. year on year.

Reported Gross Margin improved by 275 bps to 36.5 per cent. (2015: 33.8 per cent.), benefitting from higher gross margins in the Giesse business and pricing initiatives, offset in part by the weakness of Sterling impacting the ERA Division.

Underlying Administrative Expenses increased to £97.5 million (2015: £68.0 million), reflecting the enlarged size and geographic reach of the Group. Corporate costs in the year were well controlled at £6.0 million (2015: £5.3 million), with the increase due to higher headcount and share-based payments.

Underlying Operating Profit increased by 35.7 per cent. to £69.8 million (2015: £51.4 million), and by 5.1 per cent. on a constant currency like for like basis. The Group's Underlying Operating Margin increased by 70 bps to 15.3 per cent. (2015: 14.6 per cent.). Pricing actions increased Underlying Operating Profit year on year by £7.7 million. These more than offset negative productivity movements of £3.7 million that principally arose from temporary manufacturing inefficiencies related to footprint projects, and general inflationary increases of £2.5 million.

Underlying Profit before Taxation increased by 37.6 per cent. to £62.1 million (2015 restated: £45.1 million) and increased by 5.0 per cent. on a constant currency like for like basis. Reported Profit before Taxation increased by 88.6 per cent. to £29.4 million (2015: £15.6 million).

Materials and input costs

Overall category £'m unless stated	2016 Materials COS(1)	Tracker purchases	Average tracker price mvt(2)	Spot tracker price mvt(3)
Aluminium	16.2	Euro Aluminium	(12.3) %	+ 4.5 %
Oil derivatives	23.8	Euro Polypro	(22.7) %	+ 8.2 %
Steel	33.1	US Stainless	(11.9) %	(0.3) %
Zinc	29.5	US Zinc	(11.2) %	(4.4) %
UK Far East Components	32.2	UK Basket	+ 7.3 %	+ 24.3 %

(1) 2016 materials cost of sales for raw materials, components and hardware for overall category
(2) Average 2016 tracker price compared with average 2015 tracker price
(3) Spot tracker price as at 31 December 2016 compared with spot tracker price at 31 December 2015

Raw material costs remained relatively subdued in 2016 with average prices across most commodities lower than in 2015. On a spot basis, aluminium and oil derivatives were both more expensive at the end of 2016 and there are clear indications that commodity cycles have turned. As a consequence, raw material prices are expected to be higher in most of the Group's markets during 2017.

The UK basket of Far East Components has seen a significant increase in the unhedged landed costs of products in the year with the landed costs of product being 24.3 per cent. higher than at the end of 2015. Further details on the mitigating actions taken by the ERA Division are set out in the ERA Operational Review.

The impact of input cost inflation in 2017 on the Group will continue to be managed through a combination of effective purchasing, price management and cost reduction programmes.

Exceptional items

£'m	2016	2015
Footprint restructuring	**2.7**	4.5
M&A and integration	**3.0**	1.4
Write-off of inventory fair value adjustment	**5.7**	-
(Profit)/Loss on disposal of business	**(0.3)**	1.4
Property provision releases and disposals	**(0.2)**	(0.7)
Redundancy and restructuring	**-**	1.0
Total exceptional items	**10.9**	7.6

As announced in March 2015 and reported in previous periods, footprint restructuring principally relates to directly attributable costs incurred in the ongoing North American footprint project. The Group expects the North American footprint project will conclude by 2020. Included in the £2.7 million exceptional charge are £0.8 million releases of surplus restructuring provisions relating to the closure of the Gistel and Taliana operations of Schlegel International.

M&A and integration costs of £3.0 million relate to the legal, financial, taxation and consultancy costs associated with the three acquisitions announced during the period, including certain costs incurred in connection with the integration of the acquired businesses.

Write-off of inventory fair value adjustments of £5.7 million is a non-cash adjustment relating to the IFRS 3 requirement that finished goods held in inventory must be revalued to their market value on acquisition. £4.7 million relates to inventory acquired in the Giesse acquisition and £1.0 million to Bilco. Response is a distribution business and as a result the equivalent inventory revaluation is not material.

This uplift in book value is considered to be of a one-off exceptional nature and is of a magnitude that would distort the underlying trading results of Giesse and Bilco in the financial year. Accordingly, the uplift in value of the inventory acquired with the Giesse and Bilco acquisitions that was sold in the 2016 financial year, has been written off as exceptional. This treatment of the revaluation of finished goods acquired on acquisition as exceptional has been consistently applied to each of the Group's acquisitions in recent years.

Profit on disposal of business relates to the net deferred consideration for EWS received in 2016. Property provision releases and disposals of £0.2 million comprises surplus onerous lease provisions released during the year.

The 2015 redundancy and restructuring exceptional item principally comprised costs incurred in the restructuring of the ERA Division during the 2015 year in anticipation of the consolidation onto a single site now expected to complete by the end of Q1 2018.

Exceptional items comprise £5.3 million of costs cash settled in the year (2015: £3.1 million) and £5.6 million of non-cash costs (2015: £3.1 million).

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

Finance costs

Net finance costs increased to £7.8 million (2015: £6.9 million). Interest payable on bank loans, private placement notes and overdrafts increased to £7.8 million (2015: £6.1 million) reflecting interest charges incurred on higher drawdowns made in the year as well as the finance charges relating to bank borrowings acquired with the Giesse acquisition.

Non-cash movements charged to net finance costs in the year include amortisation of capitalised borrowing costs of £0.4 million (2015: £0.4 million), a gain on the revaluation of fair value currency hedges of £0.3 million (2015: loss of £0.2 million), and pension interest cost of £0.5 million (2015: £0.4 million).

Income from short term bank deposits increased to £0.5 million (2015: £0.2 million) and Underlying net finance costs increased by £1.4 million to £7.7 million (2015 restated: £6.3 million).

Interest rates on borrowings

The Group's average cost of funds and margin payable over the year has decreased by 70 bps to 3.3 per cent. (2015: 4.0 per cent.) reflecting negative EURIBOR rates assumed on higher Euro borrowings drawn down in the year and increased exposure to variable rates following the maturity of interest rate swap contracts in March 2016.

Interest rate swap contracts

A proportion of the Group's borrowings are held at fixed rates via interest rate swap contracts. At the year end the notional value to swap of the Group's outstanding borrowings under the revolving credit facility was 14.2 per cent. (2015: 88.1 per cent.). The weighted average fixed rate of the swap contracts was 1.7 per cent..

At 31 December 2016, the Group held interest rate swap contracts amounting to a fair value liability of £0.3 million (2015: £0.1 million). During the year, a fair value loss of £0.2 million (2015: fair value gain £0.2 million) was considered effective and recognised directly in other comprehensive income.

Forward exchange contracts

At 31 December 2016, the Group's portfolio of forward exchange contracts at fair value amounted to a net asset of £0.5 million (2015: £0.2 million). The notional value of the portfolio amounted to £12.5 million, comprising US$ and Chinese Renminbi forward exchange contracts with notional values of US$7.5 million and RMB55.0 million respectively. These contracts have a range of maturities up to 3 July 2017.

During the year, a fair value gain of £0.3 million (2015: fair value loss £0.2 million) was recognised directly in the income statement. As set out in the Alternative Performance Measures section, these items have been excluded from the Group's definition of "Underlying".

Taxation

The Group reported an income tax charge of £8.6 million (2015: £7.9 million), comprising a current tax charge of £11.4 million (2015: £9.7 million) and a deferred tax credit of £2.8 million (2015: £1.8 million).

The Underlying tax charge was £18.1 million (2015 restated: £12.6 million), representing an effective Underlying tax rate of 29.2 per cent. (2015 restated: 27.9 per cent.).

During the year, the Group paid corporation tax of £12.7 million (2015: £8.9 million) which equates to a cash tax rate on Underlying profit before taxation of 20.4 per cent. (2015: 19.7 per cent.).

Earnings per share

Basic Earnings Per Share increased by 162.1 per cent. to 11.98 pence (2015: 4.57 pence). Diluted Earnings Per Share increased to 11.93 pence (2015: 4.55 pence).

Underlying Earnings Per Share increased by 31.5 per cent. to 25.41 pence (2015 restated: 19.33 pence). Underlying Diluted Earnings Per Share increased to 25.31 pence (2015 restated: 19.24 pence). The increase reflects the improvement in Underlying Operating Profit offset by increases in finance costs for the year.

CASH GENERATION, FUNDING AND LIQUIDITY

Cash and cash conversion

£'m	2016	2015
Net cash generated from operations	**67.3**	40.1
Add: Pension contributions	**0.9**	0.9
Add: Income tax paid	**12.6**	8.9
Less: Purchases of property, plant and equipment	**(12.6)**	(8.9)
Less: Purchases of intangible assets	**(2.8)**	(2.9)
Add: Proceeds on disposal of PPE	**0.2**	0.9
Operational Cash Flow after exceptional cash costs	**65.6**	39.0
Exceptional cash costs	**8.3**	4.7
Operational Cash Flow	**73.9**	43.7
Less: Income tax paid	**(12.6)**	(8.9)
Less: Net interest paid	**(7.0)**	(6.2)
Less: Exceptional cash costs	**(8.3)**	(4.7)
Free Cash Flow	**46.0**	23.9

The Group generated Operational Cash Flow in the year of £73.9 million, an increase of 69.3 per cent. (2015: £43.7 million) after adding back £8.3 million (2015: £4.7 million) of exceptional costs cash settled in the year, £3.0 million of which were accrued in prior years. Free cash flow in the year increased significantly to £46.0 million (2015: £23.9 million).

Operating Cash Conversion in the year was 105.9 per cent. (2015: 84.9 per cent.) reflecting good control over working capital and lower than expected capital expenditure.

Bank facilities and US private placement notes

The total facilities available to the Group are as follows:

Facility	Maturity	Currency	Committed	Uncommitted
Revolving Credit Facility	Jun 2019	Multicurrency	£180.0m	£60.0m
4.97% USPP notes	Nov 2021	US$	US$55.0m	-
5.37% USPP notes	Nov 2024	US$	US$45.0m	-
Other facilities	Various	€	€3.6m	-

Following the acquisition of Giesse, the Group retained certain Giesse banking facilities. At 31 December 2016, the remaining facilities have a total value of €3.6 million.

Liquidity

At 31 December 2016 the Group had gross outstanding borrowings of £217.7 million (2015: £113.2 million), cash balances of £40.9 million (2015: £30.0 million) and committed but undrawn facilities of £46.5 million (2015: £135.1 million) as well as potential access to the uncommitted £60.0 million accordion facility.

Underlying Net Debt at the year end was £176.7 million (2015: £83.2 million). Under IFRS, which reduces gross debt by the unamortised portion of finance arrangement fees, net debt at 31 December 2016 was £175.6 million (2015: £81.6 million).

Covenant performance

At 31 December 2016	Test	Covenant performance	Headroom £'m	Headroom %
Leverage	< 3.0x	1.89x	32.0	37.1 %
Interest Cover	> 4.0x	11.41x	53.6	64.9 %

Calculated covenant performance consistent with the Group's banking covenant test

The Group continues to retain significant headroom on its banking covenants.

Over the year, Leverage increased by 0.54x to 1.89x (2015: 1.35x), largely driven by the material increase in borrowings to finance the purchase of Giesse and Bilco. Leverage reduced significantly over the second half of the year from an estimated 2.35x on completion of the acquisition of Bilco and at the year end was comfortably within the Group's core year end target range of 1.50x to 2.00x.

Interest Cover increased over the year to 11.41x from 10.19x in 2015, reflecting negative EURIBOR rates assumed on significantly higher Euro borrowings drawn down in the year and increased exposure to variable rates arising following the maturity of interest rate swap contracts in March 2016.

BALANCE SHEET - ASSETS AND LIABILITIES

Working capital

£'m	2015	Mvt	Acqns(1)	FX	2016
Inventories	46.0	2.4	13.6	8.7	**70.7**
Trade receivables	29.5	(6.4)	26.3	5.9	**55.3**
Trade payables	(19.8)	(0.3)	(14.5)	(3.7)	**(38.3)**
Trade working capital	**55.7**	**(4.3)**	**25.4**	**10.9**	**87.7**

(1) The fair value of working capital items assumed at the acquisition date less IFRS 3 exceptional inventory fair value adjustments

At the year end trade working capital, net of provisions, was £87.7 million (2015: £55.7 million). Of the increase, £25.4 million relates to trade working capital assumed on acquisition, £10.9 million to exchange movements offset by a £4.3 million net cash inflow (2015: net cash outflow of £1.6 million) of trade working capital across the year.

Inventories on the balance sheet increased by £24.7 million to £70.7 million (2015: £46.0 million). Of the movement in the year, £19.3 million relates to inventories recognised from acquisitions, offset by the £5.7 million post-acquisition write-off of inventory fair value adjustments.

Trade receivables increased by £25.8 million to £55.3 million (2015: £29.5 million). Bad debts written off in the year by the Group as a percentage of Revenue was negligible (2015: 0.1 per cent.).

Trade payables increased to £38.3 million (2015: £19.8 million) with £14.5 million relating to acquisitions made during the year and £3.7 million to exchange movements.

Capital expenditure

Gross capital expenditure increased to £15.4 million (2015: £11.8 million) or 1.32x depreciation (2015: 1.50x) as the Group continued the programme of targeted capital investment across each of the Divisions. Capital expenditure was lower than expected coming into the year, reflecting phasing on projects and the deferral of expenditure on the ERA footprint project. Intangible asset expenditure totalled £2.8 million (2015: £2.9 million) and principally related to the continuing investment in the AmesburyTruth ERP system.

Goodwill and intangible assets

At 31 December 2016, the carrying value of the Group's goodwill and intangible assets was £480.0 million (2015: £340.5 million). Of the movements in the carrying values in the year, £90.7 million arose from the acquisitions made during the year. As a result of the marked deterioration of Sterling against major currencies in the year, most of the £68.6 million exchange movement arose as a result of the translation of the underlying US Dollar and Euro-denominated intangibles into the Groups functional currency at the year end.

Amortisation of intangible assets during the year was £22.7 million (2015: £20.0 million).

Cash Generating Units

The Group's CGUs have been defined as each of the Group's three operating Divisions. In the opinion of the Directors, the Divisions represent the smallest groups of assets that independently generate cash flows for the Group consistent with the approach adopted in 2015.

The key change to the Schlegel International CGU in 2016 was the acquisition of Giesse. The integration of Giesse into Schlegel is now at an advanced stage with a single IT, New Product Development and sales and marketing management structure. In addition, significant footprint consolidation has been implemented with sites in Italy, Spain and Brazil.

Similarly, both the Giesse North American business and the Bilco business have been substantially integrated within the existing AmesburyTruth commercial business within such that cash flows are no longer generated independently.

Consequently, the Directors consider it appropriate to continue to define the Group's CGUs as each of the Group's three operating divisions.

Pensions and post-retirement medical benefits

At 31 December 2016, the Group's gross pension and post-retirement medical benefit obligations under IAS 19 were £52.7 million (2015: £25.4 million). Of the increase in the year, £19.8 million related to retirement benefit obligations assumed as a result of the Bilco and Giesse acquisitions and £6.8 million related to exchange movements. The net unindemnified pension and post retirement obligation payable by the Group at the year end was £16.1 million (2015: £9.9 million).

The AmesburyTruth schemes are closed to new entrants and post-retirement healthcare benefits are capped. As at 31 December 2016, Bilco's net retirement benefit obligations amounted to US$1.3 million (£1.0 million) however the net amounts payable under the Bilco retirement benefit obligation are fully recoverable from and indemnified by the vendors of Bilco with a proportion held in escrow.

The Italian schemes relate to TFR termination obligations payable to employees of the Group's Italian operations. Italian employers are required to make provision for a severance package to their employees equivalent to 6.9 per cent. of each employee's gross annual salary, revalued on the basis of 75.0 per cent. of inflation plus a fixed rate of 1.5 per cent. during the period of accrual. Upon termination of employment, the employer is obliged to pay a lump sum to the employee. As at 31 December 2016, the Group's TFR termination obligations amounted to £3.1 million. TFR termination obligations are unfunded.

Cash contributions made to the schemes during the year were £0.9 million (2015: £0.9 million). Benefit payments to scheme members were £1.6 million (2015: £1.2 million).

BALANCE SHEET - EQUITY

Shares in issue

At 31 December 2016, the total number of shares in issue was 178.6 million (2015: 170.1 million). On 21 June 2016 the Group issued 8,478,128 shares by way of a placing with institutional investors to reduce balance sheet gearing and provide

TYMAN PLC

structural headroom on the Group's banking facilities following the Bilco and Giesse acquisitions. At the year end, the Group had 0.5 million shares in Treasury (2015: 0.5 million).

The basic weighted average number of shares at the year end was 173.0 million (2015: 168.2 million). The diluted weighted average number of shares was 173.8 million (2015: 169.0 million).

Employee Benefit Trust purchases

At the year end the Tyman Employee Benefit Trust held 1.0 million shares (2015: 1.3 million). On 9 March 2016 the Trust purchased 658,976 shares in Tyman plc at a total cost of £1.9 million in order to satisfy certain share awards vested in March 2016 as well as future obligations under the Group's various share plans.

Dividend

A final dividend of 7.50 pence per share (2015: 6.09 pence), equivalent to £13.3 million (2015: £10.3 million), will be proposed at the Annual General Meeting. The total dividend declared for the 2016 financial year is therefore 10.50 pence per share (2015: 8.75 pence), an increase of 20.0 per cent. over 2015. This equates to a dividend cover at the top end of the Group's target range of 2.00 - 2.50x.

The ex-dividend date will be 20 April 2017 and the final dividend will be paid on 19 May 2017 to shareholders on the register on 21 April 2017.

Only dividends paid during the year have been charged against equity in the 2016 financial statements. In aggregate £15.6 million (2015: £14.6 million) of dividend payments, representing 34.1 per cent. of 2016 free cash flow, were made to shareholders during 2016.

At 31 December 2015, the Parent Company's total reserves available for distribution to shareholders were £198.9 million. Total dividends paid during 2016 utilised approximately 7.8 per cent. of the estimated reserves available for distribution at the beginning of the year.

OTHER FINANCIAL MATTERS

Returns on Acquisition Investment

	Acquisition Date	Original Acquisition Investment '000	ROAI in 2016	Annualised ROAI in 2016
Giesse	Mar 2016	€56,723	18.8 %	23.3 %
Bilco	Jul 2016	$64,937	5.6 %	11.5 %

See Alternative Performance Measures on page 55

Giesse has made a strong contribution in the first ten months of ownership and looks well positioned to exceed the target return threshold within two years of acquisition.

At the year end Bilco had been owned by the Group for six months and no material synergy benefits were derived from the Bilco acquisition in 2016. Bilco's ROAI is expected to increase during 2017 as synergy benefits start to be realised.

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact the Group's results are the US Dollar, the Euro, the Australian Dollar and the Canadian Dollar. On average in 2016 each of these currencies was materially stronger against Sterling.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Total[1]
% mvt in average rate	(11.3) %	(11.1) %	(10.3) %	(8.0) %	
£'m Revenue impact	32.2	5.7	0.9	0.4	39.2
£'m Profit impact [2]	6.2	0.8	0.1	0.0	7.1
1c decrease impact [3]	£398k	£61k	£6k	£1k	

(1) Impact of other currencies is immaterial
(2) Underlying Operating Profit impact
(3) Defined as the approximate favourable translation impact of a 1c decrease in the Sterling exchange rate of the respective currency on the Group's Underlying Operating Profit

The net effect of currency translation caused Revenue and Underlying Operating Profit from ongoing operations to increase by £39.2 million and £7.1 million respectively compared with 2015. This result is driven by a combination of the enlarged size of the Group in the US and Europe following the acquisitions of Giesse and Bilco, as well as the depreciation of Sterling against a number of major currencies in the year.

Transactional exposure

Divisions that purchase or sell products in currencies other than their functional currency will potentially incur transactional exposures. For purchases by the Group's ERA Division from the Far East, these exposures are principally Sterling/US Dollar or Renminbi. For purchases by Schlegel International's Australian business from the US and the Far East, these exposures are principally Australian Dollar/US Dollar or Renminbi.

The Group's policy is to recover adverse transactional currency movements through price increases or surcharges. Divisions typically buy currency forward to cover expected future purchases for up to around six months. The objective is to achieve an element of certainty in the cost of landed goods and to allow sufficient time for any necessary price changes to be implemented.

In 2016, the transactional impact of the weakness in Sterling against the US Dollar and Renminbi on the reported profits of the ERA Division was approximately £1.5 million (2015: £1.5 million). This was however mitigated to a large extent by hedging. In 2016, when comparing the hedge rates achieved against the spot rates, the benefits of hedging was approximately £1.7 million.

The Group's other transactional exposures generally benefit from the existence of natural hedges or are immaterial.

Currency in the consolidated balance sheet

The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to Underlying Operating Profit. The Group's banking facilities allows for funds to be drawn in a number of different currencies.

Alternative Performance Measures

A detailed description of the APMs used by the Group is included in the definitions on page 55.

In 2016 the APMs were applied and calculated consistent with the equivalent calculations made in 2015 other than the definition of Underlying Interest which now excludes gains and losses on the fair value of derivative financial instruments.

In the opinion of the Directors, the inclusion of gains and losses on the fair value of derivative financial instruments creates unnecessary volatility in the relevant APMs which does not reflect the true underlying performance of the business.

In 2016 this adjustment has the effect of decreasing the Group's Underlying Profit before Taxation by £0.3 million and the Group's Underlying Earnings Per Share by 0.15 pence. The 2015 comparatives have been restated which increases the 2015 Underlying Profit before Taxation by £0.2 million and the 2015 Underlying Earnings Per Share by 0.08 pence.

Reconciliation of statutory Profit before taxation to Underlying Profit after taxation:

	2016 £'000	2015 £'000
Profit before taxation	**29,376**	15,576
Exceptional items	**10,900**	7,563
Amortisation of borrowing costs	**412**	409
(Gain)/Loss on revaluation of fair value hedge	**(328)**	177
Unwinding of discount on provisions	**6**	18
Amortisation of acquired intangible assets	**21,713**	19,567
Impairment of acquired goodwill	**-**	1,796
Underlying profit before taxation	**62,079**	45,106
Income tax charge	**(8,641)**	(7,885)
Add back: tax effect of exceptional items, amortisation of borrowing costs, amortisation of acquired intangible assets, impairment of acquired intangible assets and unwinding of discount on provisions	**(9,469)**	(4,698)
Underlying profit after taxation	**43,969**	32,523

2017 SUMMARY GUIDANCE

Interest payable on borrowings for the full year under existing facilities is expected to be c. £8.5 - £9.5 million. The actual amount payable will be dependent on Leverage and the currency of borrowing. The non-cash amortisation of capitalised borrowing is expected to be c. £0.4 million.

Exceptional costs are expected to be c. £5.0 - £7.0 million reflecting the restructuring associated with footprint projects across all the three Divisions and further integration and synergy costs associated with the acquisitions. The majority of these costs will be cash settled in 2017.

The Underlying tax rate for Tyman in 2017 is expected to be c. 30.0 - 31.0 per cent. reflecting the larger proportional contribution to Group taxable profits derived from higher tax jurisdictions. The final Underlying tax rate for the year will principally depend on the Group's geographical mix of taxable profits. 2017 cash taxation rates are expected to be higher than in 2016 but should still be below the Group's Underlying tax rate.

Core maintenance and investment capital expenditure for the year for the Group is expected to be c. £12.5 - £15.0 million. Capital expenditure costs associated with footprint projects in 2017 across the three Divisions are expected to total c. £8.0 million.

Trade working capital trough to peak for the year is expected to be c. £15.0 million - £20.0 million with the working capital peak occurring around the half year.

Share purchases by the employee benefit trust to satisfy LTIP and other share plan awards are expected to be c. £1.0 - £2.0 million and the share-based payments charge will be c. £1.1 million.

Incremental synergy benefits expected to accrue in the year are estimated at c. US$2.5 million from the integration of Bilco and c. €1.6 million from the integration of Giesse. The North American footprint project is expected to deliver c. US$2.0 million of incremental benefit during the year.

Tyman plc
Consolidated income statement
For the year ended 31 December 2016

	Note	**2016** £'000	2015 £'000
Revenue	3	**457,644**	353,425
Cost of sales	3	**(290,385)**	(233,982)
Gross profit		**167,259**	119,443
Administrative expenses		**(130,069)**	(96,944)
Operating profit		**37,190**	22,499
Analysed as:			
Underlying[1] operating profit	3	**69,803**	51,425
Exceptional items	4	**(10,900)**	(7,563)
Amortisation of acquired intangible assets	7.3	**(21,713)**	(19,567)
Impairment of acquired goodwill	7.2	**-**	(1,796)
Operating profit		**37,190**	22,499
Finance income		**853**	154
Finance costs		**(8,667)**	(7,077)
Net finance costs		**(7,814)**	(6,923)
Profit before taxation		**29,376**	15,576
Income tax charge	5.2	**(8,641)**	(7,885)
Profit for the year		**20,735**	7,691
Basic earnings per share	6	**11.98p**	4.57p
Diluted earnings per share	6	**11.93p**	4.55p
Non-GAAP alternative performance measures[1]			
Underlying operating profit	3	**69,803**	51,425
Underlying profit before taxation	6	**62,079**	45,106
Basic underlying earnings per share	6	**25.41p**	19.33p
Diluted underlying earnings per share	6	**25.31p**	19.24p

1 Before amortisation of acquired intangible assets, deferred taxation on amortisation of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect. See definition on page 55.

Tyman plc
Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the year		**20,735**	7,691
Other comprehensive (expense) / income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	9	**(489)**	73
Total items that will not be reclassified to profit or loss		**(489)**	73
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**48,290**	5,910
Effective portion of changes in value of cash flow hedges		**(206)**	165
Total items that may be reclassified to profit or loss		**48,084**	6,075
Other comprehensive income for the year, net of tax		**47,595**	6,148
Total comprehensive income for the year		**68,330**	13,839

Items in the statement above are disclosed net of tax.

Tyman plc
Consolidated statement of changes in equity
For the year ended 31 December 2016

	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 2015	8,505	63,256	8,920	(4,742)	(250)	25,474	207,853	309,016
Total comprehensive income	-	-	-	-	165	5,910	7,764	13,839
Profit for the year	-	-	-	-	-	-	7,691	7,691
Other comprehensive income	-	-	-	-	165	5,910	73	6,148
Transactions with owners	-	-	-	421	-	-	(17,045)	(16,624)
Share-based payments[2]	-	-	-	-	-	-	590	590
Dividends paid	-	-	-	-	-	-	(14,565)	(14,565)
Issue of own shares to Employee Benefit Trust	-	-	-	3,070	-	-	(3,070)	-
Purchase of own shares for Employee Benefit Trust	-	-	-	(2,649)	-	-	-	(2,649)
At 31 December 2015	8,505	63,256	8,920	(4,321)	(85)	31,384	198,572	306,231
Total comprehensive income	-	-	-	-	(206)	48,290	20,246	68,330
Profit for the year	-	-	-	-	-	-	20,735	20,735
Other comprehensive (expense)/income	-	-	-	-	(206)	48,290	(489)	47,595
Transactions with owners	424	18,151	-	983	-	-	(17,489)	2,069
Share-based payments[2]	-	-	-	-	-	-	932	932
Dividends paid	-	-	-	-	-	-	(15,578)	(15,578)
Issue of shares	424	18,151	-	-	-	-	-	18,575
Issue of own shares to Employee Benefit Trust	-	-	-	2,843	-	-	(2,843)	-
Purchase of own shares for Employee Benefit Trust	-	-	-	(1,860)	-	-	-	(1,860)
At 31 December 2016	**8,929**	**81,407**	**8,920**	**(3,338)**	**(291)**	**79,674**	**201,329**	**376,630**

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

2 Share-based payments include a deferred tax debit of £0.3 million (2015: £0.4 million) and a release of the deferred share-based payment bonus accrual of £0.2 million (2015: £0.1 million).

Tyman plc
Consolidated balance sheet
As at 31 December 2016

	Note	**2016 £'000**	2015 £'000
ASSETS			
Non-current assets			
Goodwill	7.2	**349,503**	253,718
Intangible assets	7.3	**130,514**	86,772
Property, plant and equipment		**71,742**	42,845
Deferred tax assets		**15,933**	12,944
		567,692	396,279
Current assets			
Inventories		**70,733**	45,990
Trade and other receivables		**68,446**	34,836
Cash and cash equivalents		**40,917**	29,975
Derivative financial instruments		**506**	178
		180,602	110,979
TOTAL ASSETS		**748,294**	507,258
LIABILITIES			
Current liabilities			
Trade and other payables		**(76,694)**	(37,488)
Derivative financial instruments		**(291)**	(17)
Current tax liabilities		**(4,337)**	(1,475)
Provisions		**(5,085)**	(5,395)
		(86,407)	(44,375)
Non-current liabilities			
Borrowings	8	**(216,470)**	(111,558)
Derivative financial instruments		**-**	(68)
Deferred tax liabilities		**(42,658)**	(27,395)
Retirement benefit obligations	9	**(17,108)**	(9,927)
Provisions		**(8,124)**	(6,060)
Other payables		**(897)**	(1,644)
		(285,257)	(156,652)
TOTAL LIABILITIES		**(371,664)**	(201,027)
NET ASSETS		**376,630**	306,231
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**8,929**	8,505
Share premium		**81,407**	63,256
Other reserves		**8,920**	8,920
Treasury reserves		**(3,338)**	(4,321)
Hedging reserve		**(291)**	(85)
Translation reserve		**79,674**	31,384
Retained earnings		**201,329**	198,572
TOTAL EQUITY		**376,630**	306,231

Tyman plc
Consolidated cash flow statement
For the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Cash flow from operating activities			
Profit before taxation		**29,376**	15,576
Adjustments	11	**47,994**	41,265
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Inventories		**(2,368)**	2,162
Trade and other receivables		**16,647**	(1,104)
Trade and other payables		**(8,230)**	(5,635)
Provisions utilised		**(2,543)**	(2,397)
Pension contributions	9	**(940)**	(933)
Income tax paid		**(12,651)**	(8,869)
Net cash generated from operations		**67,285**	40,065
Cash flow from investing activities			
Purchases of property, plant and equipment		**(12,615)**	(8,872)
Purchases of intangible assets	7.3	**(2,818)**	(2,918)
Proceeds on disposal of property, plant and equipment		**172**	936
Acquisitions of subsidiary undertakings, net of cash acquired	10	**(96,383)**	-
Proceeds on disposal of subsidiary undertakings		**250**	6,754
Interest received		**330**	148
Net cash used in investing activities		**(111,064)**	(3,952)
Cash flow from financing activities			
Interest paid		**(7,339)**	(6,353)
Dividend paid		**(15,578)**	(14,565)
Net proceeds on issue of shares		**18,575**	-
Purchase of own shares from Employee Benefit Trust		**(1,860)**	(2,649)
Refinancing costs paid		**(12)**	(12)
Proceeds from drawdown of revolving credit facility		**132,630**	16,178
Repayments of revolving credit facility		**(72,740)**	(37,566)
Net cash generated from / (used in) financing activities		**53,676**	(44,967)
Net increase / (decrease) in cash and cash equivalents		**9,897**	(8,854)
Exchange gains/(losses) on cash and cash equivalents		**1,045**	(503)
Cash and cash equivalents at the beginning of the year		**29,975**	39,332
Cash and cash equivalents at the end of the year		**40,917**	29,975

Tyman plc
Notes to the consolidated financial statements
For the year ended 31 December 2016

1. General information

Tyman plc and its subsidiaries is a leading international manufacturer and supplier of engineered components to the door and window industry. At 31 December 2016 the Group had 23 manufacturing sites in eight countries along with a further 18 sourcing and distribution sites across North America, Europe, South America, Asia and Australasia with its products being found in homes and buildings worldwide.

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

2. Accounting policies and basis of preparation

The accounting policies in this section relate to the financial statements in their entirety. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, that relate to a particular note are described in the specific note to which they relate. The accounting 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 and IFRS Interpretations Committee as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs.

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

2.2 Going concern

The Group's strategic plan covers the period to 31 December 2019. The Group's banking and private placement facilities are committed beyond the period of the strategic plan and contain significant covenant headroom. The Group's published year-end leverage target of 1.50x to 2.00x is designed to ensure that the Group has structural headroom on its financial covenants as it comes into each financial year such that it could withstand a material downturn in its end markets and any normalisation of interest rates.

In order to satisfy itself 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, the future plans for the Group and the risks facing the Group were also reviewed.

In performing its reviews, the Board acknowledges the current level of growth prospects in global markets and has considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group. The Directors are therefore confident, on the basis of current financial projections and the banking facilities available, and after considering sensitivities, that the Company and the Group has sufficient resources for its operational needs that will enable the Group to remain in compliance with its financial covenants in its bank facilities for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis.

3. Segment reporting

3.1 Accounting policy

3.1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied, stated net of discounts, returns and value-added taxes. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and when the amount of revenue can be reliably measured. Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods have been substantially transferred to the buyer. This is usually on dispatch of goods or on receipt of goods by the customer.

3.1.2 Segment reporting

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

3.2 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions, namely: AmesburyTruth, ERA and Schlegel International.

ERA comprises the Group's UK and Ireland hardware business, together with Ventrolla and Tyman Sourcing Asia. Schlegel International comprises all of the Group's other businesses outside of the US, Canada and Mexico as well as the two UK seal manufacturing plants. AmesburyTruth comprises all of the Group's operations within the US, Canada and Mexico as well as the UK Bilco operation.

Operations acquired through the Giesse acquisition are reported as part of the Schlegel International Division, apart from Giesse North America, which is reported in the AmesburyTruth Division. Operations acquired through the Bilco acquisition are reported as part of the AmesburyTruth Division. Response Electronics is reported as part of the ERA Division.

Centrally incurred functional costs that are directly attributable to a division are allocated or recharged to that division. All other centrally incurred costs and eliminations are disclosed as a separate line item in the segment analysis.

Each reporting segment broadly represents the Group's geographical focus, being the North American, UK and international operations respectively. 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. For completeness, the Group discloses certain operating data for business carried out in the UK that is not accounted for in the ERA Division in notes 3.2.1 and 3.2.4.

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

3.2.1 Revenue

	2016 £'000	2015 £'000
AmesburyTruth	**291,284**	237,979
ERA	**71,783**	78,095
Schlegel International	**94,577**	37,351
Total revenue	**457,644**	353,425

Included within the Schlegel International and AmesburyTruth segments is revenue attributable to the UK of £18.9 million (2015: £12.0 million).

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

3.2.2 Profit before taxation

	Note	**2016 £'000**	2015 £'000
AmesburyTruth		**54,816**	43,541
ERA		**11,554**	11,578
Schlegel International		**9,413**	1,574
Operating segment result		**75,783**	56,693
Centrally incurred costs		**(5,980)**	(5,268)
Underlying operating profit		**69,803**	51,425
Exceptional items	4	**(10,900)**	(7,563)
Amortisation of acquired intangible assets	7.3	**(21,713)**	(19,567)
Impairment of acquired goodwill	7.2	**-**	(1,796)
Operating profit		**37,190**	22,499
Net finance costs		**(7,814)**	(6,923)
Profit before taxation		**29,376**	15,576

3.2.3 Operating profit disclosures

	Cost of goods sold		**Depreciation**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
AmesburyTruth	**(191,715)**	(160,612)	**(7,654)**	(6,055)
ERA	**(45,126)**	(52,180)	**(687)**	(1,034)
Schlegel International	**(53,544)**	(21,190)	**(2,360)**	(924)
Total	**(290,385)**	(233,982)	**(10,701)**	(8,013)

3.2.4 Segment assets and liabilities

	Segment assets		**Segmental liabilities[1]**		**Non-current assets[2]**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
AmesburyTruth	**506,528**	363,327	**(119,621)**	(55,944)	**410,477**	296,287
ERA	**96,004**	95,673	**(23,890)**	(19,253)	**60,514**	61,575
Schlegel International	**142,595**	44,184	**(48,835)**	(9,885)	**80,768**	25,473
Unallocated	**3,167**	4,074	**(179,318)**	(115,945)	**-**	-
Total	**748,294**	507,258	**(371,664)**	(201,027)	**551,759**	383,335

1 Included within unallocated segment liabilities are borrowings of £173.9 million (2015: £111.6 million), provisions of £1.2 million (2015: £1.2 million) and other liabilities of £4.2 million (2015: £3.2 million).

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

Non-current assets of the Schlegel International and AmesburyTruth segments include £14.5 million (2015: £12.3 million) attributable to the UK.

3.2.5 Capital expenditure

	Property, plant and equipment		Intangible assets	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
AmesburyTruth	**9,090**	7,341	**2,052**	2,601
ERA	**1,240**	748	**373**	303
Schlegel International	**2,285**	783	**393**	14
Total	**12,615**	8,872	**2,818**	2,918

3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
AmesburyTruth	**265,078**	187,005	**97,656**	75,083	**(13,984)**	(9,927)
ERA	**49,348**	48,652	**7,152**	9,505	**-**	-
Schlegel International	**35,077**	18,061	**25,706**	2,184	**(3,124)**	-
Total	**349,503**	253,718	**130,514**	86,772	**(17,108)**	(9,927)

4. Exceptional items

4.1 Accounting policy

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

Exceptional items include one-off redundancy and restructuring costs, transaction costs associated with merger and acquisition activity, the write-off of inventory fair value adjustments on acquisitions, as well as credits relating to profit on disposal of business and property provision releases.

4.2 Exceptional items

	2016 £'000	2015 £'000
Footprint restructuring	**(2,672)**	(4,515)
M&A and integration	**(2,994)**	(1,437)
Write-off of inventory fair value adjustments	**(5,698)**	-
Profit/(Loss) on disposal of business	**250**	(1,381)
Redundancy and restructuring	**-**	(914)
Property provision releases and disposals	**214**	684
	(10,900)	(7,563)

Footprint restructuring

Footprint restructuring principally relates to directly attributable costs incurred in the ongoing North American footprint project, first announced in March 2015. The Group expects the North American footprint project will conclude by 2020. Included in the £2.7 million exceptional charge is £0.8 million releases of surplus restructuring provisions relating to the closure of the Gistel and Taliana operations of Schlegel International.

M&A and integration

M&A and integration costs of £3.0 million relate to the legal, financial, taxation and consultancy costs associated with the three acquisitions announced during the year, including certain costs incurred in connection with the integration of the acquired businesses.

Write-off of inventory fair value adjustments
Write-off of inventory fair value adjustments of £5.7 million is a non-cash adjustment relating to the IFRS 3 requirement that finished goods held in inventory must be revalued to their market value on acquisition. £4.7 million relates to inventory acquired in the Giesse acquisition and £1.0 million to Bilco. Response is a distribution business and as a result the equivalent inventory revaluation is not material. This uplift in book value is considered to be of a one-off nature and is of a magnitude that would distort the underlying trading results of Giesse and Bilco in the financial year. Accordingly, the uplift in value of inventory acquired with the Giesse and Bilco acquisitions that was sold in the 2016 financial year has been written off as exceptional. This treatment of the revaluation of finished goods acquired on acquisition as exceptional has been consistently applied to each of the Group's acquisitions in recent years.

Profit/(Loss) on disposal of business
Profit on disposal of business relates to the net deferred consideration for EWS received in 2016.

Redundancy and restructuring
The 2015 redundancy and restructuring exceptional item principally comprised costs incurred in the restructuring of the ERA division during the 2015 year in anticipation of the consolidation onto a single site now expected to complete by Q1 2018.

Property provision releases and disposals
Property provision releases and disposals comprises surplus onerous lease provisions released during the year.

5. Taxation

5.1 Accounting policy

Income tax charge comprises current 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 the tax is recognised in the relevant statement.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax liabilities are recognised if it arises from the initial recognition of:
- goodwill; or
- an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

Deferred income tax assets are recognised 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 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 where the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Offset may be applied either within the same tax entity or different taxable entities where there is an intention to settle tax balances on a net basis.

5.1.1 Key source of estimation uncertainty: deferred tax assets

Estimation is required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where deductible temporary differences exist, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. The deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates.

5.2 Taxation – income statement and other comprehensive income

5.2.1 Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current taxation		
Current tax on profit for the year	**(12,203)**	(9,698)
Adjustments in respect of prior years	**812**	(5)
Total current taxation	**(11,391)**	(9,703)
Deferred taxation		
Origination and reversal of temporary differences	**3,147**	2,018
Adjustments in respect of prior years	**(397)**	(200)
Total deferred taxation	**2,750**	1,818
Income tax charge in the income statement	**(8,641)**	(7,885)
Total charge relating to components of other comprehensive income		
Deferred tax credit/(charge) on actuarial gains and losses	**267**	(72)
Deferred tax charge on share-based payments	**(316)**	(436)
Income tax charge in the statement of other comprehensive income	**(49)**	(508)
Total current taxation	**(11,391)**	(9,703)
Total deferred taxation	**2,701**	1,310
Total taxation	**(8,690)**	(8,393)

The standard rate of corporation tax in the UK changed from 21.0 per cent to 20.0 per cent with effect from 1 April 2015. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 20.0 per cent (2015: 20.25 per cent).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to 19.0 per cent from 1 April 2017 and to 17.0 per cent from 1 April 2020. The deferred tax balances have been remeasured to reflect these future changes of rate. The impact of the deferred tax rate change has not been material in 2016.

Taxation for other jurisdictions is calculated at rates prevailing in those respective jurisdictions.

5.2.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 20.0 per cent (2015: 20.25 per cent). The differences are explained below:

	2016 £'000	2015 £'000
Profit before taxation	**29,376**	15,576
Rate of corporation tax in the UK of 20.0% (2015: 20.25%)	**(5,875)**	(3,154)
Effects of:		
Expenses not deductible for tax purposes	**(245)**	(1,193)
Overseas tax rate differences	**(2,936)**	(3,333)
Adjustments in respect of prior years	**415**	(205)
Income tax charge in the income statement	**(8,641)**	(7,885)

6. Earnings per share

6.1 Non-GAAP alternative performance measures accounting policy

The Directors believe that the underlying profit and earnings per share measures provide additional useful information to shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally. The underlying profit before tax measure is not recognised under IFRS and may not be comparable with underlying profit measures used by other companies.

The Directors believe that the following items should be excluded from reported profit before tax in order to derive underlying profit before taxation:

- Exceptional items – these are largely one off in nature and therefore create volatility in reported earnings.
- Amortisation of borrowing costs, accelerated amortisation of borrowing costs, gains and losses on the fair value of derivative financial instruments, amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill and unwinding of discount on provisions – these are non-cash in nature.

6.2 Earnings per share

	2016 £'000	2015 £'000
Profit for the year	**20,735**	7,691
Basic earnings per share	**11.98p**	4.57p
Diluted earnings per share	**11.93p**	4.55p

Basic earnings amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

6.2.1 Weighted average number of shares

The weighted average number of shares was:

	2016 '000	2015 '000
Weighted average number of shares (including treasury shares)	**174,598**	170,104
Treasury and Employee Benefit Trust shares	**(1,585)**	(1,887)
Weighted average number of shares - basic	**173,013**	168,217
Effect of dilutive potential ordinary shares - LTIP awards and options	**741**	812
Weighted average number of shares - diluted	**173,754**	169,029

6.2.2 Non-GAAP alternative performance measure: underlying earnings per share

The Group presents an underlying earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets and certain non-recurring items. Underlying earnings per share has been calculated using the underlying profit before taxation and using the same weighted average number of shares in issue as the earnings per share calculation. See Alternative Performance Measures on page 55.

Underlying profit after taxation is derived as follows:

	Note	**2016 £'000**	2015 £'000
Profit before taxation		**29,376**	15,576
Exceptional items	4	**10,900**	7,563
Amortisation of borrowing costs		**412**	409
(Gain)/Loss on revaluation of fair value hedge		**(328)**	177
Unwinding of discount on provisions		**6**	18
Amortisation of acquired intangible assets	7.3	**21,713**	19,567
Impairment of acquired goodwill	7.2	**-**	1,796
Underlying profit before taxation		**62,079**	45,106
Income tax charge	5.2	**(8,641)**	(7,885)
Add back: tax effect of exceptional items, amortisation of borrowing costs, amortisation of acquired intangible assets, impairment of acquired intangible assets and unwinding of discount on provisions		**(9,469)**	(4,698)
Underlying profit after taxation		**43,969**	32,523

Underlying earnings per share is summarised as follows:

	2016	2015
Basic underlying earnings per share	**25.41p**	19.33p
Diluted underlying earnings per share	**25.31p**	19.24p

7. Goodwill and intangible assets

7.1 Accounting policy

7.1.1 Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

7.1.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment. On acquisition of businesses by the Group, the Group recognises any separately identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value.

Purchased intangible assets acquired through a business combination, including purchased brands, customer relationships, trademarks and licences, are initially measured at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

- Acquired brands – 5 to 20 years
- Customer relationships – 9 to 15 years
- Internally developed computer software – 5 to 10 years
- Purchased computer software – 3 to 4 years

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

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

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

The estimated useful lives of acquired intangible assets are reviewed whenever events or circumstances indicate that there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset. Any amendments to the estimated useful lives of intangible assets are recorded as a change in estimate in the period the change occurred.

7.1.3 Impairment of goodwill and intangible assets

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

7.1.4 Critical accounting estimates and judgements: carrying amount of goodwill and intangibles

As at 31 December 2016, the Group had goodwill of £349.5 million with intangible assets amounting in total to £130.5 million. An impairment review using a value in use calculation has been performed for each CGU. There is significant judgement involved in determining the appropriate assumptions to use in the calculations, including the forecasted cash flows of each CGU and appropriate discount rates relative to the Company's cost of capital. These assumptions have been subjected to sensitivity analyses. Details of estimates used and sensitivities in the impairment reviews are set out in this note.

7.2 Carrying amount of goodwill

	Note	£'000
Cost and net carrying value		
At 1 January 2015		254,375
Disposal of business		(5,668)
Impairment charge for year		(1,796)
Exchange difference		6,807
At 31 December 2015		253,718
Acquisitions of subsidiaries	10	45,395
Exchange difference		50,390
At 31 December 2016		**349,503**

Goodwill is monitored principally on an operating segment basis and the net book value of goodwill is allocated by CGU as follows:

	2016 £'000	2015 £'000
AmesburyTruth	**265,078**	187,005
ERA	**49,348**	48,652
Schlegel International	**35,077**	18,061
	349,503	253,718

7.2.1 Impairment tests for goodwill

Assumptions

For the purposes of VIU testing, the Group's CGUs have been defined as each of the Group's three operating divisions. In the opinion of the Directors, the divisions represent the smallest groups of assets that independently generate cash flows for the Group consistent with the approach adopted in 2015.

In making this assessment, the Executive Directors have taken into account the three acquisitions made by the Group during the course of the year and the extent to which those acquisitions had been integrated into the respective Divisions. The key change to the Schlegel International CGU in 2016 was the acquisition of Giesse. The integration of Giesse into Schlegel is now at an advanced stage with a single IT, New Product Development and sales and marketing management structure. In addition, significant footprint consolidation has been implemented with sites in Italy, Spain and Brazil.

Similarly, during the year both the Giesse North America business and the Bilco business have been substantially integrated with the existing AmesburyTruth commercial business such that cash flows are no longer generated independently. Consequently, the Directors consider it appropriate to continue to define the Group's CGUs, for the purposes of VIU testing, as each of the Group's three operating divisions.

The recoverable amounts of CGUs are determined from VIU calculations. VIU 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, which have been reviewed and approved by the Board, are derived from three year forecasts produced by each division comprised of a detailed bottom up budget for 2017 and a forecast, based on the division's strategic plan for 2018 and 2019. Projections have been calculated for two further years out to 2021, derived from the 2019 forecast using prudent nominal growth rates. The assumptions used are 2.0 per cent sales growth, flat gross margins and 1.0 per cent growth in SG&A overheads. After, the five-year period cash flows were extrapolated using a long term growth rate of 1.5 per cent in order to calculate the terminal recoverable amount.

Discount rates are estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk profiles of the CGUs.

The key assumptions used in the VIU calculations in each of the Group's CGUs at 31 December 2016 are as follows:

	Average pre-tax discount rate		**Average EBITDA margin for years one to five**	
	2016	2015	**2016**	2015
AmesburyTruth	**12.2%**	13.6%	**22.0%**	10.1%
ERA	**8.9%**	8.9%	**13.2%**	9.4%
Schlegel International	**12.5%**	13.4%	**13.4%**	20.3%

Impairment review results: 2016

A review of the carrying amount of goodwill and intangible assets across the Group has been carried out at year end in light of current trading conditions and future prospects. The annual impairment review did not result in any impairment losses being recognised in 2016.

The ERA CGU has significant headroom such that a permanent diminution of the VIU to below the carrying value of goodwill is considered by the Board to be highly unlikely.

AmesburyTruth is the CGU with the lowest relative VIU headroom. If the average EBITDA margin for AmesburyTruth for the five years from 2017 to 2021 was to decrease by 230 basis points from 22.0 per cent to 19.7 per cent and continue at that reduced level in perpetuity, the VIU headroom for AmesburyTruth would be zero. Given that the EBITDA margin achieved in 2016 was 21.8 per cent and considering the margin uplift potential of the footprint rationalisation project once completed, this scenario is unlikely to occur.

Schlegel International is the CGU with the smallest absolute VIU headroom. If the average EBITDA margin for Schlegel International for the five years from 2017 to 2021 was to decrease by 240 basis points from 13.4 per cent to 11.0 per cent and continue at that reduced level in perpetuity, the VIU headroom of Schlegel International would be zero. Given that the EBITDA margin in 2016 was 13.2 per cent and the margin uplift potential of the Giesse synergies once realised, this scenario is unlikely to occur.

Impairment review results: 2015

The closure of the manufacturing facility in Taliana, Spain (previously forming part of the Schlegel International CGU) gave rise to a £1.8 million impairment of goodwill. Impairment of goodwill is included in administrative expenses in the income statement in 2015.

7.3 Carrying amount of intangible assets

	Note	Computer software £'000	Brands £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2015		5,022	44,775	167,909	217,706
Additions		2,918	-	-	2,918
Transfers to property, plant and equipment		44	-	-	44
Disposals		(158)	(12)	-	(170)
Disposal of business		(115)	-	(1,410)	(1,525)
Exchange difference		308	1,362	4,702	6,372
At 31 December 2015		8,019	46,125	171,201	225,345
Additions		2,661	157	-	2,818
Acquisition of subsidiaries	10	373	19,958	25,011	45,342
Exchange difference		2,150	10,077	32,797	45,024
At 31 December 2016		**13,203**	**76,317**	**229,009**	**318,529**
Accumulated amortisation					
At 1 January 2015		(946)	(24,603)	(90,867)	(116,416)
Amortisation charge for the year		(430)	(3,925)	(15,642)	(19,997)
Disposals		152	-	-	152
Disposal of business		97	-	1,175	1,272
Exchange difference		(68)	(773)	(2,743)	(3,584)
At 31 December 2015		(1,195)	(29,301)	(108,077)	(138,573)
Amortisation charge for the year		(949)	(4,120)	(17,593)	(22,662)
Impairment		-	-	-	-
Exchange difference		(772)	(6,052)	(19,956)	(26,780)
At 31 December 2016		**(2,916)**	**(39,473)**	**(145,626)**	**(188,015)**
Carrying value					
At 1 January 2015		4,076	20,172	77,042	101,290
At 31 December 2015		6,824	16,824	63,124	86,772
At 31 December 2016		**10,287**	**36,844**	**83,383**	**130,514**

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £21.7 million (2015: £19.6 million) relating to amortisation of acquired intangible assets and £1.0 million (2015: £0.4 million) relating to amortisation of other intangible assets.

No impairments of intangible assets were recognised in 2016 and 2015.

8. Interest-bearing loans and borrowings

8.1 Accounting policy

Interest-bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans and borrowings are subsequently carried at amortised cost using the effective interest method.

8.2 Carrying amounts of interest-bearing loans and borrowings

	2016 £'000	2015 £'000
Unsecured borrowings at amortised cost:		
Bank borrowings	**(136,637)**	(45,605)
Senior notes	**(81,029)**	(67,549)
Capitalised borrowing costs	**1,196**	1,596
	(216,470)	(111,558)
Analysed as:		
Non-current liabilities	**(216,470)**	(111,558)
	(216,470)	(111,558)

There were no defaults in interest payments in the year under the terms of the existing loan agreements.

The carrying amounts of interest-bearing loans and borrowings are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	**(8,604)**	(15,207)
US Dollars	**(146,272)**	(94,509)
Euros	**(61,594)**	(1,842)
	(216,470)	(111,558)

8.2.1 Bank borrowings

Multi-currency revolving credit facility

On 10 June 2014, the Group entered into a banking facility of up to £240.0 million, comprising a £180.0 million committed multi-currency revolving credit facility and a £60.0 million uncommitted accordion facility. The banking facility extends to 10 June 2019 and is unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings.

The Group has the following undrawn amounts committed under the multi-currency revolving credit facility:

	2016 £'000	2015 £'000
Floating rate		
Expiring beyond 12 months	**(45,370)**	(135,112)

Giesse borrowings

The Group acquired bank borrowings as part of the acquisition of Giesse (note 10). At 31 December 2016, the remaining facilities have a total value of €3.6 million, a carrying value of €2.2 million and an undrawn value of €1.4 million. These facilities have a maturity ranging between 2 December 2017 and 31 January 2020 and are unsecured.

8.2.2 Private placement notes

On 19 November 2014, the Group completed the issuance of a private debt placement with US financial institutions totalling US$100.0 million.

The debt placement is unsecured and comprises US$55.0 million debt with a seven-year maturity at a coupon of 4.97 per cent and US$45.0 million with a 10-year maturity at a coupon of 5.37 per cent.

9. Retirement benefit obligations

9.1 Accounting policy

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

9.1.1 Pension obligations

Defined contribution plans

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

Defined benefit plans

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

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

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

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

9.1.2 Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

9.1.3 Key source of estimation uncertainty: defined benefit pension and post-retirement benefit schemes

The defined benefit obligations are calculated using a number of assumptions including future salary increases, increases to pension benefits, mortality rates and, in the case of post-employment medical benefits, the expected rate of increase in medical costs. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions. Effects of changes in the actuarial assumptions underlying the benefit obligation, effects of changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the plan assets are classified as actuarial gains and losses and are recognised directly in equity. Further actuarial gains and losses will be recognised during the next financial year. An analysis of the assumptions that will be used by management to determine the cost of defined benefit plans that will be recognised in the income statement in the next financial year is presented in this note.

9.2 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee-administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

The Group had no unpaid pension contributions included within employee benefit liabilities (2015: £Nil).

9.3 Defined benefit pension schemes and post-employment medical benefit schemes

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2016 £'000	2015 £'000
Balance sheet obligation for:		
Defined pension benefits	**(12,893)**	(6,509)
Post-employment medical benefits	**(4,215)**	(3,418)
Net liability on the balance sheet	**(17,108)**	(9,927)
Income statement charge for[1]:		
Defined pension benefits	**(1,186)**	(637)
Post-employment medical benefits	**(189)**	(155)
Total income statement charge	**(1,375)**	(792)
Remeasurements for:		
Defined pension benefits	**(685)**	187
Post-employment medical benefits	**(71)**	(42)
Total remeasurements	**(756)**	145

1 The income statement charge included within profit before taxation includes current service cost, interest cost and past service costs.

The Group's principal defined benefit pension schemes are operated in the US and Italy and the principal post-employment medical benefit scheme is operated in the US. The defined benefit schemes provide benefits to members in the form of a 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.

The Italian schemes relate to termination indemnities payable to all employees of our Italian operations. By law, Italian employers are required to make provision for a type of severance package to its employees equivalent to 6.9 per cent of each employee's gross annual salary, revalued on the basis of 75.0 per cent of inflation plus a fixed rate of 1.5 per cent during the period of accrual. Upon termination of employment, the employer is obliged to pay a lump sum to the employee.

Net amounts payable under the Bilco retirement benefit obligation are fully recoverable from and indemnified by the vendors with a proportion held in escrow.

For certain 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 interest 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.

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9.3.1 Balance sheet disclosures

Amounts recognised on the balance sheet are as follows:

	2016 £'000	2015 £'000
Present value of funded obligations	**(52,673)**	(25,429)
Fair value of plan assets	**35,565**	15,502
Net liability on the balance sheet	**(17,108)**	(9,927)

The movement in the defined benefit obligation over the year is as follows:

	Note	Present value of obligations £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2015		(24,944)	15,202	(9,742)
Current service cost		(258)	-	(258)
Interest (expense)/income		(951)	600	(351)
Administrative expenses		-	(183)	(183)
		(1,209)	417	(792)
Remeasurements:				
Loss on plan assets, excluding amounts included in interest income		-	(622)	(622)
Loss from change in demographic assumptions		(110)	-	(110)
Gain from change in financial assumptions		1,054	-	1,054
Experience loss		(177)	-	(177)
		767	(622)	145
Exchange difference		(1,205)	734	(471)
Contributions:				
Employers		-	933	933
Plan participants		(57)	57	-
Payments from plans:				
Benefit payments		1,219	(1,219)	-
At 31 December 2015		(25,429)	15,502	(9,927)
Current service cost		(523)	-	(523)
Interest (expense)/income		(1,483)	994	(489)
Administrative expenses		-	(363)	(363)
		(2,006)	631	(1,375)
Remeasurements:				
Loss on plan assets, excluding amounts included in interest income		-	(706)	(706)
Gain from change in demographic assumptions		265	-	265
Loss from change in financial assumptions		(253)	-	(253)
Experience loss		(62)	-	(62)
		(50)	(706)	(756)
Acquisitions of subsidiaries	10	(19,816)	16,231	(3,585)
Exchange difference		(6,833)	4,428	(2,405)
Contributions:				
Employers		-	940	940
Plan participants		(90)	90	-
Payments from plans:				
Benefit payments		1,551	(1,551)	-
At 31 December 2016		**(52,673)**	**35,565**	**(17,108)**

Defined benefit plan liabilities and assets by country are as follows:

	2016			2015		
	United States £'000	**Italy £'000**	**Total £'000**	United States £'000	Italy £'000	Total £'000
Present value of obligation	**(49,549)**	**(3,124)**	**(52,673)**	(25,429)	-	(25,429)
Fair value of plan assets	**35,565**	**-**	**35,565**	15,502	-	15,502
Total liability	**(13,984)**	**(3,124)**	**(17,108)**	(9,927)	-	(9,927)

Plan assets comprise the following asset classes:

	2016 £'000	**%**	2015 £'000	%
Equity instruments	**4,916**	**13.8%**	4,040	26.1%
Large US equity	**3,140**		2,523	
Small/Mid US equity	**543**		590	
International equity	**1,233**		927	
Balanced/asset allocation	**382**	**1.1%**	711	4.6%
Fixed income	**30,267**	**85.1%**	10,751	69.4%
Total	**35,565**		15,502	

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 provide 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. The Italian plans do not have plan assets.
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:

	2016	
	United States	**Italy**
Discount rate	**4.0%**	**1.4%**
Inflation	**2.0%**	**1.5%**
Salary growth rate	**n/a**	**1.5%**
Pension growth rate	**-**	**-**
Health care cost trend[1]	**4.5% to 7.0%**	**n/a**

1 The level of healthcare contributions is capped and adopting a higher trend rate does not materially affect the liability.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each jurisdiction. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 as follows:

	2016	
	United States	**Italy**
Retiring at the end of the reporting year		
Male	**21.2**	**n/a**
Female	**23.0**	**n/a**
Retiring 20 years after the end of the reporting year		
Male	**22.5**	**n/a**
Female	**24.1**	**n/a**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Bilco		**Other US**		**Italy**	
	Increase in assumption by 1.00%	**Decrease in assumption by 1.00%**	**Increase in assumption by 0.25%**	**Decrease in assumption by 0.25%**	**Increase in assumption by 0.50%**	**Decrease in assumption by 0.50%**
Discount rate	(10.5)%	12.8%	(3.0)%	3.1%	(6.2)%	6.8%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methodology has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous year.

The US pension schemes are 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 2017 is £1.1 million.

The weighted average duration of the defined benefit obligation is 12 years for US plans and 13 years for Italian plans.

The expected maturity analysis of undiscounted post-employment pension and medical benefits is as follows:

	No later than one year £'000	Between one and two years £'000	Between two and five years £'000	Later than five years £'000	Total £'000
Defined pension benefits	(2,198)	(2,250)	(7,212)	(13,138)	(24,798)
Post-employment medical benefits	(266)	(280)	(841)	(1,284)	(2,671)
Total	**(2,464)**	**(2,530)**	**(8,053)**	**(14,422)**	**(27,469)**

9.3.2 Amounts recognised in the consolidated income statement

The amounts recognised in the consolidated income statement are as follows:

	2016 £'000	2015 £'000
Current service cost	**(523)**	(258)
Expected administrative expense	**(363)**	(183)
Net interest expense	**(489)**	(351)
	(1,375)	(792)

Of the total charge £0.9 million (2015: £0.4 million) and £0.5 million (2015: £0.4 million) were included in administrative expenses and finance costs respectively.

9.3.3 Amounts recognised in the consolidated statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2016 £'000	2015 £'000
Net loss on plan assets	**(706)**	(622)
Gain/(Loss) from change in demographic assumptions	**265**	(110)
(Loss)/Gain from change in financial assumptions	**(253)**	1,054
Experience loss	**(62)**	(177)
	(756)	145

A deferred tax credit of £0.3 million (2015: deferred tax charge of £0.1 million) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation.

10. Business combinations

10.1 Accounting policy

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

Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are 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 remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 7.2). If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

10.1.1 Critical accounting estimates and judgements: acquisition accounting

IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to identify intangible assets separately from goodwill, initially measuring each group of intangible assets at fair value. 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.

10.2 Acquisitions in the year

The following table summarises the consideration paid, fair value of assets acquired and liabilities assumed for all acquisitions in the year:

	Note	Giesse £'000	Bilco £'000	Response £'000	Total £'000
Intangible assets	7.3	22,408	22,565	369	45,342
Property, plant and equipment		14,063	4,891	38	18,992
Inventories		15,071	3,721	463	19,255
Trade and other receivables		33,067	9,019	366	42,452
Cash and cash equivalents		(8,847)	2,278	122	(6,447)
Trade and other payables		(27,538)	(8,863)	(811)	(37,212)
Borrowings		(15,045)	(3,840)	(366)	(19,251)
Current tax (liabilities)/assets		(1,724)	334	7	(1,383)
Deferred tax liabilities		(3,374)	(4,512)	(65)	(7,951)
Retirement benefit obligations	9	(2,674)	(911)	-	(3,585)
Provisions		(4,338)	(373)	-	(4,711)
Total identifiable net assets		21,069	24,309	123	45,501
Goodwill arising on acquisition	7.2	18,303	26,395	697	45,395
Total consideration		**39,372**	**50,704**	**820**	**90,896**
Satisfied by:					
Cash		38,412	50,704	820	89,936
Deferred consideration		960	-	-	960
Total consideration		**39,372**	**50,704**	**820**	**90,896**
Net cash outflow arising on acquisition:			-	-	-
Cash consideration		38,412	50,704	820	89,936
Net cash and cash equivalents acquired		8,847	(2,278)	(122)	6,447
Net cash outflow		**47,259**	**48,426**	**698**	**96,383**

10.3 Acquisition of Giesse

On 7 March 2016, the Group's Schlegel International division acquired Giesse, an Italian-based manufacturer of hardware for aluminium windows and doors. Schlegel International paid a cash consideration of £38.4 million and additional deferred consideration of £1.0 million payable over a 12-month period from the date of acquisition.

Acquisition related costs of £0.1 million have been included in exceptional costs in the Group's consolidated income statement (note 4). In the 2015 year, acquisition related costs of £0.8 million were recognised as exceptional costs in the consolidated income statement.

The fair value of trade and other receivables is £33.1 million and includes trade receivables with a fair value of £17.5 million. The gross contractual amount for trade receivables due is £18.7 million, of which £1.2 million is expected to be uncollectible.

Revenue included in the consolidated income statement since 7 March 2016 contributed by Giesse was £56.5 million. Giesse also contributed £0.2 million to the profit before taxation over the same period.

Had the acquisition of Giesse been completed on the first day of the financial year, an additional £8.6 million of revenue and £0.6 million of profit before taxation would have been contributed to the Group.

Goodwill arising on acquisition is attributable to the expected profitability of the acquired business arising through savings and benefits from:

- a local presence for the first time in a number of new markets;
- access to a high quality engineered hardware product offering for the EMEAI aluminium window and door market;
- access to a highly regarded NPD and engineering team with a good track record;

- strategically positioned facilities with significant capability to drive increased production without the need for major investment; and
- opening up new routes to market for the AmesburyTruth and ERA divisions by broadening the Group's hardware offering.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

10.4 Acquisition of Bilco

On 1 July 2016, the Group's AmesburyTruth division acquired Bilco, a North American manufacturer of engineered access and egress products for the commercial and residential markets.

Acquisition related costs of £0.4 million have been included in exceptional costs in the Group's consolidated income statement (note 4).

The fair value of trade and other receivables is £9.0 million and includes trade receivables with a fair value of £8.7 million. The gross contractual amount for trade receivables due is £8.8 million, of which £0.1 million is expected to be uncollectible.

Revenue included in the consolidated income statement since 1 July 2016 contributed by Bilco was £22.9 million. Bilco also contributed £1.9 million to the profit before taxation over the same period.

Had the acquisition of Bilco been completed on the first day of the financial year, an additional £22.2 million of revenue and £1.4 million of loss before taxation would have been contributed to the Group.

Goodwill arising on acquisition is attributable to the expected profitability of the acquired business arising through savings and benefits from:

- a local presence for the first time in a number of new markets;
- access to high quality, engineered hardware products for the aluminium window and door market; and
- the development and extension of AmesburyTruth's product portfolio into the commercial sector.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

10.5 Acquisition of Response Electronics

On 3 March 2016, the Group's ERA division acquired Response Electronics, a specialist sales, marketing and distribution business focused on wireless alarms, electronic access and smart home products. ERA paid an initial cash consideration of £0.8 million.

The fair value of trade and other receivables is £0.4 million and includes trade receivables with a fair value of £0.3 million. The gross contractual amount for trade receivables due is £0.3 million, all of which are considered to be collectible.

Revenue included in the consolidated income statement since 3 March 2016 contributed by Response was £2.5 million. Response also contributed a loss before taxation of £0.2 million over the same period.

Had the acquisition of Response been completed on the first day of the financial year, an additional £0.4 million of revenue and £0.1 million of loss before taxation would have been contributed to the Group.

Goodwill arising on acquisition is attributable to the expected profitability of the acquired business arising through savings and benefits from:

- e-commerce and marketing expertise through its own web presence as well as established e-tailers;
- access to established relationships with national UK retailers that will improve ERA's distribution route to market;
- access to UK distribution rights to a variety of high quality electromechanical products; and
- acceleration of the in-house development of wireless alarms, electronic access and smart home capabilities.

The estimated value of intangibles, including goodwill, deductible for tax purposes is £Nil.

11. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before taxation to arrive at operating cash flow:

	Note	**2016 £'000**	2015 £'000
Net finance costs		**7,814**	6,923
Depreciation		**10,701**	8,013
Amortisation of intangible assets	7.3	**22,662**	19,997
Impairment of property, plant and equipment		**1,107**	-
Impairment of acquired goodwill	7.2	**-**	1,796
Disposal of property, plant and equipment		**63**	510
Write-off of acquisitions inventory fair value adjustments	4	**5,698**	-
Pension current service cost and expected administration costs	9	**886**	441
Non-cash provision movements		**(1,943)**	1,178
(Profit)/Loss on disposal of business		**(250)**	1,381
Share-based payments		**1,047**	968
Other non-cash adjustments		**209**	58
		47,994	41,265

12. Events after the reporting year

12.1 Acquisition of Howe Green

Since the year end the Group has acquired Howe Green, a manufacturer of engineered floor and ceiling access hatches sold into the commercial and infrastructure markets. In the year ended 31 August 2016, Howe Green reported Revenue of approximately £3.0 million.

Alternative Performance Measures

The APMs used by the Group are:

- Leverage
- Operating Cash Conversion
- Return on Acquisition Investment
- Return on Capital Employed
- Underlying EPS
- Underlying Net Debt
- Underlying Operating Margin
- Underlying Operating Profit
- Underlying Profit before Taxation

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 by the Group. Underlying profit is not recognised under IFRS and may not be comparable with underlying profit measures used by other companies. APMs are not intended to be superior to or a substitute for GAAP measures.

The following items are excluded from reported profit to derive underlying profit:

- Exceptional items – these are largely one off in nature and therefore create volatility in reported earnings.
- Amortisation of borrowing costs, accelerated amortisation of borrowing costs, gains and losses on the fair value of derivative financial instruments, amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill and unwinding of discount on provisions – these are non-cash in nature.

Additional information and definitions relating to the APMs used by the Group is provided below.

Where appropriate "Underlying" is defined as before Amortisation of acquired intangible assets, deferred tax on Amortisation of acquired intangible assets, Impairment of acquired intangible assets, Impairment of goodwill, Exceptional items, Unwinding of discount on provisions, Gains and Losses on the fair value of derivative financial instruments, Amortisation of borrowing costs, Accelerated amortisation of borrowing costs, and the associated tax effect.

Adjusted EBITDA	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.
Acquisition Enterprise Value	The gross consideration paid to the seller less cash acquired with the acquired business plus debt acquired with the acquired business plus the expenses of the acquisition, excluding financing expenses, plus any integration expenses booked as exceptional items.

Constant Currency or CC	Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.
Leverage	Underlying Net Debt translated at the average exchange rate for the year divided by Adjusted EBITDA.
Like for Like or LFL	The comparison of Revenue or Operating Profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period. For disposals, the results are excluded for the whole of the current and prior period.
Operating Cash Conversion	Operational Cash Flow divided by Underlying Operating Profit.
Operational Cash Flow	Net cash inflow from operating activities before Income tax paid, exceptional costs cash settled in the year and Pension contributions, and after Proceeds on disposal of property, plant and equipment, Payments to acquire property, plant and equipment and Payments to acquire intangible assets.
Return on Acquisition Investment or ROAI	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 adjusted for seasonality where appropriate.
Return on Capital Employed or ROCE	Underlying Operating Profit as a percentage of the 12 month average capital employed.
Underlying Administrative Expenses	Administrative Expenses before Exceptional items, Amortisation of acquired intangible assets, Impairment of acquired intangible assets and Impairment of acquired goodwill.
Underlying Net Debt	Interest bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.

A reconciliation between statutory reported measures and the APMs noted above are included on page 26 of this preliminary announcement.

Definitions

Bilco	The Bilco Company acquired by the Group's AmesburyTruth Division on 1 July 2016.
Giesse	Giesse Group acquired by the Group's Schlegel International Division on 7 March 2016.

Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
Maquiladora	A factory in Mexico run by a foreign company and exporting its products to that company's country of origin.
Response or Response Electronics	Response Electronics Limited, acquired by the Group's ERA Division on 3 March 2016.
Revenue	The gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of the Group.
£ or Sterling or British Pounds	The lawful currency of the United Kingdom.
US$	The lawful currency of the United States of America.

Glossary of Terms

APM	Alternative Performance Measure
bps	Basis points
CGU	Cash Generating Unit
CPA	Construction Products Association
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EMEAI	Europe, Middle East and Africa and India region
EU	European Union
IFRS	International Financial Reporting Standards
JCHS	Joint Centre for Housing Studies of Harvard University
LIRA	Leading Indicator of Remodelling Activity published quarterly by JCHS
OEM	Original equipment manufacturer
PPE	Property, plant and equipment
RMI	Renovation, maintenance and improvement
TFR	Trattamento di fine Rapporto

Exchange Rates

The following foreign exchange rates have been used in the financial information to translate amounts into Sterling:

Closing Rates:	**2016**	2015
US Dollars	**1.2341**	1.4804
Euros	**1.1729**	1.3572
Australian Dollars	**1.7136**	2.0281
Canadian Dollars	**1.6589**	2.0532
Brazilian Real	**4.0176**	5.8630

Average Rates:	**2016**	2015
US Dollars	**1.3554**	1.5287
Euros	**1.2243**	1.3772
Australian Dollars	**1.8252**	2.0350
Canadian Dollars	**1.7965**	1.9536
Brazilian Real	**4.7437**	5.0923

Roundings

Percentage numbers have been calculated using figures rounded to the nearest thousand from the financial statements, which may lead to small differences in some figures and percentages quoted.