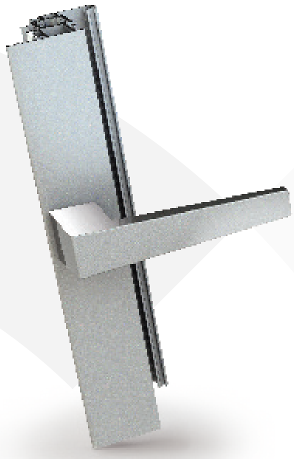
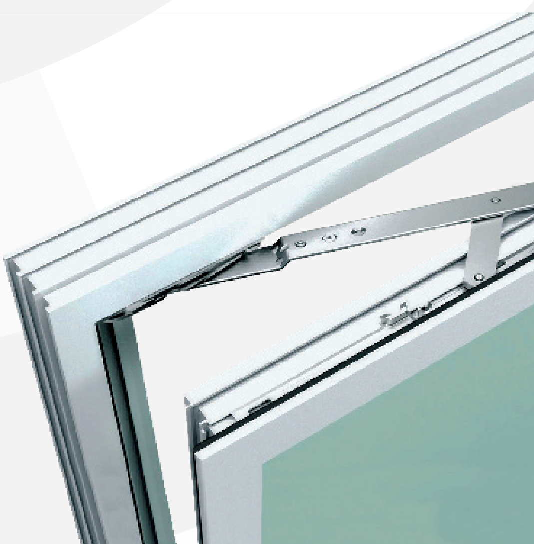


A year of growth

TYMAN PLC

Tyman plc
Annual Report and Accounts 2016



Further progress and growth through acquisitions

Tyman is a leading international 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.

Operational 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

Financial highlights

Revenue
£457.6m
2015: £353.4m +29%

Dividend per share
10.50p
2015: 8.75p +20%

Underlying operating profit
£69.8m
2015: £51.4m +36%

Underlying net debt
£176.7m
2015: £83.2m (112)%

Profit before taxation
£29.4m
2015: £15.6m +89%

Leverage
1.89x
2015: 1.35x

Underlying earnings per share
25.41p
2015: 19.33p +32%

Return on capital employed
13.8%
2015: 12.5% +130 bps

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Stronger together

→ Acquisition of Giesse **Page 23**

Britain's homes deserve invincible door security

→ Read more on ERA **Page 20**

Growing electromechanical sector

→ Read more about Response on **Page 21**

Our North American division

→ Read more about AmesburyTruth on **Page 16**

The worldwide source for speciality access products

→ Read more on the acquisition of Bilco **Page 17**

Our business at a glance

→ Read more about our businesses **Page 2**

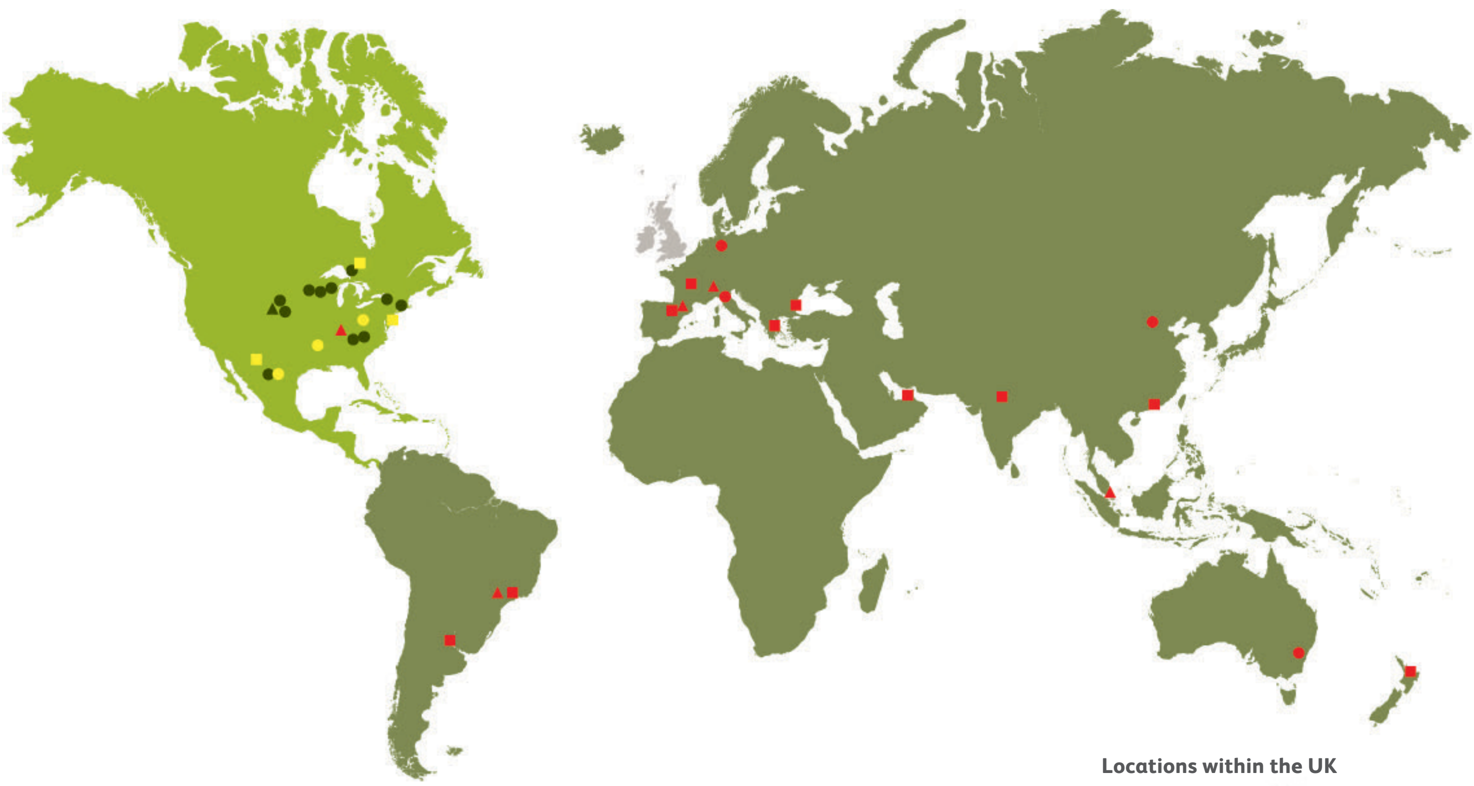
Further information and investor updates can be found on our website at www.tymanplc.com

Our business at a glance

We have manufacturing and distribution operations across North America, Europe, South America, Asia and Australasia.

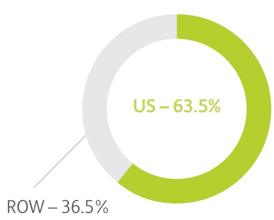
Our businesses are market leaders in their chosen geographies offering the complete range of hardware, seals and extrusions for both residential and commercial applications.

We have significant presence in 19 countries around the world.

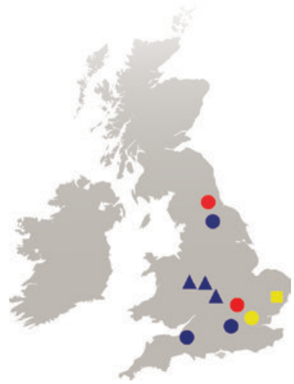


- Bilco site
- AmesburyTruth site
- ERA site
- Schlegel International/Giesse site
- Manufacturing site
- Sourcing/Distribution site
- Site closed during 2016 or rationalisation announced

63.5% of our total sales are in North America



Locations within the UK



Find out more at: www.tymanplc.com

AmesburyTruth™

Our North American division operates as AmesburyTruth.

AmesburyTruth is a prominent manufacturer of window and door hardware components, extrusions and sealing systems. With manufacturing and distribution capabilities throughout North America, AmesburyTruth is well positioned to offer leading window and door manufacturers innovative products and engineered solutions for both residential and commercial applications.

Acquisition
Bilco will form the core of the AmesburyTruth's commercial activities in North America.

Bilco®

Revenue
£291.3m
2015: £238.0m +22%

Underlying operating profit
£54.8m
2015: £43.5m +26%

→ AmesburyTruth Operational review **Pages 16–19**

ERA

Our UK and Ireland division operates as ERA.

ERA is a leader in the design, development, manufacture and distribution of innovative solutions for the residential building and home improvement markets.

ERA provides a wide range of mechanical security hardware, decorative hardware, weather seals and electronic security systems including wireless alarms, CCTV and door entry. These products are brought to the market under the ERA, Fab & Fix and, since March 2016, the miGuard and Response Electronics brands.

Acquisition
Response brings to the Group an initial presence in the fast growing electromechanical sector in the UK.

Response Electronics Limited

Revenue
£71.8m
2015: £78.1m (8)%

Underlying operating profit
£11.6m
2015: £11.6m

→ ERA Operational review **Pages 20–21**

Schlegel

Schlegel International comprises the Group's sealing and extrusion businesses outside North America, together with Giesse, the Groups's Italy-based manufacturer of hardware products for aluminium doors and windows acquired on 7 March 2016.

The Division has manufacturing operations in the UK, Germany, Italy, China, Brazil and Australia along with light assembly and distribution facilities in Argentina, France, Greece, India, Spain, Turkey and the United Arab Emirates. The Division's products are sold in residential and commercial applications all over the world under the Schlegel and Giesse brands.

Acquisition
Giesse brings to the Group a high quality hardware brand in Europe for the first time.

GIESSE®

Revenue
£94.6m
2015: £37.4m +153%

Underlying operating profit
£9.4m
2015: £1.6m +498%

→ Schlegel Operational review **Pages 22–23**

Our business model

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

Our customers

Our customers include OEMs, fabricators, retailers, builders merchants, architects, house builders and ultimately, the homeowner. Each customer has different requirements and we aim to fulfil their needs by providing the right product at the right price point on time and in full.

Our products

We want our products to be best in class and engineered to add form and function to our customers' end products. In 2016 we have extended our product range through acquisition into the electromechanical and commercial markets.

Our service

We want our customer service to be acknowledged as the best in each market such that customers can place a high degree of dependence on Tyman's positioning in their supply chain. We aspire to industry-leading levels of customer service.

Chief Executive Officer's review and strategy **Pages 8–11**

Shareholder value

Our strategy creates value for our shareholders by:

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

Flexibility and engineered solutions

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

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

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

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

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

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

In what remains a very fragmented industry in most markets, we believe Tyman is unique in being the only manufacturer of scale able to offer the complete range of door and window components to customers in markets all over the world.

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

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

Quality and service

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

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

Financial discipline

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

Operating cash conversion
105.9%
2015: 84.9% +2,100 bps

Return on capital employed
13.8%
2015: 12.5% +130 bps

Gross margin
36.5%
2015: 33.8% +275 bps

Operating margin
15.3%
2015: 14.6% +70 bps

Chairman's statement

Another year of progress with three strategically important acquisitions completed.

Jamie Pike
Non-executive Chairman

Summary

- Three acquisitions completed
- Integration well underway
- Good progress with footprint programmes
- Renewed focus on health and safety

2016 has been another year of progress for Tyman. We have completed three strategically important acquisitions, developing our capabilities in European hardware with Giesse, in North American commercial with Bilco and in UK electronic access through Response. Despite markets being less favourable than we had hoped coming into the year we have grown the business organically and increased profitability on both a reported and on a constant currency like for like basis.

M&A

Acquisitions remain a key element of Tyman's strategy for growth. As a Board we recognise that acquisitions bring with them management challenges and elevated risk, particularly when multiple acquisitions across different geographies are undertaken in a relatively short period of time. We manage these challenges and risks through our clear acquisition criteria, our due diligence process and a commitment to the full integration of every business we acquire over an appropriate period.

Each of the acquisitions we completed in 2016 is in the process of being integrated into the Group and it has been pleasing to note the quality of the businesses and the management teams that we have acquired. The Board continues to discuss and review all potential acquisitions at regular intervals during the due diligence process and following completion.

Investment in our business

We have made good progress during the year with our investment programme to provide the Divisions with the modern manufacturing, sourcing and distribution facilities necessary to support our future growth. 2016 saw the completion of the new site in Sioux Falls, South Dakota, and the significant extension to the Juarez, Mexico, site as well as the relocation of Ventrolla's joinery operation in Harrogate. In China our engineering, quality and NPD teams now operate from a single site in Ningbo as Tyman Sourcing Asia.

2017 will see new facilities constructed and occupied in Statesville, North Carolina and Wolverhampton as the second phase of the US footprint reorganisation gets underway and the consolidation of our three distribution facilities in the West Midlands takes place.

Dividend

For the year 2016, the Board is recommending a final dividend of 7.50 pence which, together with the interim dividend of 3.00 pence, gives a total dividend for the year of 10.50 pence per share (2015: 8.75 pence per share). This represents an increase of 20.0 per cent on the prior year and cover of approximately 2.4 times in relation to our underlying earnings per share, in line with our stated dividend policy.

Health and safety

The Board remains committed to ensuring that the Group operates with the highest standards of health and safety and that the general working environment for our employees is safe and appropriate for the processes they are required to undertake.

While I am pleased to be able to report a reduction in the number of injuries recorded across the Group in 2016, achieved in a year when our headcount increased by over 30 per cent, severity and severity rates remain higher than we would wish.

In 2016 we commissioned a full and rigorous third-party health and safety audit of every manufacturing facility in the Group, including those facilities that were acquired during the course of the year. The results of these audits have been shared between the Divisions to ensure consistent levels of best practice and presented to the Board, together with mitigation plans where required. As a Board we will continue to impress upon the Divisions the priority we place on establishing a high quality, safe working environment as well as devoting the necessary time and resources to deliver tangible improvements to the Group's health and safety record.

> "The Board remains committed to ensuring that the Group operates with the highest standards of health and safety."

The Board and corporate governance
We continue to set a high priority on ensuring that our corporate governance strengthens and improves as the Group grows and that the Board sets the appropriate tone for the business. During the year we undertook an internal Board evaluation and in 2017 we intend to implement an independent external review of the Board and its Committees. These reviews assist the Board in adapting to the changing needs of the business as well as ensuring that we continue to operate in line with best practice.

As a Board our approach is for the Non-executive Directors to be closely engaged with the business and regarded as a strategic partner of the Executive Directors and Divisional management teams, whilst embracing the principles of transparency and open debate.

We have continued with our established practice of meeting with a wide cross section of Group management and employees through visits to the Divisional facilities. In 2016 the Board visited the Giesse business in Bologna and the AmesburyTruth business in Statesville, North Carolina.

Over the course of the past year there have been a number of changes to the Group Board. In September, Kirsten English resigned from the Board in light of her increased commitments elsewhere. In October I announced my intention to step down from the Board and Martin Towers was confirmed as my successor as Non-executive Chairman with effect from the 2017 AGM. At the same time, Mark Rollins agreed to take on the role of Senior Independent Director.

Since the year end, Helen Clatworthy has joined the Board and it is intended that Helen will succeed Martin as Chair of the Audit Committee following this year's AGM. In addition, Carolyn Gibson joined the Group in 2016 as our first full time Company Secretary. On your behalf I would like to thank Kirsten for her contribution to the Board and to welcome Helen and Carolyn to the Group.

Conclusion
I joined the Board of Tyman in November 2009 following a challenging period for the Company. Since then the Group's total shareholder return has grown by over 700 per cent, Underlying EPS has increased at a compound rate of approximately 15 per cent per annum and returns on capital employed have more than doubled.

This clear financial progress would not have been achieved without the significant contribution of the Group's employees around the world who have worked tirelessly, in sometimes difficult circumstances, to transform Tyman's business and deliver these returns for shareholders.

I am delighted that Martin Towers will succeed me as Chairman. He has made a significant contribution to your Board over the past seven years and I am sure that, under his chairmanship, Tyman will continue to make healthy progress.

Jamie Pike
Non-executive Chairman
8 March 2017

Chief Executive Officer's review of strategy, outlook and priorities for 2017

2016 was a further year of profitable growth assisted by the completion of strategic acquisitions.

Louis Eperjesi
Chief Executive Officer

Summary

- Acquisitions filled two significant gaps in our product portfolio.
- Bilco and Giesse will deliver target synergy objectives by the end of 2017.
- AmesburyTruth's commercial platform is now well established.

How we did in 2016

Increasing Revenue through consistent market share gain and pricing discipline.

A Market share gain

Strategic objectives

We aim to secure profitable market share increases annually through deeper penetration of the existing customer base, the development of new products and winning new customers. The breadth of our product offering and our ability to offer customers engineered solutions means that in each of our markets we believe there is opportunity for the Group to continue to increase its market share.

Performance in 2016

The Group sacrificed some less profitable residential market share in North America in 2016, however grew share in a number of international markets following the acquisition of Giesse and now has a meaningful position in commercial markets in North America.

Focus for 2017

Profitable growth in market share remains a core objective for the Group and each Division is targeting improvements in market share in 2017 with particular focus on the Distribution sector in the UK, commercial and smaller residential customers in North America and continued growth in international markets.

B Pricing discipline

Strategic objectives

We target minimum gross margin thresholds for each of our product lines, and in pricing consider the end to end cost of providing the necessary product and service to our customers. For our ultimate customer, wherever they are located, our aim is to provide a differentiated product offering at an appropriate price, delivered to specification, on time and in full.

Performance in 2016

Price discipline was well maintained in 2017 across each of the Divisions with the Group securing price increments average 2 per cent across the Divisions through a combination of cost recovery, margin management of underperforming products, and value-added price increases.

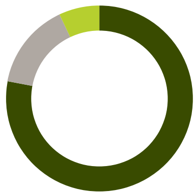
Focus for 2017

Inflationary cost pressures coming into the businesses, most notably in the UK, will require continued price discipline through 2017.

Where we sell by country

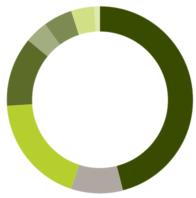
- US – 57%
- UK – 18%
- Canada – 7%
- Europe – 9%
- Australia – 2%
- China – 2%
- Rest of the World – 5%

Who we sell to



- OEM manufacturers – 78%
- Distributors and wholesalers – 15%
- Other industrial uses – 7%

What we sell by product



- Hardware – 46%
- Operators – 9%
- Sealing – 19%
- Balances – 12%
- Polymer extrusion – 4%
- Industrial & Renovation & Electronic Security – 5%
- Speciality access products – 4%
- Metal forming – 1%

Maximising margins by eliminating cost and waste from processes.

C Process scrutiny

Strategic objectives

We scrutinise our manufacturing and sourcing processes to ensure that we are providing products to the customer in the most efficient manner. Divisions operate rolling programmes of process improvement engineering designed to eliminate unnecessary cost from our processes and reduce scrap levels.

Performance in 2016

The Group made significant progress on its various projects – including business improvement, footprint, integration and sourcing during the year, which will improve the flexibility of its manufacturing and sourcing capabilities.

Focus for 2017

Inflationary cost pressures coming into the business as the commodity cycle turns increases the need to eliminate cost and waste from our processes where possible. This will remain a focus for the business in 2017.

Focusing on capital allocation and cash generation.

D Focus on capital allocation

Strategic objectives

We adopt a rigorous appraisal process for all items of capital investment in order to ensure that all investments are supported by a robust business case. Divisional investment plans are required to provide an attractive return to the Group overall, while also ensuring that we continue to invest in making the Group's facilities safe, leading edge and attractive working environments that are fit for purpose for an international manufacturing organisation.

Performance in 2016

Returns on capital employed continued to improve during the year, reflecting improvements in profitability combined with good control over the levels of capital deployed to support the business.

Focus for 2017

The Group will continue to invest in the Divisions in 2017 through its footprint and integration projects as it moves closer towards its ROCE target of 15 per cent.

E Focus on cash generation

Strategic objectives

All of our business units aim to utilise working capital efficiently and convert profits to cash while maintaining high levels of customer satisfaction through industry-leading levels of order fulfilment. Each Division is allocated specific cash targets which are monitored throughout the year and flexed according to demand levels. Divisions are encouraged to seek out opportunities to secure permanent reductions in working capital.

Performance in 2016

The Group generated a strong operational cash performance during the year with Operating Cash Conversion in excess of 100 per cent. Working capital in the existing businesses was closely managed to reflect the relatively subdued organic revenue growth and good progress was made in reducing working capital levels in the acquired businesses.

Focus for 2017

The Group will retain its close focus on cash generation in 2017 through a targeted inventory build that takes account of likely demand patterns in the peak selling months and continued scrutiny of capital investment plans.

Chief Executive Officer's review of strategy, outlook and priorities for 2017 continued

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

2017 Priorities

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 underway 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 though 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.

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

AmesburyTruth

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.

ERA

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.

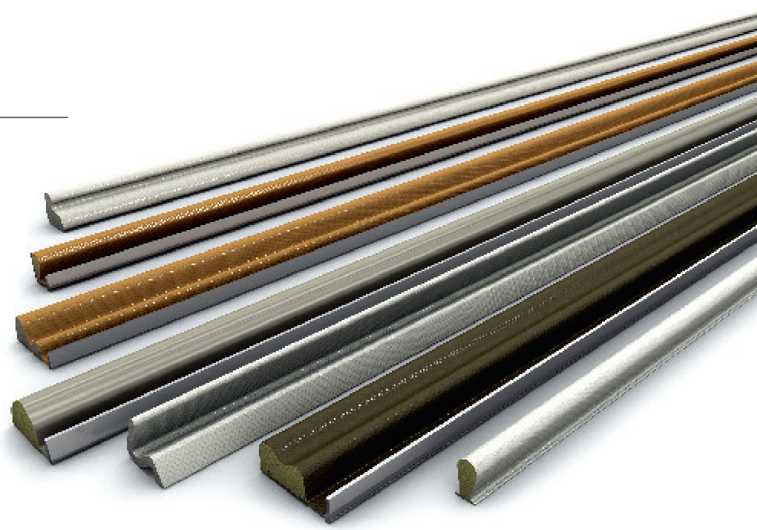
Accordingly, ERA's core expectation for 2017 remains that UK and Irish markets will be flat to down with further cost inflation coming through due to the relative weakness of Sterling. As in previous years, input cost inflation will be managed through a combination of effective purchasing, price management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

Schlegel International

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.

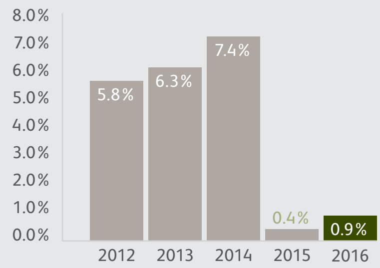
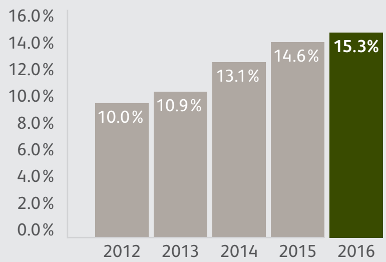
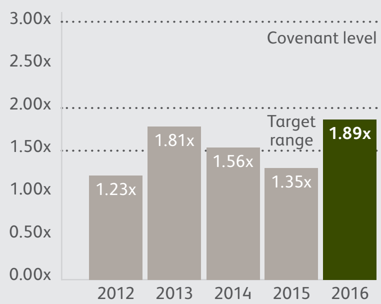
Louis Eperjesi
Chief Executive Officer
8 March 2017

> "Targeted acquisitions have and will continue to be an important part of Group strategy."



Key performance indicators

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

KPI	Purpose	2016 performance	
Like for like revenue growth Year on year revenue growth from continuing operations measured on a like for like basis. **Target** To grow revenue year on year. **Impact on strategy** A B C	Measurement of the directional trend in revenue. The KPI is used to evaluate the ability of the Group to grow its customer base and improve its margins.		Revenue has increased by 0.9 per cent on a constant currency like for like basis. Reported revenue increased by 29.5 per cent assisted by initial contributions from the three acquisitions completed in the year and favourable exchange.
Underlying operating margin Underlying operating profit from continuing operations as a percentage of revenue from continuing operations. Refer to page 128 for definitions of underlying operating profit. **Target** To maintain and improve operating margins through the management control of the Group's overhead and administrative costs. **Impact on strategy** A B C	A relative measure of each Pound of operating profit remaining after all direct manufacturing and administrative costs have been incurred. The KPI is used to evaluate the profitability and financial health of the Group.		Underlying operating margins have improved by 70 bps, benefiting from the structurally higher profitability of Giesse and Bilco products, as well as the favourable impact of pricing actions.
Leverage Underlying net debt divided by Adjusted EBITDA both calculated at average exchange rates. Refer to page 128 for definitions of underlying net debt and adjusted EBITDA. **Target** To maintain a core leverage ratio of between 1.50x to 2.00x at the year end throughout the cycle. **Impact on strategy** D E	Leverage is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.		Leverage increased by 0.54x in the year, largely driven by the material increase in borrowings to finance the purchase of Giesse and Bilco, but is still comfortably within the Group's core year-end target range of 1.50x to 2.00x.

Our strategy

- **A** **Market share gain**
- **B** **Pricing discipline**
- **C** **Process scrutiny**
- **D** **Focus on capital allocation**
- **E** **Focus on cash generation**

KPI	Purpose	2016 performance

Return on capital employed and return on controllable capital employed

Return on capital employed is defined as the LTM underlying operating profit as a percentage of the LTM average capital employed.

Return on controllable capital employed is defined as the LTM underlying operating profit as a percentage of the LTM average controllable capital employed.

Refer to page 128 for definitions of controllable capital employed and underlying operating profit.

Target

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

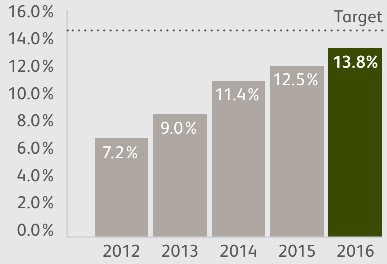
Impact on strategy

C D

Purpose

The KPIs are used to evaluate how efficiently the Group's capital and controllable capital are being employed to improve profitability.

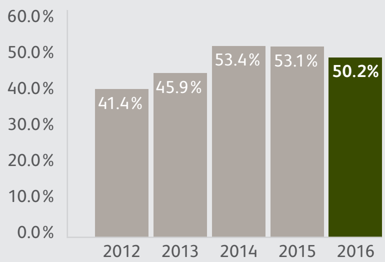
Return on capital employed



ROCE improved by 130 bps due to the combined effect of the 35.7 per cent increase in underlying operating profit, slightly offset by the rise in the average capital employed in the year.

Goodwill and intangible assets arising from the acquisitions in the year contributed to the higher average capital employed at the year end.

Return on controllable capital employed



Return on controllable capital employed decreased by 290 bps due to an increase in the Group's controllable capital employed arising from acquisitions in the year which have a higher operational capital intensity than the Group's existing businesses.

Return on acquisition investment

Refer to page 128 for definition of ROAI.

Target

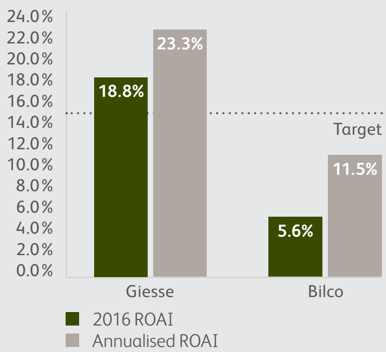
All acquisitions target a run rate of ROAI greater than 15 per cent in the first two years following acquisition.

Impact on strategy

C D E

Purpose

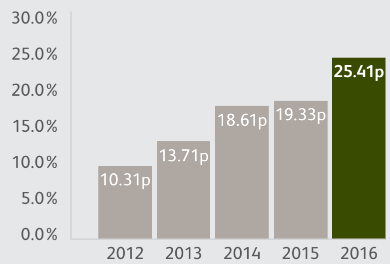
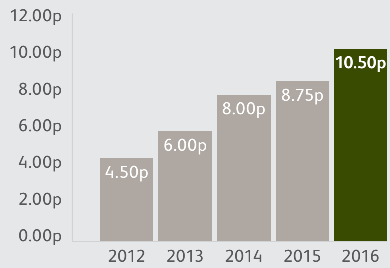
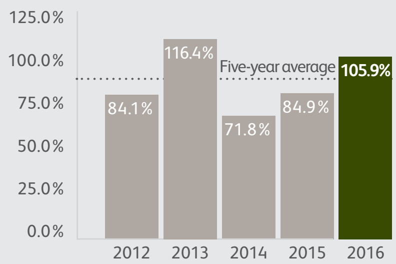
ROAI is used to evaluate the efficiency and returns achieved by the Group and its investments in recent material business acquisitions.



Giesse 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. Synergy benefits are expected to be realised in 2017 and the ROAI is expected to increase as a result.

Key performance indicators continued

KPI	Purpose	2016 performance	
Underlying basic EPS Underlying operating profit divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares. Refer to page 128 for definition of underlying operating profit. **Target** To improve underlying EPS performance. **Impact on strategy** C	The KPI is used to determine the improvement in underlying EPS for our shareholders.		Underlying earnings per share increased by 31.5 per cent to 25.41 pence. The increase reflects the improvements in underlying operating profit offset by increases in finance costs for the year.
Dividend growth Year on year growth in total dividends. **Target** To grow dividends annually at least in line with underlying earnings. **Impact on strategy** D E	The KPI is used to evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.		Dividends have continued to grow consistently and by 20.0 per cent in the year. This equates to dividend cover towards the top end of the Group's target range of 2.00x to 2.50x.
Operating cash conversion Operational cash flow divided by underlying operating profit. Refer to page 128 for definitions of operational cash flow and underlying operating profit. **Target** To maximise conversion of the Group's underlying operating profit into cash over any 12 month period while continuing to make the necessary capital investments to support the business. **Impact on strategy** D E	Operating cash conversion is used to evaluate the cash flow generated by the business operations in order to pay down debt, return to our shareholders and invest in acquisitions.		Operating cash conversion was significantly higher than last year and in 2016 the Group managed to convert over 100 per cent of underlying operating profit into cash.

Our strategy

- **A** Market share gain
- **B** Pricing discipline
- **C** Process scrutiny
- **D** Focus on capital allocation
- **E** Focus on cash generation

KPI	Purpose	2016 performance

On time in full delivery rate

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

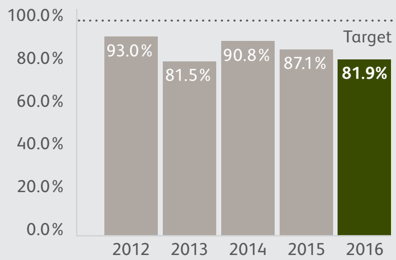
Target

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

Impact on strategy

C

Our OTIF delivery rate is used to evaluate the manufacturing productivity and how efficient the business is at meeting delivery deadlines.



The on time delivery rate decreased to 81.9 per cent from 87.1 per cent in 2015.

OTIF performance for the Group was impacted by factory moves in North America and Europe arising from footprint rationalisation programmes.

Lost time injuries

Lost time injury rate: the number of lost time incidents per 100,000 hours worked.

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

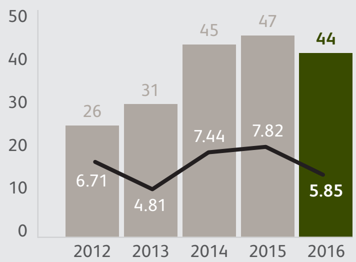
Target

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

Impact on strategy

C

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



Although both KPIs have improved in the year, the group continues to place a high priority on delivering tangible improvements to the Group's health and safety record.

KPIs no longer reported

The following KPIs are no longer reported:

KPI	Reason
Gross margin	The operating margin KPI provides sufficient explanation for movements in both direct manufacturing and administrative costs. Gross margin is commented on in the financial review section.
Dividend cover	The dividend growth KPI provides sufficient explanation as to the delivery of consistent and balanced returns to shareholders in the form of dividends. Dividend cover is commented on in the financial review section.
Employee turnover	With recent acquisitions and the associated footprint rationalisation projects, the resulting KPI is less meaningful and comparable from year on year. Accordingly, this KPI is no longer considered a reliable indicator of strategic progress.

Operational review

AmesburyTruth™

Financial highlights

£'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 multi-family. 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) and 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.

Revenue

£291.3m

2015: £238.0m +22%

Strong platform for commercial sector growth in North America

Bilco forms the core of AmesburyTruth's new commercial business.

US Commercial
Following the combination of Amesbury with Truth, the Division evaluated its strategic priorities and concluded that the logical next step for AmesburyTruth was to extend its penetration of the commercial sector of the North American market.

The commercial sector is later cycle than the residential sector of the construction market (which has seen significant growth in recent years) and provides access to larger multi-family projects such as urban high rise apartment blocks where AmesburyTruth's residential OEM customers tend to have smaller shares.

The plan included setting a stretching target of US$70.0 million of sales in commercial to be achieved by 2017 with a proportion of the increase to come from organic sales growth of existing products into the commercial sector and the balance through acquisition.

The acquisitions of Giesse and Bilco have allowed AmesburyTruth to achieve this initial financial goal and gives the Division the appropriate platform for growth in the US commercial market with recognised brands, a significantly broader product offering and a defined route to market.

Giesse brings to the Division a quality Italian engineered range of hardware products that combine both form and function and are ideal for high end commercial construction projects.

Bilco brings to the Division a range of high quality engineered access and egress products including roof access hatches, automatic smoke vents, subterranean access hatches, basement doors and window well products. The Bilco brand is market leading and highly respected in that it is regularly specified by architects, designers and contractors in commercial construction. In addition, Bilco offers established national coverage of the commercial sector focused around the major metropolitan areas of the US.

All commercial buildings require engineered solutions for window, door, roof, and subterranean apertures; areas in which AmesburyTruth has developed significant expertise. The expanded AmesburyTruth commercial business now has differentiated offerings for each of these product categories as well as established routes to market. The next stage of the commercial strategy will be to leverage these routes to market to increase the proportion of AmesburyTruth products sold into commercial channels. Further complementary acquisitions will also be evaluated to expand the portfolio.

Underlying operating profit

£54.8m

2015: £43.5m +26%

New products
AmesburyTruth has developed the E-Lon-AT TPV foam door seal, which provides foam geometry, that yields the same low closing forces that made Q-Lon urethane foam so successful in entry door systems, and is a fully recyclable product.

Key products

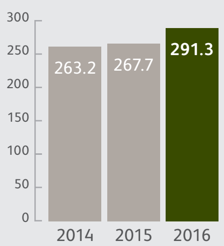
Casement operators

Sliding window balances

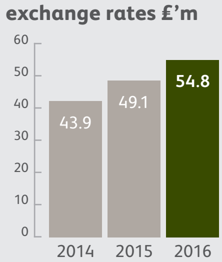
Access hatches and smoke vents

Foam seals

Revenue at constant exchange rates £'m



Underlying operating profit[1] at constant exchange rates £'m



1 2014 underlying operating profit has been restated per the RNS announcement dated 9 February 2016.

Operational review continued

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.

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 the 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.

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	**—**	**2.0**	**2.0**	**3.0**
Cumulative P&L saving	**—**	**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

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.

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.

Operational review continued

ERA

Financial highlights

£'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 benefiting 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.

Revenue
£71.8m
2015: £78.1m (8)%

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.

First electromechanical acquisition

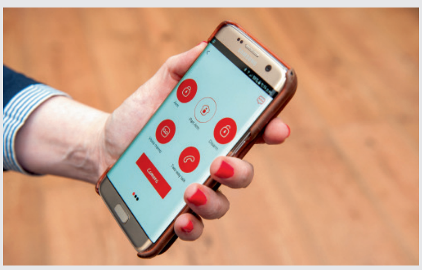
An initial presence in the fast growing electrochemical section in the UK.

On 3 March 2016, ERA acquired Response Electronics. Response is a specialist sales, marketing and distribution business focused on wireless alarms, electronic access and smart home products.

The integration of Response into ERA has proceeded well, with the Division's smartware products now consolidated under a common ERA branding hierarchy and the launch of a new range of trade alarms and door intercoms. ERA has also entered into a distribution agreement with Lightwave RF, providing a gateway into the rapidly growing smart home sector and an opportunity to connect mechanical and electrical home security products within a single smart phone app.

To enable this, ERA will bring to market a new cloud based alarm and monitoring platform that will also integrate with the ERA Touchkey Smart Lock, due for launch in 2017.

ERA also has plans to launch a wireless doorbell range, including a WiFi enabled smartphone model.



Underlying operating profit

£11.6m

2015: £11.6m

New products

The recently announced ERA TouchKey will help revolutionise the lock industry for British homeowners, making home entry easier and more convenient without sacrificing security with one-touch entry and enhanced security features.

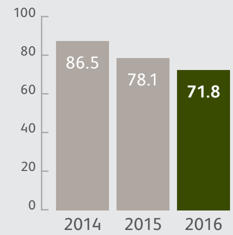
Key products

ERA smart home alarms

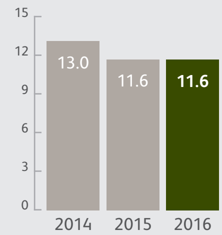
ERA Padlock range

ERA 3* cylinders

Revenue at constant exchange rates £'m



Underlying operating profit[1] at constant exchange rates £'m



1 2014 underlying operating profit has been restated per the RNS announcement dated 9 February 2016.

Prior year results include EWS which was sold in September 2015.

Operational review continued

Schlegel International

Financial highlights

£'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%	+570bps	(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

Revenue

£94.6m

2015: £37.4m +153%

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.

Underlying operating profit

£9.4m

2015: £1.6m +498%

New products

Innovation in design provides minimal profiles, customisable design, quick and easy assembly, available for side opening, tilt-and-turn and side hung windows.

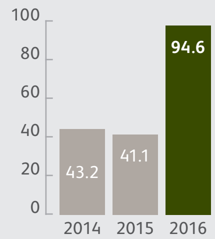
Key products

Window and door hardware

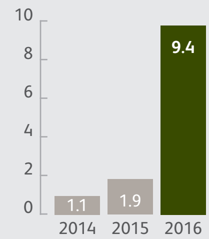
Foam seals

Pile seals

Revenue at constant exchange rates £'m



Underlying operating profit[1] at constant exchange rates £'m



1 2014 underlying operating profit has been restated per the RNS announcement dated 9 February 2016.

Financial review

Growth in profitability underpinned by strong cash generation.

James Brotherton
Chief Financial Officer

Summary

- Results benefited from depreciation of Sterling
- Conversion of over 100 per cent of underlying operating profit into cash
- Strong ROAI from Giesse in first ten months of ownership

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 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 the 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

Material and input costs

The price of key raw materials and input costs is tracked closely by the Group in order to ensure the Divisions are procuring product at the optimal price for the quantities consumed and are in a position to secure price increases where necessary.

The Group focuses on four principal categories of raw material: steel, oil derivatives, zinc and aluminium. Tyman's largest raw material and component purchase is steel across a number of different types and grades. Oil derivatives are used in the manufacture of seal, extrusion and injection-moulded products. Zinc is used in the manufacture of a number of hardware products and, since the acquisition of Giesse, aluminium and associated alloys such as zamac has become an increasingly important commodity.

In addition, ERA monitors the cost of a representative basket of those products sourced from the Far East by Tyman Sourcing Asia into the UK which will be influenced by local labour and overhead rates, raw material price changes and the exchange rate.

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 in 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) were 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".

Financial review continued

Income statement continued

Taxation

Taxation policy

Tyman's taxation policy is to manage the Group's tax affairs in accordance with relevant laws and regulations in each jurisdiction in which the Group operates and to ensure that the approach to taxation is aligned with Tyman's commercial activities worldwide.

Tyman follows the terms of double taxation treaties and relevant OECD guidelines in dealing with issues such as transfer pricing, repatriation of profits and the establishment of a taxable presence in countries where it trades. The Group seeks to engage proactively with tax authorities in each of its key jurisdictions in order to ensure that the Group's tax affairs are clearly communicated.

Tyman aims to maintain straightforward legal and commercial structures in order to reduce risk and minimise compliance costs. Investments made in tax reporting systems and personnel across the Group have ensured tax reporting, compliance and disclosure that is more accurate and reliable.

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

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).

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

- The international nature of the Group's operations. In 2016, 71.9 per cent of the Group's operating profits before central cost allocations were generated in North America, 16.7 per cent generated in the UK and 11.4 per cent in Schlegel International's territories outside the UK. The Group's effective tax rate is therefore a function of the interaction of currency movements with different country, state and local taxation rates and allowances.
- The proactive capital investment programme in each of the Group's Divisions. These investments are amortised for tax purposes in accordance with the laws relating to capital allowances in each country, which may not match the Group's depreciation policy.
- Taxable losses generated by Group companies. Where these losses can be relieved or carried forward to be relieved in future periods, the Group does so in accordance with the relevant laws. This treatment is however broadly dependent on sufficient eligible taxable profits being generated in the relevant jurisdiction.
- Certain losses which cannot be relieved against taxable profits. Such losses most notably relate to the amortisation and impairment of intangible assets and the write-off of goodwill arising on acquisition. As the Group has developed through acquisition, these charges have a material impact on the Group's statutory tax charge as a proportion of pre-tax profits.
- Group share options and LTIPs will generate varying levels of tax relief to the Group dependent on the vesting outcomes of awards and the share price as at the date of vesting.
- The Group does not at present make material use of special incentive arrangements that might impact the tax charge such as research and development tax credits or patent box structures however will keep this under review.

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 also 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	Multi-currency	£180.0m	£60.0m
4.97% USPP notes	Nov 2021	US$	US$55.0m	—
5.37% USPP notes	Nov 2024	US$	US$45.0m	—
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 Group's 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).

Financial review continued

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 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 Employees' 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

Dividend policy

The Board is committed to a target dividend cover of between 2.00x to 2.50x underlying earnings per share.

The objective of this policy is to:

- align shareholder returns with the growth in the Group's profitability;
- reinforce capital discipline; and
- help ensure that the Group's shares appeal to a wide range of investors.

While the Board's aim is to deliver progressive growth in dividends year on year, the application of the Group dividend policy may lead to dividends paid to shareholders reducing in years where business performance has been weaker than expected or where other capital priorities are of greater importance.

The application of this policy has meant that the Group has delivered consistent dividend growth over the last five years (see Dividend growth KPI on page 14) as the Group's underlying earnings per share have increased.

The Board considers a number of factors that influence the level of dividend in any given year. These include:

- the cyclical nature of the industry in which the Group operates;
- the near term capital requirements of the business;
- the level of distributable reserves in the Parent Company; and
- the availability of liquid cash resources across the Group.

See pages 31 and 32 for the Group's principal risks and uncertainties which may impact the dividend policy's implementation.

Dividends are paid bi-annually. The interim dividend, which is typically set at around one third of that year's total dividend, is paid to shareholders in September. The final dividend is paid to shareholders in May following the conclusion of the Annual General Meeting.

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 2.00x to 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.

Dividend payments continue to be well funded and covered by cash generated across the Group. See commentary on the Group's cash generation, funding and liquidity on pages 26 and 27; as well as details on its continuing viability and going concern on pages 33 and 47.

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 128.

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	—	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 128.

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 to 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 the 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.

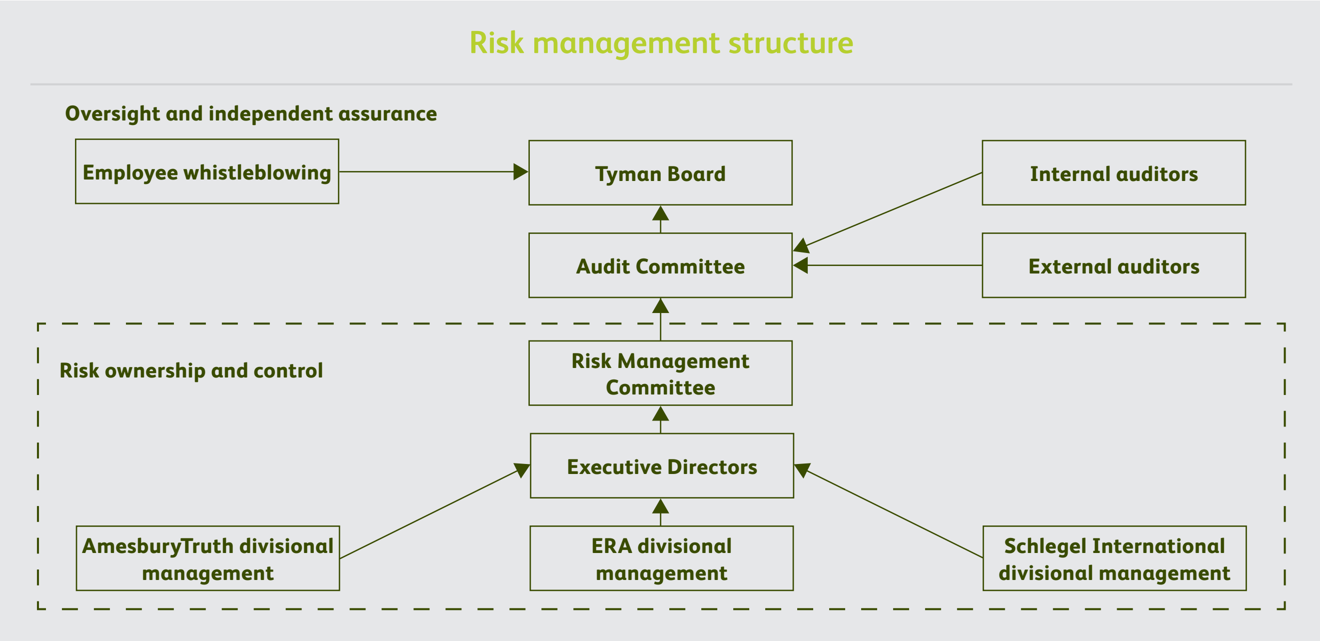
Incremental synergy benefits expected to accrue in the year are estimated at c. US$2.5 million from the integration of Bilco and c. €1.6 million from the integration of Giesse. The North American footprint project is expected to deliver c. US$2.0 million of incremental benefit during the year.

James Brotherton
Chief Financial Officer
8 March 2017

Risk management

Identifying and managing risk

The Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business. The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed plans are integral parts of the business process and core activities throughout the Group.



Responsibilities for and structure of risk management

Board	Overall responsibility for risk management. Defines the Group's risk appetite and culture. Reviews principal risks and uncertainties and provides direction and tone of risk management.
Audit Committee	Assurance of the internal control and risk management systems.
Risk Management Committee	Regular review of risk registers and implementation of mitigation plans.
Executive and divisional management	Day-to-day operational management and management of risk. Design and implementation of the necessary systems of risk assessment and internal control.

Divisional management maintains a comprehensive risk register which assesses all pertinent risks for each Division, including operational, financial, compliance and strategic risks. Divisional registers are reviewed on a regular basis by the functional heads within each division. As a result of these reviews, the assessment of each risk is monitored and where necessary updated using a scoring system which seeks to assess the likelihood, the financial effect and what controls are in place to mitigate the effects of the relevant risks. The Risk Management Committee formally reviews each Division's risk register twice a year.

A shorter register of principal risks is specifically reserved for review by the Board. This is mainly, but not exclusively, comprised of risks after mitigation and above a certain threshold.

The Board has overall responsibility for reviewing the effectiveness of the risk management and internal control systems in the Group. The Audit Committee report on pages 49 to 54 describes the process for achieving this.

Principal risks

The Directors confirm they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table on pages 31 and 32 sets out the principal risks and uncertainties facing the Tyman Group at the date of this report and how they are being managed or mitigated. The principal risks do not comprise all the risks that the Group may face.

In accordance with the provisions of the 2016 version of the UK Corporate Governance Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the Viability statement. The Going concern statement can be found on page 47 and the Viability statement can be found on page 33 of the Strategic report.

Main developments in risk

The Group has completed three acquisitions during 2016, namely Giesse, Response and Bilco. Accordingly, business integration is again considered by the Board to be a principal risk facing the Group.

Following the EU referendum, the Board reviewed the risk trends across its principal uncertainties and elevated the trend in the following categories:

- market conditions;
- raw material costs and supply chain failure; and
- financial risks.

Principal risks and uncertainties

Description	Impact on strategy	Mitigation	
Market conditions			
Demand in the building products sector is dependent on levels of activity in new construction and property repair, maintenance, improvement and remodelling markets. This demand can be unpredictable and the Group has a low visibility of future orders from its customers. The Board is of the opinion that the risk trend for market conditions has increased due to the uncertainty that surrounds the direct and indirect impact of the EU referendum results on the Group's UK and European markets.	A B	In recent cyclical downturns management has proved effective in responding to such events and continues to have similar measures ready to deploy, such as: • maintaining appropriate headroom and tenor in its available borrowing facilities; • the geographic spread of our business; • our ability to flex our cost base; • pricing and gross margin management; • planning, budgeting and forecasting processes; and • offering industry-leading customer service.	Risk assessment **High** Trend ▲
Competitors			
The Group may face significant competition in its markets, including competition from global competitors with large capital resources. Competition in the industry is based on: range and quality of products offered, geographical reach, product development, reputation and customer relationships. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	A B C	Some of the Group's markets are relatively concentrated with two or three key players, while others are highly fragmented and offer significant opportunities for consolidation and penetration. Tyman continues to differentiate itself through its wide range of products, its focus on setting industry-leading standards for delivery on time and in full, its technical support and its geographical spread, strategic focus and reputation. The Group aims to minimise the impact of aggressive pricing by competitors through a low cost manufacturing strategy supported by our programmes of continual process improvements and building long term relationships with our customers based on value, quality, service and added value technical support.	Risk assessment **Medium** Trend ▶
Loss of major customers			
The success of the Group will, to some extent, be dependent on the continuation of satisfactory commercial relationships with its major customers.	A B C	The Group aims to build long term relationships with its customers based on value, quality and range of products, industry-leading service and value-added technical support. The Group develops strategic customer plans which include high level engagement through business review meetings to quickly identify service issues and product development opportunities. In 2016 the top five customers accounted for 23 per cent of total Group sales.	Risk assessment **Medium** Trend ▶
Raw material costs and supply chain failures			
The raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminium and zinc). The Group's ability to meet customer demands depends on obtaining timely supplies of high quality components and raw materials on competitive terms. Failure by any of the Group's suppliers could significantly limit the Group's sales and increase its costs. The Board is of the opinion that the risk trend for raw material costs and supply chain failures has increased because of the potential impact of exchange rate volatility on the cost of imported products to the UK and because there are indications that the cycle for key raw material commodities may have turned.	A C	The Group continues to invest in and improve its sourcing and procurement capability. The Group manages the risks associated with raw material costs and supply chain failure through strong long term relationships with suppliers, risk assessment and audit of key suppliers, review of make or buy policies, economies of purchasing, multiple suppliers, adequate safety stock and inventory management. The Group maintains product quality by ongoing testing up to and beyond the industry standards. In addition, the Group will mitigate this risk by increasing selling prices or applying surcharges to recover unavoidable input cost increases.	Risk assessment **Medium** Trend ▲

Our strategy: A Market share gain · B Pricing discipline · C Process scrutiny · D Focus on capital allocation · E Focus on cash generation

Principal risks and uncertainties continued

Description	Impact on strategy	Mitigation	
Footprint rationalisation			
The Group has a number of footprint rationalisation projects underway within each of the Divisions. In AmesburyTruth, the North American footprint project aims to create four manufacturing centres of excellence supported by a number of satellite manufacturing and distribution facilities by 2020. ERA plans to consolidate three distribution sites into one new site in the West Midlands by Q1 2018. As part of the integrations of Schlegel and Giesse, Schlegel International closed five sites during 2016 and is evaluating further site rationalisation in the future. The benefits of rationalisation are expected to include more efficient manufacturing processes, shorter development times for bringing new products to market, a reduction in internal freight costs, a more efficient deployment of personnel and a reduction in divisional overheads. There is a risk that changes will be disruptive and that these projects may cost more than originally planned and may not deliver the expected benefits.	C D	The Group mitigates this risk by extensive upfront analysis, planning and risk assessment, with multi-disciplined project teams, supported by dedicated professional project management resources.	Risk assessment **Medium** Trend ▶
Business integration			
Acquisitions are an important element of the Group's strategy and the Group expects that it will continue to make acquisitions in the future. Acquisitions will impact the future performance of the Group and may impact the risk profile of the Group. During 2016 the Group acquired Giesse, Response and Bilco and good progress was made in integrating these businesses into the Group. The subsequent integration of acquisitions involves further risks such as the diversion of management, the disruption of operations and the retention of key personnel in the acquired business.	A C D	Acquisitions bring with them management challenges and elevated risk along with opportunities. The Group manages these challenges and risks through its clear acquisition criteria, its due diligence process and a commitment to the full integration of every business that is acquired over an appropriate period. Each acquisition is discussed and reviewed by the Board at regular intervals during the due diligence process and following completion. For significant acquisitions, the integration process is overseen by the Executive Directors and supported by dedicated project teams that include specialised management. The Group's internal audit programme and post-acquisition analysis of systems and controls in acquired businesses help to establish best practice in governance and control procedures.	Risk assessment **Medium** Trend ▶
Key Executives and personnel			
The Group's future success is substantially dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel.	C E	The Remuneration Committee and the Nominations Committee mitigate the risk of losing key personnel through robust succession planning, strong recruitment processes, long term management incentives and retention initiatives.	Risk assessment **Low** Trend ▶
Financial risks			
The Group operates internationally and is therefore exposed to transactional and translational foreign exchange movements against Sterling. In 2016, 78.1 per cent of the Group's underlying operating profit was derived from North American operations which are highly dependent on the value of the US Dollar and the acquisition of Giesse has increased the Group's exposure to Euro earnings in particular. The Group is also exposed to interest rate risks on its externals borrowings. The Board is of the opinion that the risk trend for financial risks has increased since last year because of the potential impact of exchange rate and interest rate volatility on the Group's results.	C D E	The Group denominates a proportion of its debt in foreign currency to align its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are utilised to manage the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments.	Risk assessment **Medium** Trend ▲
Liquidity and credit risks			
The Group must maintain sufficient capital and financial resources to finance its current financial obligations and fund the future needs of its growth strategy.	C D E	The Group maintains adequate cash balances and credit facilities with sufficient headroom and tenor to mitigate credit availability risk. The Group monitors forecast and actual cash flows to match the maturity profiles of financial assets and liabilities. Further information on these risks is given in note 18 to the Group's financial statements.	Risk assessment **Low** Trend ▶

Viability statement

Strategy and appetite for risk
Tyman's vision is to be a leading international supplier of engineered components to the door and window industry.

The Group's strategy, details of which are set out on pages 8 to 11, aims to create shareholder value through offering residential and commercial customers the complete range of door and window components across hardware, seals and extrusions.

Tyman's business model, details of which are set out on pages 4 and 5, is flexible and adaptable and aims to ensure that the Group is able to service its customers effectively and provide them with a differentiated product offering at an appropriate price supported by high standards of quality and service.

Both the business model and the strategy are central to understanding the future prospects for the Group. This strategy has been in place for several years and is subject to ongoing monitoring and development by the Board.

Decisions relating to major investment projects, including all M&A transactions, are approved by the Board. The Board is prepared to adopt an appropriate amount of risk and would characterise the Group's risk appetite as moderate. However, the Board continues to take a conservative approach to the assessment of less certain future benefits such as those derived from integration and rationalisation projects.

Assessment of prospects
Tyman's longer term prospects are assessed through the Group's strategic planning process. This includes a review of Divisional three-year rolling plans by the Executive Directors with the Tyman Management Committee and functional leaders within each Division. The Board participates in the process through regular meetings with the Divisional management teams and strategic updates, including strategy away days.

The output of this is a consolidated set of financial projections covering the next three years compiled from Divisional estimates of the most likely performance, after taking account of the Group's principal risks (see pages 31 and 32). A central review of debt covenant compliance and debt headroom is also completed. Once the annual budget process is completed for the first year of the three-year strategic plan, the strategic plan financial projections are refreshed. The strategic plan reviewed in 2016 covers the three-year period ending 31 December 2019.

Key assumptions
The key assumptions underpinning the 2016 to 2019 strategic plan include:

- average market growth forecasts in line with local consensus;
- no loss of significant customers;
- conservative forecasts of market share growth and the impact of new product development;
- conservative forecasts of the benefits from existing major rationalisation projects;
- no impact from future acquisitions or disposals; and
- the current committed bank facilities will be refinanced prior to its scheduled maturity date in June 2019.

Assessment of viability
In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and the mitigating actions reviewed by the Board and documented on pages 30 to 32 of the Annual Report.

Consistent with 2015, the Directors have determined that three years is an appropriate timeframe over which to provide a Viability statement, as this is the timeframe currently adopted by the Board as its strategic planning period. A three-year period aligns with the Group's typical investment time horizon and with the performance measurement period for the Tyman Long Term Incentive Plan under the remuneration policy. In addition, the Directors consider that demand in the Group's business is ultimately driven by consumer confidence and discretionary spending patterns which are difficult to project accurately beyond a three-year time-horizon.

The strategic plan therefore reflects the Directors' best estimate of the future prospects of the business over the three-year period. In order to assess the Group's viability over this period, the strategic plan has been flexed by overlaying the cumulative financial impact of a number of downside scenarios to represent "severe but plausible" circumstances that the Group might experience. These scenarios are based on the potential financial outcomes of certain of the Group's principal risks crystallising such as a severe deterioration in market conditions, loss of business to competitors and loss of major customers.

The cumulative scenario tested involved a 20.0 per cent drop in forecast Group Revenue in 2017 followed by broadly flat revenue for the two subsequent years. In addition, it was also assumed that a one-off exceptional cash cost of £15.0 million would be incurred in 2017. This cumulative scenario is significantly worse than the reductions experienced by the Group during the last downturn in 2007 to 2009.

The testing took account of the availability and likely effectiveness of mitigating actions available to the Group, including the flexing of working capital, capital expenditure and discretionary spend, as well as Tyman's ability to change its capital structure if necessary through refinancing existing debt facilities and/or raising equity finance. The outcome of the testing demonstrated that the Group should be able to withstand the impact of these scenarios by making adjustments to its operating plans within the normal course of business.

In addition, reverse stress testing was performed to establish a scenario that would represent a point at which the Group's future viability becomes less certain. The material assumptions in this scenario were a sudden downturn occurring simultaneously in all the Group's major markets resulting in a 25.0 per cent shortfall in forecast Group revenues in 2017 followed by further declines of 8.0 per cent in each of the following two years. The performance deterioration indicated by this scenario was considered to be highly implausible.

Viability statement
Based on their assessment of the prospects for the Group and principal risks and the viability assessment above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2019.

Full details of the Directors' consideration and assessment of the Group's going concern may be found in the Statement of Governance on page 47.

Corporate social responsibility report

Continued focus on health and safety ensures the development of a strong and efficient health and safety culture.

Code of Conduct

The Group's continued excellent performance would not be possible without the commitment of each of its employees. The Group operates a decentralised structure, believing that everyone works at their best when operating as a local team, under agreed common principles. This has enabled each employee to make their personal contribution to the operations of the division within they work and has ensured that local cultures prevail.

As the Group continues to grow in size, complexity and geographical spread, it is more important than ever that these common principles and best practices are embedded throughout the organisation. During the year the Board approved a Code of Conduct, that sets out the standards of behaviour and business practices expected from everyone within the Tyman Group.

All members of the senior management team have signed up to the Code of Conduct and the contents are being embedded within employee handbooks throughout each Division.

Health and Safety

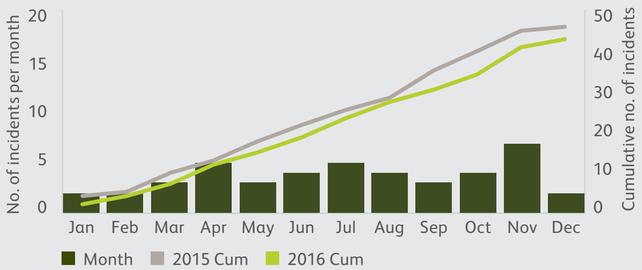
As a manufacturing organisation, providing a safe environment in which all our employees can work without accident or incident continues to be a key priority for the Board and the Group as a whole. During 2016 a Group-wide independent health and safety audit was carried out. The aim of this audit was to assess the health and safety practices throughout the divisions, from which key learnings could be put into practice.

The findings of this audit showed that whilst progress is being made in each Division, more can always be done, even when established practices are already at a high level. In particular, as more companies join the Tyman Group, it is more important than ever that a strong and efficient health and safety culture is developed throughout each Division.

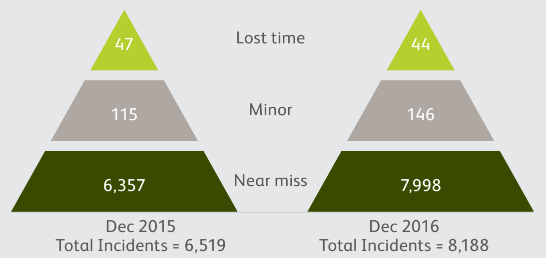
The focus of reporting near-miss incidents as well as the reporting of minor incidents (for which there is no LTI) continued in 2016. The purpose of this process is to identify any potentially dangerous practices or processes which could cause physical harm. In 2016 year, a total of 7,488 near-miss incidents and 148 minor incidents were reported. This increase shows the improved awareness of everyone in needing to manage situations, which helps to ensure more serious incidents do not occur.

The Lost Time Injury frequency rate of 44 for the year, as shown in the table below demonstrates the progress that has been made during the year, but it is recognised this performance is not where the Group, as a manufacturing organisation, would like to be. The results of the independent audit and the nature of the LTIs sustained during the year show that a different focus needs to be brought to this essential area, moving from one of prevention and reporting to the development of a culture of ownership for the health and safety by and for everyone working within the Group.

Lost time incidents 2016



Total incidents in the year



Health and safety management system

Board of Directors

CEO reports to the Board on the Group's health and safety performance at each Board meeting.

Overall responsibility for the health and safety performance of the Group.

Chief Executive Officer

Divisional CEOs report on their health and safety performance to the Tyman CEO at weekly TMC meetings.

CEO and all members of the Tyman Management Committee meet formally four times per year as a Risk Management Committee, to report, discuss and develop the risk management and health and safety focus within the Group, supported by the Group Company Secretary reporting directly to the Audit Committee.

Risk Management Committee

CEO responsibility discharged to local management through the TMC (Divisional CEOs).

Tyman Management Committee

Local management report on their health and safety performance to their Divisional CEOs at least weekly.

Local management accountable for its:

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

Local responsibilities are managed through the implementation of local health and safety management systems.

Local management

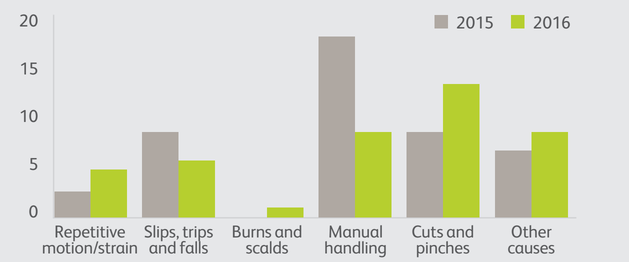
Health and safety management systems provide feedback to local management as to the success of system implementation.

Health and safety management systems:

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

Health and safety management systems

YTD lost time incidents by reason



ERA's progress in health and safety is recognised by RoSPA, who awarded ERA a gold award in July 2016, for achieving a very high level of performance, demonstrating well developed occupational, health and safety management systems and culture, outstanding control of risk and very low levels of error, harm or loss.

Corporate social responsibility report continued

Environment

Care for the environment in our production processes

The Board recognises its responsibilities as a manufacturing concern and supports the divisions' efforts in their activities in managing the use of resources and minimising the Group's impact of its activities on the environment.

There are numerous product and process developments in place throughout each division, implemented to achieve improved product design and performance whilst actively seeking to reduce the effect of production on the environment, either through improved production processes or through the use of alternative, more environmentally friendly materials.

Greenhouse gas emissions

The Group applies the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) as the basis for reporting its emissions.

Emissions reporting includes the facilities over which it has operational control. This is the internationally recognised standard for corporate carbon reporting.

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

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

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

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

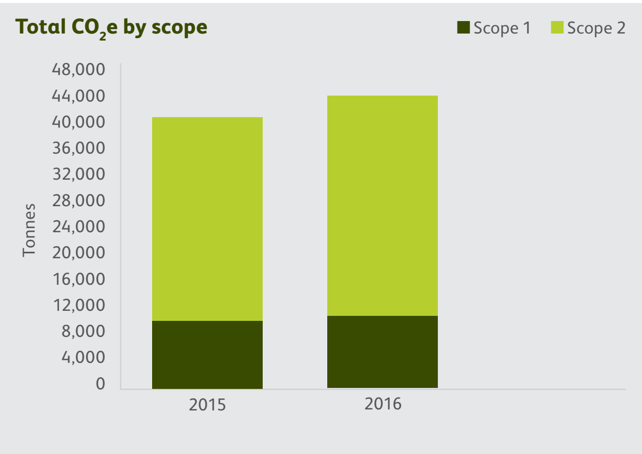
These risks can be mitigated through the Group's conscious efforts to minimise its release of GHG through environmental initiatives.

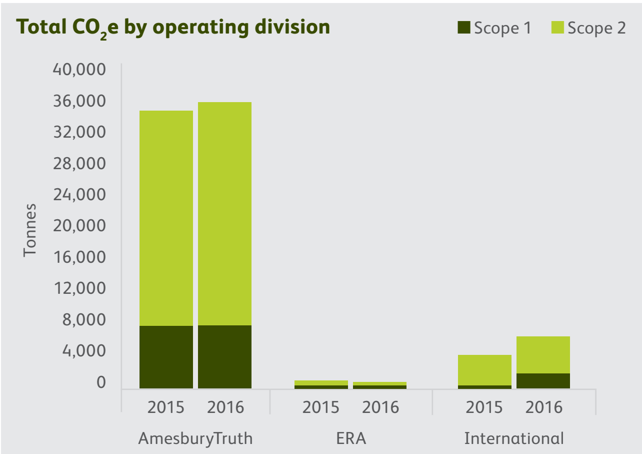
Our GHG emissions, measured as the quantity of CO_2e generated by the Group's activities, for the year ended 31 December 2016 are presented in the table below.

		GHG emissions tonnes CO_2e		
Scope	Description	**2016**	2015	2014
Scope 1	Emissions that arise directly from our operations and comprise the combustion of fuels and process emissions	**11,157**	11,423	11,210
Scope 2	Indirect emissions that arise from our use of electricity	**33,598**	31,062	33,132
Total direct and indirect emissions		**44,755**	42,485	44,342
Intensity ratio: tonne CO_2e per £'m of revenue		**97.79**	120.21	126.37

Data for acquisitions is included for the post-acquisition period.

Data for disposals is included up to the date of disposal.





Water usage
As the size of the Group has expanded through acquisition in 2016, and the consequential increase in the extent of manufacturing processes, it was considered appropriate to measure the Group's water usage, to ensure the efficient use of this resource. The table below shows water usage for the year.

Product integrity

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

Each Division is responsible for negotiating the terms and conditions of trade with suppliers. In doing so each division is expected to maintain high standards of integrity in all business dealings with suppliers and is encouraged to use the services of those suppliers whose values and standards are equivalent to our own.

Quality management standards
Operating units are encouraged to gain and maintain accreditation to any specific standards required by the markets they serve, with over 18 quality and production accreditations, gained throughout the operations.

ISO 9001 certification ensures operations adopt and maintain efficient quality management systems that save time and cost, whilst improving efficiency and deliver high quality products to their customers.

In the community
In keeping with the decentralised nature of the Tyman Group, each operating unit manages its own relationship with the community within which it is located. Activities are based around local initiatives and causes that are either closely associated with the unit or have a personal connection to a Group employee that operate in their area.

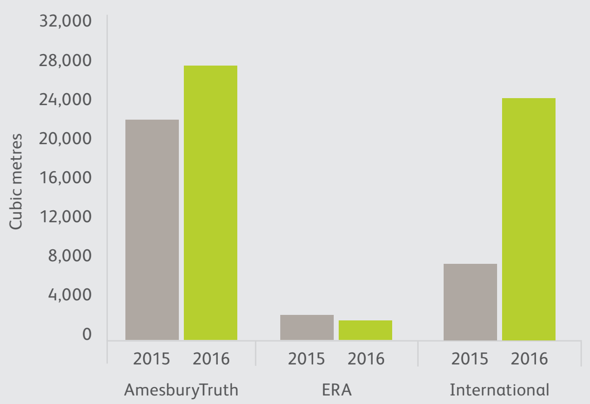
AmesburyTruth and Bilco together participated in charitable causes at both local and national level, having donated $87,000 during the year through either monetary donation or community service. Activities included participation with the local Chamber of Commerce, community service and volunteer hours and taking part in collections for winter clothing, toys and supplies for the needy.

In ERA, staff help to nominate the charitable cause for the year. In 2016 the chosen charity was Cancer Research UK and through a variety of initiatives from monthly raffles to ERA sponsored golf days, a total of £14,000 was raised.

The variety of community participation within Schlegel International shows the wide geographical and national spread of this division. A total of £9,000 was raised for charities ranging from earthquake disaster relief in Italy, to Alzheimer's Society and the Great North Ambulance service.

Business ethics, anti-corruption and compliance
The Group is committed to conducting its business with integrity. High standards of professional and ethical conduct are expected throughout its operations acting in compliance with the laws and regulations in jurisdictions in which the Group operates. These principles are embedded in the Group's Code of Conduct to which each employee is expected to adhere.

Total water usage by operating division



During the year certain key members from all three Divisions were selected to participate in training modules, provided by an independent external training company, DeltaNet, covering anti-bribery and corruption. Where necessary these modules have been translated into local languages to ensure full understanding of the topics being covered. Further training, on an annual cycle, in these and other compliance areas, is now planned.

The Group supports and encourages employees to report any incident or suspicion of any form of malpractice. Employees have a number of ways in which they may communicate their concerns, within their own Division, or with the Group Company Secretary. Should an employee wish to speak with someone outside of the Group or to remain anonymous, they are encouraged to contact an independent whistleblowing service, through which they may voice their concerns, 24 hours a day, 365 days a year. Notices, displaying contact details of these whistleblowing services are posted on staff notice boards throughout each facility.

All whistleblowing notifications are followed up by an appropriate independent individual and a summary report of all notifications and follow up is reported to the Board at each Board meeting.

Human rights and modern slavery
The Group is committed to respecting human rights across all our operations and therefore aims to work at the highest international standards as well as complying with local legislation. The Group fully supports the Modern Slavery Act 2015 and has worked during the year to ensure that the Group's activities and activities within its supply chain do not infringe or encourage abuses of any human rights.

During 2016 all Divisions completed a number of initiatives in respect of their supply chains to ensure these organisations recognised their responsibility and commitment to a workforce that is not subject to human rights abuses, including modern slavery, forced labour and human trafficking.

More detailed due diligence checks, in the form of compliance audits were conducted in certain areas that were considered more at risk of these practices to ensure employee welfare policies, including provision for the prevention of forced labour, under age working, human trafficking and provision of contracts of employment were in force.

Corporate social responsibility report continued

Employee diversity and equal opportunities
All Group employment policies and practices require that an individual's skills, experience and talent are the sole determinants in recruitment and career development rather than age, beliefs, disability, ethnic origin, gender, marital status, religion and sexual orientation.

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

Tyman supports the continuing professional development of all its employees. Where appropriate, skills development training is provided to employees to enable them to perform their duties and to facilitate career progression opportunities. Training schemes around the Group include apprenticeship schemes, vocational training and personal employee development.

To ensure all employees are kept informed on matters that may concern them the divisions carry out employee briefings in a number of ways, with business briefings providing updates on the progress of their company, to staff meetings, lunchtime, lunch and learn sessions, newsletters and staff surveys.

Within the Group local diversity programmes are conducted and salaries are linked to job evaluations to promote equality of opportunity. As a manufacturing organisation there are challenges in attracting females into the industry. Within the Divisions a number of promotions have taken place during the year, bringing more female representation into leadership positions, at both executive level and in sales and development roles.

Following the appointment of Helen Clatworthy on 9 January 2017 the Board had female representation of 29 per cent (2015: 29 per cent). Female representation in senior management positions has improved during the year and now represents 29 per cent (2015: 22 per cent). Across the total workforce, there was a 40 per cent female representation, unchanged from the prior year (2015: 40 per cent).

Centres of excellence

Investment in our businesses to create safe, modern and flexible facilities.

As part of the Group's continued growth, a number of projects have either been completed during the year or are well underway.

At AmesburyTruth the footprint rationalisation programme has resulted in the expansion of the Juarez facility increasing from 60,000 square feet to 150,000 square feet, the consolidation of the existing plants at Sioux Falls and Canton facilities into one new building at Sioux Falls and the commencement of construction at Statesville, which will result in the combination of the two existing Statesville plants into one enlarged site of 240,000 square feet.

In ERA, worked commenced on the construction of a new facility at the i54 business park, in Wolverhampton, with completion planned for mid-2017. This new facility will bring three locations under one roof, with the combination of plants currently based at Coventry, Willenhall and Wolverhampton.

These new buildings provide the opportunity to incorporate the latest elements of sustainable construction based on the efficient use of resource while building in sustainable elements such as, low energy usage, improved insulation levels, low G values on windows and curtain walling to reduce solar gain, heat recovery ventilation systems, present detection lighting, air source heating and cooling, and the reuse of storm water.

These large scale investments are being carried out, to provide efficiencies in production, warehouse management systems and enhanced logistics. These facilities, align manufacturing equipment and processes in support of future growth.

They also present the opportunity to provide state of the art production facilities for everyone working in these plants, with aspects such as ceiling, wall and floor insulation for noise reduction and improved natural light, providing improved working conditions and facilities that are more environmentally sound, creating centres of excellence in manufacturing at these Tyman Group locations.

Sioux Falls – injection moulding and multi point lock area.

Corporate governance – Chairman's introduction

Jamie Pike
Non-executive Chairman

Board at 8 March 2017 by gender

- Male – 71%
- Female – 29%

Board at 8 March 2017 by directorship type

- Executive – 29%
- Non-executive – 71%

Dear shareholder

On behalf of the Board I am pleased to present our Corporate governance report for the year ended 31 December 2016.

As set out in my introductory letter on pages 6 and 7 this is my last report to you, as I will be stepping down from the Board following the Company's AGM to be held on 12 May 2017. During my seven years as your Chairman the Group has, through the execution of its strategy, grown in size, complexity and geographical spread, employing over 3,500 people across the globe. It is therefore more important than ever that the Board continues to set high standards of corporate governance, embedding the right behaviours across all our businesses. During the year the Board approved a Code of Conduct that sets out the standard of behaviour expected from everyone within the Tyman Group. Each Director and member of the TMC signed up to the Code and are committed to further embedding these standards throughout the Group's Divisions.

A key element of the Board's leadership continues to be improving health and safety standards and practices throughout the Group. During the year a Group-wide independent health and safety audit was carried out. The findings from this audit have demonstrated, whilst great improvements have been made over the past few years, more can always be done, not only through improved equipment, better systems and procedures, but also by embedding the health and safety ethos amongst every individual.

Part of the Board's work, through the Audit Committee, has been reviewing the progress being made in the internal control of the businesses. The work of this function is vital in providing to the Board insight into the day-to-day management of the businesses and where improvements can be made. The senior management teams have engaged fully with BDO, our co-sourced internal audit function, in developing systems and processes that promote best practice. This work is particularly important for the newly acquired businesses as we work with these new management teams in ensuring sound businesses processes are embedded into their systems.

The Board, in conjunction with the work of the succession planning of the Nominations Committee, has also strengthened its own resources, by appointing our first Group Company Secretary, to provide a dedicated focus on the Board's governance work and on advice and support not only to the Board, but to the senior management teams throughout the Divisions.

The Board has also appointed a new Non-executive Director, Helen Clatworthy. Helen brings with her a wealth of experience from a large multinational manufacturing company, through a number of finance and general management roles. Helen also has experience in risk management and we look forward to working with her and to the contribution she can bring to the work of the Board.

In promoting a culture of sound business practices the Board's aim is to fairly reward the Executive Directors for their work in delivering the strategy the Board has laid out for the Group. Through the work of the Remuneration Committee, the Board considers that overall the remuneration policy has delivered behaviours that align with the sound business practices and health and safety culture promoted by the Board.

The execution of the Group's strategy to date has delivered improving financial results and it is appropriate that our Executives are rewarded for successful performance whilst being incentivised to deliver future improvements. In consultation with over half of our shareholders in 2016 it is clear that "pay for performance" is a key aspect of what our shareholders are seeking; therefore the Group's remuneration policy, which will be put to our shareholders at this year's AGM, is broadly unchanged with the key alterations being to align increased earnings potential with more challenging targets. More detail on the new Policy and the remuneration earned by the Directors in 2016 may be found in the Remuneration report starting on page 57.

Details of the work carried out during the year by the Board and the Board Committees may be found on the following pages. This report sets out our governance policies and, together with the Directors' report, the Audit Committee report, the Directors' remuneration policy, the Directors' remuneration report and the Nominations Committee report, sets out how they have been implemented during the year and, therefore I am pleased to confirm that we fully complied with the provisions of the UK Corporate Governance Code 2016 for the year.

Jamie Pike
Non-executive Chairman
8 March 2017

Board of Directors

Jamie Pike
Non-executive Chairman

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Martin Towers
Non-executive Director and Chairman Designate

Committee membership

Jamie Pike: R N

Louis Eperjesi: Mr Eperjesi attends the Audit, Nomination and Remuneration Committees at the invitation of the Committee Chairs.

James Brotherton: Mr Brotherton attends the Audit, Nomination and Remuneration Committees at the invitation of the Committee Chairs.

Martin Towers: A R N

Date of appointment

Jamie Pike: November 2009

Louis Eperjesi: February 2010

James Brotherton: May 2010

Martin Towers: December 2009

Independent

Jamie Pike: Considered independent on appointment

Louis Eperjesi: —

James Brotherton: —

Martin Towers: Yes

Skills and experience

Mr Pike joined Burmah Castrol in 1991 where he rose to chief executive officer of Burmah Castrol Chemicals and led the buy-out of Foseco from Burmah Castrol in 2001, which culminated in flotation on the Main Market in 2005. He was chief executive of Foseco plc, until its acquisition by Cookson Group plc in April 2008. Mr Pike has previously been chairman of the Lafarge Tarmac joint venture and a non-executive director of two FTSE 250 companies, RMC Group plc and Kelda Group plc.

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

As announced in November 2016, Mr Pike indicated his intention to step down as Chairman and as a Director of Tyman owing to his increasing plc commitments elsewhere and accordingly will leave the Board following the Company's Annual General Meeting to be held on 12 May 2017.

Mr Eperjesi has an extensive and successful track record in the building materials and manufacturing sectors, most recently at Kingspan Group plc, the international building products business, where he was an executive director on the main board and divisional managing director of Kingspan Insulated Panels, the group's largest division. Prior to joining Kingspan, Mr Eperjesi held a range of senior management positions at subsidiaries of Baxi Group plc, Lafarge, Redland plc and Caradon plc.

Mr Brotherton joined Tyman as Head of Corporate Development in 2004. He was previously a director in the investment banking division of Citigroup, having also worked for HSBC and Ernst & Young. He is a Chartered Accountant.

Mr Towers was group finance director of Kelda Group plc from 2003 until February 2008 and has served as group finance director of McCarthy & Stone plc, The Spring Ram Corporation plc and Allied Textile Companies plc and was chief executive of Spice plc until its sale to Cinven in December 2010. He was a non-executive director of Homestyle Group plc from 2004 to 2006 and of KCOM Group plc from 2009 to July 2015.

Mr Towers is a fellow of the Institute of Chartered Accountants in England and Wales and began his career with Coopers & Lybrand (now PwC).

Mr Towers became a Non-executive Director and Chairman of the Audit Committee in December 2009. He is currently the Chairman Designate and will succeed Jamie Pike as Chairman following the Company's Annual General Meeting on 12 May 2017.

Other directorships

Chairman of both RPC Group plc and Ibstock plc, and a non-executive director of Spirax-Sarco Engineering plc.

Mr Eperjesi does not hold any directorships outside of Tyman plc.

Since January 2017 Mr Brotherton has been a non-executive director of the Quoted Companies Alliance.

Mr Towers is currently the senior independent non-executive director of RPC Group plc and chairman of Norcros plc.

Dr Angelika Westerwelle
Non-executive Director

A R N

November 2012

Yes

Dr Westerwelle is a German national and has extensive operational experience, including as chief executive officer of the Weidemann Group GmbH, Karlie Group GmbH and RMG Regel-und Messtechnik GmbH. She has also worked as a management consultant for several years with The Boston Consulting Group and Alix Partners GmbH.

Dr Westerwelle graduated in business administration from the Aachen Institute of Technology and holds masters degrees from the University of Cambridge and Harvard University. She received her doctorate in economics from the Aachen Institute of Technology.

Managing partner of LANAX Management GmbH, a non-executive director of Pinova Capital GmbH and commissioner of the German Monopolies Commission.

Mark Rollins
Non-executive Director and Senior Independent Director

A R N

April 2015

Yes

Mr Rollins was the chief executive officer of Senior plc, retiring from this role on 31 May 2015. Mr Rollins joined Senior plc in 1998 from Morgan Crucible plc, and became group finance director in 2000 and chief executive officer in 2008, and was formerly a non-executive director of WSP Group from 2006 to 2012.

Mr Rollins became Senior Independent Director in November 2016.

Mr Rollins is a Chartered Accountant and holds a degree in engineering.

A non-executive director of The Vitec Group plc and the non-executive chairman of Sigma Components Limited, an aerospace business owned by private equity.

Helen Clatworthy
Non-executive Director

A R N

January 2017

Yes

Mrs Clatworthy has spent most of her career with Imperial Brands plc in a number of financial roles including Finance Director Western Europe and in general management positions including Supply Chain Director and Business Transformation Director and since 2009 was a member of the plc executive committee.

Mrs Clatworthy is a fellow of the Chartered Institute of Management Accountants.

Mrs Clatworthy is currently chair of the Imperial Tobacco Pension Fund, one of the UK's largest occupational pension funds with assets of £3.4 billion, and is also a trustee and treasurer of Disability Snowsports UK.

Carolyn Gibson
Group Company Secretary

September 2016

—

Mrs Gibson joined Tyman in September 2016, as Group Company Secretary. In this role she is Secretary to the Group Board and its constituent Committees as well as Secretary to the Group's Risk Management Committee. In addition, her responsibilities include the co-ordination and development of Tyman's corporate governance, whistleblowing and compliance processes.

Prior to joining Tyman, Mrs Gibson gained extensive experience in a number Company Secretarial roles including with, Thomas Cook Group plc, ICAP plc, esure Group plc and International Power plc. She is a Fellow of the ICSA with a Masters degree in business administration.

Committee membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- Chairman of Committee

Tyman Management Committee

The Tyman Management Committee consists of the two Executive Directors of the Company together with the following senior management. The Tyman Risk Management committee comprises the members of the TMC.

Kevin O'Connell

Group Financial Controller and Treasurer

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

Jeff Graby

President and Chief Executive Officer – AmesburyTruth

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

Jeff Johnson

Vice President and Chief Financial Officer – AmesburyTruth

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

Darren Waters

Chief Executive Officer – ERA

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

Mark Turner

Chief Financial Officer – ERA

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

Peter Santo

Chief Executive Officer – Schlegel International

Mr Santo joined the Group in January 2012 as Chief Executive Officer of Schlegel International. Mr Santo has held various management positions in manufacturing, sales, marketing and general management, and developed his career through Pilkington plc, BP Chemicals, Sentrachem Ltd and Kingspan Group. In his 16 years with Kingspan, Mr Santo held a number of senior general management roles, most recently managing director of the door components business in Belgium and head of the benchmark architectural facades business in the UK. Mr Santo has a master's degree in chemical engineering.

Richard Swan

Chief Financial Officer – Schlegel International

Mr Swan joined Schlegel in 2007 and has since then held several CFO positions responsible for the Group's trading divisions outside of North America.

Since 2014 he has been CFO of Schlegel International where he is currently responsible for finance, human resources and IT. His career has largely been spent operating in a multinational manufacturing environment. He is a Chartered Management Accountant and has a master's degree in finance.

Statement of governance

The role of the Board and its Committees

Board

Responsible for the overall leadership, strategy, development and control of the Group.

The Board comprises two Executive and five Non-executive Directors.

Read more on pages 44 to 48.

Audit Committee

Responsible for the oversight of the Group's reporting processes, the integrity of financial statements, and external and internal audit activity, as well as the review and monitoring of effectiveness of the risk management and internal control systems within the business.

Read more on pages 49 to 54.

Nominations Committee

Reviews and recommends to the Board the structure, size and composition of the Board and its Committees. This responsibility includes oversight of succession planning for the Board and senior management.

Read more on pages 55 and 56.

Remuneration Committee

Considers and approves the remuneration and benefits of Directors, Tyman Management Committee members, the Company Secretary and service providers contracted to perform executive functions for the Group, as well as long term share incentive and share option schemes for all employees.

Read more on pages 57 to 72.

Risk Management Committee

Responsible for the identification of significant business risks at both operating and Group levels and developing associated strategies to mitigate or eliminate the identified risks.

Read more on pages 30 to 32.

Tyman Management Committee

Responsible for the implementation of the Board's strategy, day-to-day management of the business and all matters which have not been reserved for the Board.

Disclosure Committee

Responsible for reviewing the Group's disclosure obligations and results announcements prior to release.

The Board

How the Board operates

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

Statement of governance continued

Statement of compliance with the UK Corporate Governance Code

In accordance with the Financial Conduct Authority UK Listing Rules this report together with the Directors' report, the Operational Review, the Corporate Social Responsibility report and the Remuneration report describes how the Company has applied the principles contained in the UK Corporate Governance Code 2016, which is available at www.frc.org.uk and the statements required by sections 7.1 and 7.2 of the Disclosure Guidance and Transparency Rules.

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

Role and responsibilities of the Board

The Board is responsible for the overall leadership, strategy, development and control of the Group and in doing so is responsible for the long term success of the business.

To assist the management of the Board there is a formal schedule of matters specifically reserved for the Board's consideration and includes the following:

- responsibility for the overall leadership of the Group and setting the Group's values and standards;
- approval of the Group's strategic aims and objectives;
- oversight of the Group's operations ensuring competent and prudent management;
- responsibility for the Group's capital, legal and corporate structure;
- responsibility for the Group's corporate management structure;
- approval of the half-yearly report, the interim management statements, the preliminary results announcement of the final results and the Annual Report and Accounts;
- approval of the dividend policy and declaration of any interim and final dividends;
- approval of any significant changes in accounting policies or practices;
- approval of the Group's Viability and Going Concern statements;
- approval of all acquisitions and disposals of businesses and business lines, significant contracts and material capital investments;
- ensuring maintenance of a sound system of internal control and risk management, including approval of the Group's risk appetite statements;
- approval of resolutions to be put forward for shareholder approval at a general meeting and all communications with shareholders and the market;
- ensuring adequate succession planning for the Board and other senior managers;
- responsibility for the review of the Group's corporate governance arrangements; and
- approval of the Group's key policies, including the Code of Conduct and Share Dealing Policy.

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

The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Operation of the Board

A schedule of Board meeting dates is set a year in advance, to ensure the Board meets at regular intervals throughout the year, at times that align with the operations of the different business divisions and the financial and reporting requirements of the Group as a whole.

To enable the Board to discharge its duties, the Directors receive, in advance of meetings, appropriate and timely information via a web-based portal system. At each Board meeting, the CEO presents an update on the Group's progress against strategic objectives, progress on major projects, an overview of meetings held with shareholders and investment analysts and other such business issues arising across the Group. The CFO provides a detailed presentation of the financial performance of the Group, at both Group and divisional level. Presentations from the divisional directors and external advisers are also received during the year. The Company Secretary presents an update on governance administration and forthcoming changes in legislation of which the Board should be aware.

Board composition

The names and biographical details of all the current Directors, as at the date of this report, are set out on pages 40 and 41 and on the Group website.

The following Directors served during the year ended 31 December 2016:

Board member	Appointed
Jamie Pike (Chairman)	November 2009
James Brotherton	May 2010
Kirsten English (resigned 1 October 2016)	April 2015
Louis Eperjesi	February 2010
Mark Rollins	April 2015
Martin Towers	December 2009
Dr Angelika Westerwelle	November 2012

At 31 December 2016 the Board comprised one Non-executive Chairman, two Executive Directors and three independent Non-executive Directors. Helen Clatworthy was appointed to the Board on 9 January 2017, and therefore, at the date of this report, the Board now comprises a Non-executive Chairman, two Executive Directors and four Non-executive Directors.

As part of the Nomination Committee's work in reviewing the size, structure and composition of the Board, a full external search, using an independent search firm, Korn Ferry, was carried out as part of the recruitment process for Mrs Clatworthy. Full details of the Nomination Committee's work can be found on page 55.

As stated in the Code of Conduct which may be found on the Group Website, the Group is committed to supporting employment policies and practices that make provision for equal opportunities and non-discrimination, and that comply with relevant local legislation and accepted employment practice codes. Group employment policies and practices must ensure that an individual's skills, experience and talent are the sole determinants in recruitment and career development rather than age, beliefs, disability, ethnic origin, gender, marital status, religion or sexual orientation. The Board has applied these principles when making Board appointments.

At 31 December 2016 the ratio of female representation on the Board was 17%.

As at the date of this report, there are two female Directors, representing 29 per cent of the total number of Board Directors. Following the AGM, this ratio will increase to 33 per cent, reflecting the reduced Board size.

Board and Committee attendance

The following table shows the attendance record of the Directors at the Board and relevant Committee meetings held during the year. As well as the scheduled meetings, shown below, a number of Board and Committee meetings were held to cover matters that needed to be considered before the next scheduled meeting. There was full attendance at these meetings.

Board member	Board	Audit	Remuneration	Nominations
Jamie Pike (Chairman)	8/8	—	4/4	3/3
James Brotherton	8/8	—	—	—
Kirsten English[1]	5/5	3/3	2/2	—
Louis Eperjesi	8/8	—	—	—
Mark Rollins	8/8	5/5	4/4	3/3
Martin Towers	8/8	5/5	4/4	3/3
Dr Angelika Westerwelle	8/8	5/5	4/4	3/3

1 Kirsten English resigned from the Board on 1 October 2016. She attended each Board and Committee meeting that was held until her resignation.

During the year, both Louis Eperjesi and James Brotherton were engaged exclusively on the Company's business. Following prior consent by the Board, James Brotherton was appointed a non-executive director of the Quoted Companies Alliance on 17 January 2017. Louis Eperjesi has no outside interests. Neither James Brotherton nor Louis Eperjesi are considered to have any interests that conflict with their responsibilities to the Company.

During the year, each Non-executive Director has demonstrated their full commitment to their roles and they confirm that they remain committed for the year ahead, making themselves available to the Company whenever required.

As part of the Board evaluation process, the performance of each Director was reviewed, following which the Board continues to consider each Non-executive Director to be independent, as defined in the Code.

Board activities during the year
Other than the routine business of the Board, covered earlier in this report on page 44, the key areas of business dealt with during the year included:

- an overview of health and safety matters concerning the divisions, which is always the first agenda item to be covered at each meeting. The details of accidents that have occurred during the period and remedial actions taken, including the impact of the accident on the individual are given close scrutiny so that lessons learnt can be taken forward and used for future preventative measures;
- a review of proposed acquisitions and divestments;
- approval of acquisition of Giesse;
- share register analysis and an update on market analysis;
- a financial report and an update on possible impact on the Group of the European referendum;
- approval of acquisition of Bilco and the associated placing of 8,478,128 ordinary shares at 225 pence per share;
- approval of the acquisition of Response Electronics;
- receiving reports from the Audit, Remuneration and Nominations Committees, including approving the succession plans for the Chairman of the Board and appointment of a Non-executive Director and Group Company Secretary;
- a review of the divisional risk registers, the principal risks facing the Group and the Group risk appetite;
- presentations from divisional management, including the outcome of the third-party health and safety audit carried out in the AmesburyTruth operations; and
- reports from the Company Secretary, including topics on the Tyman Code of Conduct, whistleblowing arrangements, anti-bribery training and the Modern Slavery Act.

As part of the Board's work, the Directors visit operating units to meet with divisional management and to see these businesses first hand. In June 2016 the Board visited the newly acquired business, Giesse, at its operations in Bologna. They also visited AmesburyTruth in October 2016, reviewing the operations in the Statesville plants and the location of the planned Statesville facility, which is under construction. More details on this project may be found on page 18.

Chairman
Jamie Pike was Chairman throughout the financial year. As announced on 8 November 2016, Jamie will be stepping down as Chairman and Non-executive Director following the Company's AGM to be held on 12 May 2016. Following an external search, as detailed in the Nominations Committee report on pages 55 and 56, Jamie will be succeeded by Martin Towers.

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

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

Chief Executive Officer
The CEO is responsible for the day-to-day management of the Group, providing leadership for the executive team and developing and implementing the Group's strategic objectives. He is assisted by the Tyman Management Committee.

Chief Financial Officer
The CFO is responsible for the financial reporting and management of the Group. In addition to the finance, audit, tax and treasury functions, he is also jointly responsible with the Chief Executive Officer for the Group's M&A strategy and investor relations.

Statement of governance continued

The Senior Independent Director

Martin Towers was the Senior Independent Director until 8 November 2016, when Mark Rollins was appointed to this role.

The Senior Independent Director is available for shareholders to voice any concerns which may not be appropriate for discussion through the normal channels of Chairman, Chief Executive Officer or CFO. The Senior Independent Director also leads the Chairman's appraisal, serves as an intermediary for the other Directors with the Chairman as necessary and acts as a sounding board for the Chairman as required.

Changes to the Board

Helen Clatworthy was appointed to the Board with effect from 9 January 2017 as an independent Non-executive Director and became a member of the Audit, Remuneration and Nominations Committees from that date. Kirsten English resigned with effect from 1 October 2016.

Independence of Non-executive Directors

The Non-executive Directors have a wide range of business experience in some areas related to and in other areas complementary to the activities of the Group. Through their participation in the Board and its activities they bring their experience to bear. Constructive challenge, transparency and open debate allows each Non-executive Director to contribute to the Board and thereby shape the future direction of the Group.

The Board considered whether Martin Towers' directorship of RPC Group plc, where Jamie Pike serves as chairman, compromises the independence of Martin Towers in any way and has concluded that he discharges his duties with independence of both character and judgement, which are in no respect adversely affected by the common directorship.

The Board therefore believes that the Non-executive Directors are independent in character and judgement and that all the Non-executive Directors met the criteria for independence set out in provision B.1.1 of the Code and there were no other relationships or circumstances which were likely to affect, or could appear to affect, the Directors' judgement.

At the date of this report independent Non-executive Directors comprise 67 per cent of the Board, excluding the Chairman.

Board performance

The Board carries out a review of its performance and that of each of the Directors and the Chairman on an annual basis. During the year an internal evaluation was carried out using Independent Audit's Thinking Board questionnaire platform.

The review covered a number of areas, which included the following:

- role of the Board Committees;
- Board support;
- range of topics covered by the Board meetings; and
- risk management reviews.

The review concluded that overall the Board and Committees worked well and there was a good flow of information between the Executive and Non-executive Directors. However, it was clear that with the growth of the Group a number of areas needed to be reviewed and strengthened to provide the framework necessary for the Board to operate as effectively as possible.

Board evaluation commentary	Response and actions taken
The review showed that as the Group was growing there was a need to use the work of the Board Committees more effectively, with a clearer distinction of each of the Committee's roles and responsibilities.	A full review of the Terms of Reference for each of the Committees was carried out during the year. The revised Terms were approved by the Board and are available to view on the Group's website. Following this review an annual schedule of activities has been developed for each Committee. The relevant Committee formally reports to the Board following each Committee meeting.
The Board also required a greater level of support on corporate governance matters as well as assistance with the general flow of information to the Board and Committees.	During the year the Board appointed its first dedicated Group Company Secretary, who is responsible for providing advice and support on corporate governance matters to the Board, Board Committees and members of the senior management team and general administrative matters for the Board.
The Board wanted to broaden the range of topics covered at the meetings to facilitate a better understanding of the Group, especially for the newer Non-executive Directors.	An annual schedule of topics to be covered at each Board meeting has been developed to ensure the full range of topics, over and above the standard financial and operational reporting, is covered at appropriate intervals.
Whilst the Board considered the risk management system worked well, it wanted to understand how risk identification and risk management were embedded into the businesses.	The operation of the Tyman Risk Management Committee has been improved and strengthened with formal meetings and the minutes of these meetings being reported to the Audit Committee, providing deeper insight into the risk management systems used throughout the divisions.

The performance of each of the Directors was reviewed by the Chairman. The Senior Independent Director, in conjunction with the other Directors, carried out a review of the Chairman. Feedback from these personal reviews was discussed on a one-to-one basis.

During the 2017 financial year an externally facilitated Board evaluation will be carried out, the results of which will be discussed in the 2017 Annual Report.

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

Board Committees
The Board has Audit, Remuneration and Nominations Committees. The Non-executive Directors are members of these Committees. The Chairman is also a member of the Remuneration and Nominations Committees. These Committees have been set up to cover specific areas of work, delegated by the Board, which ensures the appropriate focus and time is allocated, on a formal basis, to consider relevant issues. Terms of Reference for the Board and each of the Board Committees are available for inspection on the Group Website.

Relations with shareholders
The Board, through the Executive Directors engage in an active programme of meetings with institutional shareholders and sell-side financial analysts as well as potential shareholders and other interested parties covering the Group's strategy and trading results. The Executive Directors also presented at a number of results presentations, financial roadshows in both Europe and the US and at a capital markets event which this year included presentations from the divisional executive management of Schlegel International. Feedback from these events and analysts' reports are provided to the Board at each meeting.

The Chairman and Non-executive Directors have the opportunity to attend meetings with major shareholders and expect to attend meetings at their request and have done so during the year. During the year, the Chairman of the Remuneration Committee, Mark Rollins, wrote to major shareholders representing over 60 per cent of the Company's issued share capital, in conjunction with the proposed remuneration policy to be put to shareholders at the Company's AGM. More details on this can be found in the Annual remuneration report on page 63.

The Senior Independent Director is also available to attend meetings, if requested, by shareholders concerning matters they consider they are unable to discuss with the Chairman. No such meetings have been requested during the year.

The Annual General Meeting is open to all shareholders and private and institutional investors and the Board welcomes their participation. Details of resolutions to be proposed at the Annual General Meeting can be found in the Directors' report.

The Group website, may be accessed by current and prospective shareholders, investors and other interested parties. The website permits users to download copies of published financial reports, presentations, press releases and stock exchange announcements.

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

A table setting out the Company's major shareholders may be found on page 73 of the Directors' report.

Internal control and risk management
The Directors acknowledge that they are responsible for the Group's internal control and risk management systems and for reviewing their effectiveness. Details of this review process are set out in the Audit Committee report on page 54.

Going concern
The Group's strategic plan covers the period to 31 December 2019 and the Group's banking and private placement facilities are committed beyond the period of the strategic plan and contain significant covenant headroom. It is assumed the current committed bank facility will be refinanced prior to its scheduled maturity in June 2019. The Group's published year-end leverage target of 1.5x to 2.0x is designed to ensure that the Group has structural headroom on its financial covenants as it comes into each financial year such that it could withstand a material downturn in its end markets and any normalisation of interest rates. In order to satisfy themselves that the Group has adequate resources for the future, the Board reviewed the Group's committed funding and liquidity positions, its ability to generate cash from trading activities and its ability to raise external funding in the future. The operational performance, as described in the Financial review on page 29, the future plans for the Group and the risks facing the Group, described on pages 31 and 32, were also reviewed. In addition, note 18 to the consolidated financial statements includes the Group's policies and processes for managing capital, liquidity and credit risks as well as details of its financial instruments and hedging strategies.

In performing their reviews, the Board acknowledged the current level of growth prospects in global markets and has considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group. The Directors are therefore confident, on the basis of current financial projections and the banking facilities available, and after considering sensitivities, that the Company and the Group have sufficient resources for its operational needs, which 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.

Statement of governance continued

Directors' responsibilities statement
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the Group and Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed in the Corporate Governance section, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Jamie Pike
Non-executive Chairman
8 March 2017

Audit Committee report

Martin Towers
Chairman, Audit Committee

Dear Shareholder

I am pleased to present to you the Committee's report for the financial year ended 31 December 2016, which will be my last as Committee Chairman as I hand over the chair to our new member Helen Clatworthy in May 2017.

In 2016 the Committee reviewed the financial reporting of the Group in the context of the added challenges involved through integrating newly acquired companies into the Group's procedures.

The Committee is pleased with the leadership, control and monitoring by the head office team, the progress made in the Divisions, as backed up by the results of the internal audit work led by BDO.

In line with ensuring continued auditor independence the Committee conducted an audit partner rotation review and a new audit engagement partner has been approved to lead the Group audit for the year ending 31 December 2017.

Committee membership

The members of the Committee during the year ended 31 December 2016 were as follows:

Audit Committee member	Appointed
Martin Towers (Chairman)	December 2009
Kirsten English (resigned 1 October 2016)	April 2015
Mark Rollins	April 2015
Dr Angelika Westerwelle	November 2012

All members are independent Non-executive Directors. During the year, Martin Towers served as Chairman of the Audit Committee, having both current and relevant financial experience. In line with Code provisions, and as has been announced, it is Mr Towers' intention to step down as Chairman of the Committee and he will cease to be a member of the Committee following the 2017 Annual General Meeting at which point he will be taking on the role of Chairman of the Board.

Helen Clatworthy joined the Committee upon appointment to the Board on 9 January 2017. It is proposed that Mrs Clatworthy will become chair of the Audit Committee, taking over from Mr Towers.

During the recruitment process for a new Non-executive Director the Nominations Committee set out the requirement that any potential candidate must have the prerequisite recent and relevant financial experience that would enable them to take on this Committee chairmanship at a suitable time and is therefore confident that Mrs Clatworthy fulfils this requirement. Further biographical details for Mrs Clatworthy may be found on page 41.

The Audit Committee is therefore satisfied that Mrs Clatworthy has the necessary skills and experience and recent and relevant financial knowledge to take on this role and will welcome her as its new chair after the 2017 Annual General Meeting.

As part of Mrs Clatworthy's induction and introduction to the work of the Committee she participated in meetings between Mr Towers and PwC and was closely involved in the 2016 year-end process.

Under revised Code provisions the Committee as a whole is required to have financial competence and relevant sector experience. The Committee has reviewed its membership and is satisfied that these criteria are fully met.

Meetings and attendance

The Committee met five times during the financial year ended 31 December 2016. Meetings are timed to coincide with the financial reporting and audit cycles of the Company and generally take place immediately before a Board meeting to promote the efficient working of the Committee. The main meetings of the Committee covered the approval of the Annual Report in March, the approval of the Interim Report in July and the approval of the audit plan of the external auditors in November. Other meetings covered governance and administration.

The Chairman, the Chief Executive Officer and the Chief Financial Officer regularly attend these Committee meetings at the invitation of the Committee Chairman along with other members of the finance team as well as the Head of Internal Audit and representatives from the external auditors, PwC.

The Chairman of the Committee meets separately with the external auditors, the internal auditors and the Group CFO and his team during the course of the year. The Committee met with the Head of Internal Audit and the external auditors during the year without management being present.

The Committee receives and reviews regular reports from the external auditors, the internal auditors and the Group CFO.

The Committee is authorised to seek independent advice should it wish to do so; however, this was not required during the year.

Responsibilities

The Committee's Terms of Reference were reviewed during the year, following which they were updated to reflect the roles and responsibilities of the Committee for the Company, major subsidiaries and the Group as a whole and can be found on the Group website.

The key responsibilities of the Committee are as follows:

- to monitor the integrity of the financial statements, including annual and half-year reports, interim management statements and any formal announcements relating to the Company's financial performance;
- to review the Company's compliance with legal and regulatory requirements;
- to review any changes in accounting principles and consider the appropriateness of accounting policies and judgements adopted by the Company;
- to review the contents of the Annual Report and advise the Board whether taken as a whole it is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy;
- to review and advise the Board on the Going Concern and Viability statements;

Audit Committee report continued

Responsibilities continued

- to review the effectiveness and independence of the Group's external auditors, scope and terms of engagement and audit plan including the auditors' audit risk assessment and the threshold levels of materiality for the Group financial statements;
- to review the policy for the provision of non-audit services by the external auditors;
- to recommend to the Board the appointment, reappointment or removal of the external auditors and to approve their fees to be put forward for approval by shareholders;
- to monitor and review the effectiveness of the Company's internal audit function; and
- to review and monitor the effectiveness of the risk management and internal control systems across the Group, including prevention of bribery and fraud detection.

Committee effectiveness

During the year the effectiveness of the Committee was reviewed, using Independent Audit's Thinking Board questionnaire, and the Committee was considered to operate effectively and efficiently, with meetings being well chaired with all Committee members encouraged to participate actively.

External audit

The Committee is responsible for managing the relationship with and the performance of the external auditors, which includes making the recommendations in respect of the appointment, reappointment and, if necessary, removal of the external auditors.

Although Tyman is not a FTSE 350 Company and is therefore not required to comply with the provisions of the "CMA Order" the Audit Committee considered that it was appropriate for the Company to follow these recommendations.

Following a competitive tender process, PwC were appointed the Group's auditors in December 2011 and have therefore served as the Group's auditors since the conclusion of the 2012 AGM. Accordingly, the 2016 audit is PwC's fifth consecutive audit.

Under the CMA Order, if a Company has not completed a competitive tender for five consecutive financial years the Audit Committee is required to set out in the Audit Committee report the financial year in which it proposes it will next complete a competitive tender process and the reasons why completing such a tender in the financial year proposed is in the best interests of the members.

Having considered this requirement, the Committee concluded that it would expect to implement a formal competitive audit tender process during the financial year ending December 2021, or sooner, if it is felt necessary.

In adopting this timetable this would give the newly appointed Group audit engagement partner (see below for further details) sufficient time to have provided a sound level of continuity and provides the Audit Committee and the new Audit Committee Chair sufficient time to plan for the next formal audit tender.

The Audit Committee confirms the auditors' appointment has complied with the provisions of the CMA Order for the financial year under review.

The Committee regularly reviews the audit fees and compares these against peer companies. The fee for the 2016 audit is substantially higher than in previous years, primarily caused by the growth of the Group, following the acquisition of both Giesse and Bilco. The fees for the 2016 Group audit totalled £775,000 and whilst this represents an increase of 34.8 per cent on prior year audits this is in line with the increased number of statutory audits required, the greater level of complexity in the Group as a whole and the impact of foreign exchange movements.

The Committee confirms there are no contractual restrictions on the Group with regard to PwC's appointment and accordingly in light of the above statement the Committee has recommended to the Board that PwC should be reappointed as the Group's auditors at the 2017 Annual General Meeting.

External audit partner rotation

In line with FRC best practice and PwC's internal independence requirements the Group's audit engagement partner, Simon O'Brien, will step down as the audit engagement partner following the conclusion of the 2016 audit.

The appointment of a Group audit engagement partner is a matter reserved for the Audit Committee and therefore a shortlist of internal candidates to succeed this position was provided by PwC. Interviews with these proposed candidates were held by the Committee Chairman, Mr Towers, and executive management. Following these interviews, the candidates were discussed and a recommendation was made to the Committee. The Committee met the proposed candidate, Richard Porter, after which he was approved as the Group's new audit engagement partner, to succeed Simon O'Brien following the Company's AGM.

In order to ensure a smooth transition and as an introduction to the Group, Richard Porter attended the PwC presentation on the 2016 audit to the Audit Committee held on Monday 6 March 2017.

Audit Committee priorities in 2016

The priorities for the Audit Committee in 2016 are summarised below:

2016	Achievements
Review the effectiveness of the Company's overall risk management framework, including the generic procedures for risk identification, assessment, mitigation, monitoring and reporting.	The Committee considered the Group's overall risk management framework at its November meeting and reviewed the risk appetite of the Group and agreed the principal risks and uncertainties, including risk tolerance and areas of heightened risk, the Group faces during the year. A representative from BDO, the Group's internal audit partner, was present at this meeting to provide an update on the Group's development in its risk management framework.
Prepare for and implement any relevant regulatory changes to Audit Committee governance, including the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the EU Audit Regulation.	As detailed above the Committee considered the requirements under the CMA Order and has approved a policy that states the Committee "would expect to implement a formal competitive audit tender process during the financial year ending December 2021, or sooner".
Review the PwC plans for future partner rotation.	As detailed above, following an internal process a new external audit engagement partner has been approved by the Committee.
Continue to monitor the effectiveness of the internal audit function and internal controls.	As detailed on pages 51 and 52, the work of the internal audit function continues to be well managed and the system of internal controls is considered to be effective.

External audit effectiveness

A key responsibility of the Committee is ensuring the continued effectiveness of the external audit.

During the year, led by the Chairman of the Committee, the Audit Committee conducted an internal process to assess the effectiveness of the external audit in order to satisfy itself the audit had been carried out in a professional, comprehensive and efficient manner. In conjunction with this review the effectiveness of the external audit is reviewed during the year through meetings with management and the external auditors and reviewing reports from the external audit team.

Through the audit framework the Committee is able to assess the auditors' understanding of the business and relevant business risks. This ensures an appropriate audit scope and testing within the audit process which ensures an effective audit of the Group.

Audit planning: in November 2016, the Committee reviewed a detailed audit plan from PwC, identifying their overall risk assessment of the business. The primary risks identified were in relation to the acquisition accounting for Giesse and Bilco, the carrying value of goodwill and intangible assets, provisions, accounts receivable and inventory.

Audit scope: the Committee reviewed the scope of the audit and considered it to be appropriate to ensure the significant judgements had been robustly challenged.

Audit execution: the Committee reviews the work performed by the auditors to test management's assumptions and estimates around these primary risk areas and assesses the effectiveness of the audit process in addressing these matters.

Role of management: the Committee's review of the performance of PwC included consideration of the views and opinions of the Executive Directors and senior management on PwC's effectiveness in a number of areas including independence and objectivity, audit strategy, planning and effective execution.

The Chairman of the Committee also meets with the external lead audit partner outside the formal Committee process during the year to provide additional opportunity for open dialogue and feedback from the auditors without management being present. The Committee as a whole also meets with the external auditors without management being present at least once a year.

Matters typically discussed include the auditors' assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism.

Following this assessment, the Committee confirms that it continues to be satisfied with PwC's performance, independence and the effectiveness of their external audit.

External auditors' independence

A part of the Committee's responsibilities includes ensuring the external auditors' continued independence. The Committee therefore reviews this on an annual basis in respect of the annual audit and the relationship with the Group.

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

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

The Committee continues to be satisfied with the external auditors' independence and objectivity.

Non-audit fee policy

The Committee recognises the importance of auditor independence and in order to ensure situations do not arise that could interfere with that independence the Committee reviewed its policy on the provision of non-audit fee services by the external auditors during the year. As part of the review as well as recognising the requirement to preserve the independence of the external auditors, the Committee also recognised the need to obtain certain non-audit services efficiently and in a cost efficient manner and that in certain circumstances the external auditors may be well placed to provide non-audit services where the delivery of those services is made more efficient owing to the external auditors' knowledge of the Group acquired through their role as external auditors or where those services complement audit assurance work.

Notwithstanding the necessary flexibility given by the non-audit fee policy, the Committee has requested that where practicable, non-audit services should generally be contracted from firms other than PwC, including firms that are not members of the "Big Four".

The main provisions of the policy include the following:

- pre-approved audit and audit related services to a maximum of £100,000 without reference to the Audit Committee;
- permitted non-audit service fees in any one year in aggregate of up to £100,000 with, non-audit fees in aggregate of £400,000 to be approved by the Chief Financial Officer following consultation with the Chair of the Audit Committee;
- Non-audit service fees should not ordinarily exceed 70 per cent of the average of the Group statutory audit fees over the previous three years cumulatively. As this cap requires a three-year history of audit fees before it can be calculated, this cap will not apply until the fourth year after implementation and so this constraint will not fully apply until the audit for the year ending December 2020;
- certain non-audit services provided by the external auditors are permitted subject to pre-authorisation where those services are not inconsistent with auditor independence and objectivity. Permitted non-audit services requiring pre-authorisation include due diligence, tax planning, advice on IT projects and advice on corporate and reporting structures; and
- a schedule of prohibited work includes bookkeeping and accounting, internal audit services, design and implementation of financial information systems and payroll, actuarial and recruitment services.

The Audit Committee reviews any non-audit services provided by the external auditors and such fees and services are regularly reported to the Committee. During 2016 non-audit fees paid to PwC were 11.4 per cent (2015: 171 per cent) of the annual Group audit.

The Committee is satisfied that the provision of such services does not in any way prejudice the objectivity and independence of the external auditors.

Internal audit framework

In 2013 BDO LLP was appointed by Tyman plc to be its partner in a co-sourced internal audit function to provide independent assurance and a level of resource that was not available in house. A programme of work was produced covering all subsidiaries ensuring an evaluation of the overall control environment within these subsidiaries. Following this initial programme, the annual audit plan was created to provide a cyclical audit review for larger subsidiaries to be undertaken every two years and others scheduled to be reviewed every three years. With more recent acquisitions the programme has adopted a risk based approach to the internal audit programmes.

Audit Committee report continued

Internal audit framework continued

Internal audit summary reports are provided to the Committee at each meeting where the Committee reviews the work of the internal function and assesses the adequacy and effectiveness of the financial and compliance systems that have been tested as part of these audits. The Committee also reviews the progress made in the implementation of recommended improvements in internal control systems.

The Committee is responsible for monitoring and reviewing the effectiveness of the internal audit function and has done so during the year through the review of internal audit plans, audit reports, discussions with management and separate meetings with the internal and external auditors, without management being present, and confirms that the Committee continues to be satisfied with the overall effectiveness of the internal audit function.

As part of good governance and in order to formalise the position of the internal audit function within the Group, an Internal Audit Charter was reviewed and approved by the Committee. This Charter provides a point of reference for the internal audit function as it defines its purpose, authority, responsibility and position within the Group. It also defines the scope of internal audit activities and will be used to assess the ongoing effectiveness of the internal audit function.

The Committee is satisfied the internal audit programme compliments the work carried out by PwC and they work well together.

Internal audit activities

During 2016 BDO completed a total of six internal audits, visiting three sites in the AmesburyTruth Division, two sites in the ERA Division and one site in the Schlegel International Division. As part of the integration of recent acquisitions and the implementation of footprint restructuring projects, finance functions across the Group are becoming more centralised with a drive towards developing centres of financial excellence. As a result, the Audit Committee has approved the use of specialist internal audit programmes in addition to the standard internal controls programme. During 2016, two internal audits visits used a risk based programme concentrating on detailed inventory controls while another visit used a risk based programme concentrating on accounts payable controls. The Audit Committee intend to use this approach again in 2017 and will focus internal audit visits on some of our newly acquired operations, using the standard internal controls programme.

The internal audit plan for 2017 assumes nine internal audit visits, with two of these visits using a programme developed to focus on IT system controls and one visit using a programme to focus on payroll system controls. BDO will deploy specialist IT system resources to support the internal audit function. Four of the visits will be made to newly acquired sites in Bilco and Giesse.

At each meeting the Audit Committee reviews progress across the Group on the implementation of action plans to respond to internal audit recommendations. During 2016 the level of outstanding internal audit recommendations has been reduced by 42 per cent.

An overview of the work carried out by the Committee in respect of the financial year ended 31 December 2016.

Financial reporting

Review of the financial results for the half year ended 30 June 2016 and recommendation of results announcement and half-year dividend. Review of the 2016 Annual Report and Accounts and the Audit Committee report in the Annual Report.

The Chief Financial Officer reported to the Committee on the key judgement areas, which are detailed on page 53.

External audit

Review the effectiveness and independence of the Group's external auditors, audit fees, scope, terms of engagement and audit plan, including the auditors' audit risk assessment and the threshold levels of materiality for the Group financial statements. Approval of the external audit partner rotation and the Committee's Audit Tender policy.

Internal audit

Review of divisional internal control representations, internal controls and the effectiveness of the internal audit function. Approval of the internal audit plan for the year. Review of the internal audit reports, recommendations and mitigating plans.

Governance

Review of the Committee Terms of Reference, policy on non-audit fee work, Terms of Reference for the Risk Management Committee, the internal audit charter, the statement confirming the report to be fair, balanced and understandable and the statement of full compliance with the UK Corporate Governance Code.

Viability and Going Concern

Review and confirmation of the Going Concern statements at the half-year and full-year results and the Viability Statement at the year end.

Risk

Review of the risk management structure, risk appetite and principal risks and uncertainties facing the Group including how those risks evolved during the year.

Financial reporting and significant judgements
The Committee is responsible for monitoring the integrity of the financial statements including significant judgements. In undertaking this review, the following critical accounting policies and judgements were discussed with management and the external auditors:

Carrying value of goodwill and intangibles

As set out in note 10 to the Group financial statements, at 31 December 2016, the Group had goodwill of £349.5 million with intangible assets amounting to £130.5 million following the acquisition of Response Electronics, Giesse and Bilco. Progress made on the integration of each of the acquired entities into their respective Divisions was considered to be sufficiently advanced that the Group's CGU's as at 31 December 2016 should be defined as the three operating Divisions of the Group consistent with 2015. The Committee considered management's impairment review and assessed the appropriateness of the valuation methodology, key assumptions and sensitivity analysis applied to these key assumptions. Following discussions with PwC the Committee was satisfied that the assumptions used were appropriate and that there was sufficient impairment headroom on all CGUs thus obviating the need for any impairment.

Acquisition accounting

During the year the Group made two significant acquisitions, being Giesse and Bilco. IFRS 3 requires assets and liabilities acquired to be recorded at fair value and to identify intangible assets separately from goodwill, initially measuring each group of intangible assets at fair value. Intangible assets for both Giesse and Bilco consisted primarily of customer relationships and the respective brands acquired. 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. PwC provided the Committee with their review of the fair value exercises and following discussion the Committee was satisfied that the assumptions used were appropriate and that the resultant fair values were reasonable. Details of how these fair values have been accounted for are set out in note 21 to the Group financial statements.

Carrying value of provisions

The Group holds a number of provisions amounting to £13.2 million at 31 December 2016 as outlined in note 19 to the Group financial statements which related to restructuring, onerous properties, warranty claims and tax exposures. There is a high degree of judgement involved in assessing the level of provisions required. The Committee considered the nature of the provisions, the potential outcomes, any developments relating to specific claims, and the prior history of lease obligations, provisions and warranty claims in order to assess whether the provisions recorded are appropriate and suitably conservative. The Committee discussed with management and with PwC the key elements of judgement to assure themselves as to the adequacy and appropriateness of the provisions. The Committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the annual accounts.

Carrying value of accounts receivable

At 31 December 2016, the Group had gross trade receivables of £59.3 million and provisions for bad debts of £4.0 million (see note 13 to the Group financial statements). Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write downs required which is based on current assessments of the creditworthiness of current customers. PwC provided the Committee with their review of trade receivables and, following discussion, the Committee was satisfied that the book value of trade receivables was consistent with the Group's accounting policy and previous practice and that the resultant valuation was reasonable.

Carrying value of inventory

As set out in note 12 to the Group financial statements, as at 31 December 2016, the Group had gross inventories of £84.6 million and provisions for slow-moving and obsolete inventories of £13.9 million. Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives. The Committee considered the auditor's review of inventories and was satisfied that the inventory valuation was consistent with the Group's accounting policy and previous practice and that the resultant valuation was reasonable.

Exceptional items

During the year ended 31 December 2016, the Group incurred £10.9 million of non-recurring and exceptional items (see note 6 of the consolidated financial statements) which primarily relate to the North American footprint project, the acquisition and integration costs associated with the three acquisitions in the year, and the acquisition related write-off of inventory fair value adjustments. Exceptional items also include £0.8 million releases of surplus restructuring provisions relating to the closure of the Gistel and Taliana operations of Schlegel International. The Committee reviewed management's plans for the related programmes and following discussions with PwC concluded that the accounting treatment and disclosures in the financial statements were appropriate and consistent.

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

Audit Committee report continued

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

The internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to achieve business objectives. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Through the work of the internal and external auditors and the reports to the Committee, the Committee is satisfied that any audit issues raised by either the internal or external auditors are managed and resolved effectively by management.

Key elements of internal control and risk management	Management of control systems
There is a clearly defined management structure.	A framework of policies and procedures covering authority levels, responsibilities and accountabilities is in use throughout the Group.
A three-year strategic plan is prepared for the Board's consideration each year.	The Strategic plan is appraised in light of the strategic and other relevant risks and uncertainties faced by the Group, the resources available and its objectives.
Risk assessment and evaluation take place as an integral part of the Group's annual strategic planning cycle.	The Group has a detailed risk management process, which identifies the key risks faced by the individual reporting entities and the Group as a whole and the actions and controls required to manage these risks. The process is reviewed each year to ensure it remains relevant to the Group's objectives over time. The Board and Audit Committee review this information as part of the internal control review.
The Board is required to approve yearly financial budgets.	Performance against these targets is monitored monthly and reported on at Board meetings. Reasons for divergences are discussed at Board meetings.
There are established procedures for planning, approving and monitoring capital expenditure and major projects.	Board approval is required for all major investment, divestment and strategic plans and projects.
The Group operates an effective Group reporting and consolidation system.	Written monthly reports, management accounts and key performance indicators analysing performance by operating unit are reviewed every month by senior management. Significant risks and internal control issues are considered, actions agreed and progress monitored regularly with reporting entities and, where appropriate, at executive and Board meetings.
Managers are responsible for the identification and evaluation of significant risks in their area of business, together with the design and operation of suitable internal controls.	Divisional risk registers are reviewed by the Risk Management Committee and the Audit Committee to assess the risk identification, the analysis of these risks and management's mitigation, monitoring and control.
An annual review is performed on the effectiveness of the system of internal control, including a detailed risk assessment.	The internal audit function undertakes work to review the system of internal control at each operation visited and reports findings to the Audit Committee.
Operating units produce plans to improve controls relating to key risks and any significant weaknesses identified by internal and external audits.	The Audit Committee monitors the progress against these plans to ensure that any corrective actions to the internal control procedures are made in a timely manner.
The internal control regime is supported by the operation of independent whistleblower reporting functions.	A whistleblowing system is operated by specialist external third-party service providers and allows employees to report concerns anonymously and in confidence. The Audit Committee receives reports of every notification made through the system.

Throughout 2016 and up to the date of approval of this Annual Report and Accounts there has been in place an established, ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has been regularly reviewed by the Audit Committee and the Board, and is in accordance with Guidance on Risk Management, Internal control and Related Financial and Business Reporting.

The Group's assessment of its principal risks and uncertainties is set out on pages 31 and 32.

The Directors confirm that they have carried out their annual review of the effectiveness of the system of internal control as it has operated throughout the year ended 31 December 2016 and up to the date of approval of the Annual Report and Accounts. The Directors also confirm that no significant failings or weaknesses have been identified from that review.

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

Audit Committee priorities for 2017

The priorities for the Committee for 2017 are set out below:

- Review the potential impact on the Group of the new accounting standards IFRS 15 Revenue from contracts with customers and IFRS 16 Leases;
- Keep under review the risks associated with the footprint rationalisation as it expands across more locations;
- Keep under review the internal control function and subsidiary's actions; and
- Assess the effectiveness of the risk management and internal controls during 2017.

On behalf of the Audit Committee

Martin Towers
Chairman, Audit Committee
8 March 2017

Nominations Committee report

Jamie Pike
Chairman, Nominations Committee

Dear Shareholder

I am pleased to present to you the Nominations Committee's report for the financial year ended 31 December 2016 in what will be my last report to you as Committee Chairman, following my decision to step down from the Board in May 2017.

This has been a busy year for the Committee with two changes of Non-executive Director to be considered and recruitment processes to be managed. These changes have provided the Committee with an opportunity to review and refresh the size and composition of the Board and Committees to ensure the balance of skills, knowledge and experience are appropriate for the Company at this stage of its development and to be a part of its continued growth. The Committee paid particular attention to the cultural mix of the Board and Committees and this was an essential element of both recruitment processes.

During the year the effectiveness of the Committee was reviewed, using Independent Audit's Thinking Board questionnaire and the Committee was considered to continue to operate effectively. Following the review more meetings having been scheduled, with priorities set for the year ahead, details of which may be found on page 56 at the end of this report.

Committee membership

The members of the Nominations Committee during the year ended 31 December 2016 were as follows:

Nominations Committee members	Appointed
Jamie Pike (Chairman)	November 2009
Martin Towers	December 2009
Angelika Westerwelle	November 2012
Kirsten English (resigned 1 October 2016)	April 2015
Mark Rollins	April 2015

Helen Clatworthy joined the Committee on her appointment to the Board in January 2017. All members are independent Non-executive Directors.

Responsibilities

Role of the Nominations Committee

The key responsibilities of the Committee are as follows:

- to review and make recommendations to the Board on the structure, size and composition of the Board;
- to monitor succession planning for Directors, other senior managers and the Group as a whole;
- to evaluate the balance of skills, diversity, knowledge and experience of the Board;
- to prepare a description of the role and capabilities required for a particular appointment and lead the recruitment process;
- to identify and nominate, for the approval of the Board, candidates to fill Board and senior management vacancies as and when they arise;
- to review the time required from Non-executive Directors and evaluate the membership and performance of the Board and its Committees; and
- to recommend the reappointment of Non-executive Directors and the re-election of Directors.

Activities of the Committee during 2016

- The Committee reviewed its Terms of Reference and, taking into consideration the FRC's UK Board Succession Planning Discussion paper, this review resulted in a broadening of the Committee's scope to incorporate the wider responsibility of succession planning within the Group as a whole. This element will form part of the Committee's work in 2017. Full details of the Committee's Terms of Reference may be found on the Group's Website.
- The Committee participated in an evaluation of its effectiveness from which a number of recommendations were made. The Committee has made significant progress against these recommendations during the year and is well placed to continue this progress in the year ahead.
- A full review of the Board and Committee succession planning was carried out as part of the changes to the Board that have occurred during the year or are planned for 2017, which are described below.

Board succession planning

As announced in September 2016, Kirsten English resigned from the Board with effect from 1 October 2016 and it was agreed the Committee should commence an external search for her replacement.

At this time, the Chairman, Jamie Pike, also indicated to the Committee his plan to step down from the Board in 2017, and would confirm this intention at such time when a suitable candidate was identified.

Following a review by the Committee of the role specifications for both the Chairman and a Non-executive Director, it was concluded these searches should be separately managed. This was of particular note as Mr Towers had indicated his wish to be considered for the role of Chairman.

In order to keep the two searches separate it was decided that the search for the Chairman should be led by the Chairman of the Remuneration Committee, Mark Rollins, in conjunction with The Zygos Partnership, an external executive search firm with whom the Company had not worked previously and has no other connection.

Nominations Committee report continued

Board succession planning continued
A job description for the role of Chairman was prepared and Mr Towers was independently assessed against this by Zygos, following interviews with him. Zygos, in conjunction with Mr Rollins then prepared a longlist of other candidates, from which a shortlist was reviewed by the Committee and Executive Directors. Zygos benchmarked all shortlisted candidates against the job specification, which identified that Mr Towers was the strongest candidate for the position. Formal interviews were conducted by the Committee and the Executive Directors with Mr Towers. The Committee was mindful that Mr Towers' tenure on the Board exceeded six years but concluded that Mr Towers continued to be an effective member of the Board with a deep understanding of and engagement with the business gained over his time on the Board and the Committee concluded that Mr Towers was the right person to lead the Board going forward and therefore recommended that Mr Towers should be appointed to succeed Mr Pike as Chairman.

Following this decision the Committee recommended that, as Chairman Designate, Mr Towers should step down as Senior Independent Director and Mr Rollins was invited to succeed Mr Towers as Senior Independent Director.

As the then Senior Independent Director, Mr Towers took the lead in the search for the Non-executive Director using the services of Korn Ferry, an external search firm, which the Company had engaged on previous occasions but has no other connection to the Company. A longlist of candidates was prepared by Korn Ferry and reviewed. Following this review a shortlist was compiled and the Committee, together with the Executive Directors, met with the short listed candidates at the end of 2016 and early 2017. At the end of these meetings the Committee was able to formulate its recommendation to the Board in early 2017, confirming the appointment of Helen Clatworthy with effect from 9 January 2017.

Size and composition of the Board
Following the resignation of Kirsten English in October, the Committee reviewed the size and composition of the Board and Board Committees. This review concluded that it was appropriate to maintain a Board of a smaller size than had been the case in recent years, ensuring that the mix of skills and experience was both representative of the Group in terms of industry type, market understanding and international spread and fitted in with the Company's culture and growth aspirations. Given this reduced Board size it was decided the required membership of each of the Board Committees should be a minimum of two members, each member to be an independent Non-executive Director.

Diversity of the Board
The aim of the Committee is to ensure that the Board is well balanced and appropriate for the needs of the business and the achievement of its strategy, comprising Directors who are appropriately experienced and are independent in character and judgement. Before recommending new candidates to the Board, the Nominations Committee takes account of the balance of skills, knowledge, experience, diversity of background and cultural fit.

All Board appointments are made based on the above with role specifications being drafted as widely as possible to ensure the best candidate for the role is appointed whilst ensuring as diverse a Board as possible, including diversity of gender.

Committee effectiveness
The Committee's performance was reviewed during the year, using Independent Audit's Thinking Board questionnaire. A number of recommendations were discussed and agreed which have been incorporated into the Committee's work during the year. It was acknowledged that as the Group expanded the work of the Committee needed to become more formalised, with succession planning and talent management of the Group as a whole being reviewed; this will be a key priority for the Committee in 2017.

Committee priorities for 2017
The priorities for the Committee for 2017 are set out below:

- carry out a full review of the succession planning and talent management for senior management throughout the divisions;
- consider the overall diversity of the Board, Committees and senior management when reviewing succession planning within the business;
- facilitate a full induction programme for the newly appointed Non-executive Director, including a training update for all Directors; and
- participate in the full external review of the Committee's effectiveness.

On behalf of the Nominations Committee

Jamie Pike
Chairman, Nominations Committee
8 March 2017

Remuneration report
Annual statement

Mark Rollins
Chairman of the Remuneration Committee

Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to introduce the Remuneration Report for the year ended 31 December 2016.

The Remuneration Committee's main objective is to set and implement a simple transparent remuneration policy that drives the right behaviours in incentivising the Executive Directors and senior management team to deliver the Group's strategy and, with it, long term growth in shareholder value.

The Remuneration Report, which sets out details on how this objective is being delivered, is split into three parts:

- this Annual Statement, summarising the activities of, and decisions made by, the Remuneration Committee during the past 12 months;
- the Remuneration Policy (the "Policy"), which sets out the approved remuneration framework under which the Remuneration Committee operates. The Policy has recently been updated and will be put to shareholders for approval at the forthcoming AGM; and
- the Annual Report on Remuneration, which sets out the remuneration paid to Directors in 2016 and provides details on how the Committee intends to implement the Remuneration Policy in future years. This will be put to shareholders, for an advisory vote, at the AGM.

Activities of the Committee in 2016
The main activity of the Committee in 2016 was the review of the Group's Remuneration Policy. The key changes to the Policy are highlighted later in this Annual Statement, with full details of the revised Remuneration Policy set out in the pages immediately following. In addition to undertaking the policy review, the activities undertaken by the Remuneration Committee in the past 12 months included:

- setting the earnings per share thresholds for Tyman's Long Term Incentive Plan ("LTIP") share award made on 9 March 2016 along with the approval of the proposed participants and the number of shares awarded to them;
- undertaking a review of the Group's remuneration consultants, following which New Bridge Street ("NBS") were appointed as the Group's new remuneration advisers during May 2016;
- consideration of market trends and corporate governance developments in listed company remuneration. This exercise included presentations and input from NBS;
- approval of the terms of the UK and USA Employee Share Save Plans;
- evaluating the performance of the Remuneration Committee;
- reviewing and updating the terms of reference of the Remuneration Committee;
- determining the level of bonus payable for 2016 to the Executive Directors and senior managers;
- approving the level of base salaries to be paid to the Executive Directors and 31 other senior managers from 1 January 2017;
- establishing the 2017 bonus arrangements and bonus thresholds for the Executive Directors and senior managers;
- consideration and approval of the participants and approximate number of shares to be awarded under the LTIP in mid-March 2017, and setting the cumulative earnings per share target for this award;
- in conjunction with the full Board, consideration and approval of the 2017 fees to be paid to the Chairman and Non-executive Directors, with interested parties taking no part in the decisions taken;
- consideration and approval of the extent to which the 2014 share awards made under Tyman's LTIP, whose performance period was the three years ended 31 December 2016, would vest;
- monitoring the progress of the Committee in achieving its 2016 objectives and setting new objectives for 2017; and
- overseeing the preparation of this 2016 Remuneration Report.

Directors' remuneration for 2016
As highlighted earlier in these Annual Report and Accounts, Tyman reported an excellent performance for 2016 with underlying earnings per share increasing by 32 per cent, free cash flow increasing by over 92 per cent and return on capital employed ("ROCE") increasing from 12.5 to 13.8 per cent. The performance was mainly due to a combination of: self help, with the North American plant consolidation plan on track and margins improving steadily; strongly performing acquisitions; a modest improvement in some European markets; and beneficial currency movements. Alongside the strong financial performance, it was pleasing to see significant progress being made on delivering the Group's strategy, with the acquisitions of Giesse and Bilco particularly notable in enhancing the Group's under-representation in Europe and its previously sub-scale North American commercial offering.

Against this background, the principal elements of the Executive Directors remuneration in respect of 2016 were as follows:

Salary
As disclosed in the 2015 Annual Report and Accounts, the 2016 salaries of the Group Chief Executive and Chief Financial Officer were increased by 2.6 per cent and 3.4 per cent respectively.

Annual Bonus
As for the previous year, the annual bonus scheme for the Executive Directors was based 70 per cent on underlying profit targets and 30 per cent on free cash flow targets. The awards were weighted across four categories: profit growth over prior year; profit performance versus target; the ratio of operating cash generated to operating profit; and absolute cash generation versus target. The targets were increased for each acquisition made in the year, to ensure they were no less demanding than they had been when they were first set.

The Group's underlying profit before taxation and amortisation for 2016 of £62.1 million was 38 per cent above the prior year and 4 per cent ahead of the maximum adjusted bonus target of £59.6 million (itself a challenging 32 per cent above the prior year). This very strong performance, significantly assisted by favourable foreign exchange movements resulted in the full 70.0 per cent of the bonus relating to profit ordinarily becoming payable. Operational cash flow was £73.9 million for 2016, which was well above the increased "Stretch" bonus target of £64.6 million.

Remuneration report continued
Annual statement continued and Policy Report

Directors' remuneration for 2016 continued

Annual Bonus continued

(15.0 per cent of salary payable). The ratio of operating cash generated to operating profit being was 1.06x which was in excess of the maximum bonus target of 0.90x (15.0 per cent of salary payable). These two cash related outcomes resulted in the maximum 30.0 per cent bonus due to cash generation becoming payable. Combining the profit and cash related bonus elements resulted in the Executive Directors achieving a total bonus of 100.0 per cent of their 2016 salary (2015: 57.9 per cent) according to the rules of the bonus scheme. However, if the bonus scheme rules had been based on performance against target on a constant currency basis, as is the case for 2017, then the total bonus achieved would have been 82.5 per cent of salary. Accordingly, after consultation with the Executive Directors, the Remuneration Committee chose to exercise its discretion and to reduce the bonus payable to 91.25% of salary, being the average of that due under the prescribed 2016 bonus plan rules and that which would have been due on a constant currency basis. This compares to an average bonus in 2016, for the senior management team receiving 63.8% of the maximum potential (2015: 29.4%). This comparator is considered the most relevant comparator group for bonus purposes. Under the Rules of the Bonus Plan and Deferred Share Bonus Plan, and in line with the Remuneration Policy, 50 per cent of this award will be payable in cash and 50 per cent in Tyman shares, whose vesting will be deferred for three years until March 2020.

Long term Incentive Plan

In 2014 the Executive Directors were awarded LTIP shares with a performance condition of cumulative three-year underlying earnings per share targets of 61.00 pence ("Meets" performance – 25 per cent payout) and 68.00 pence ("Stretch" performance – 100 per cent payout). In addition, the award was made subject to a discretionary total shareholder return ("TSR") underpin. The actual cumulative underlying earnings per share outcome for the three years, 2014 to 2016, was 63.27 pence, which represents an average annual compound growth rate of 22.9 per cent over the performance period. The Remuneration Committee was satisfied that this underlying earnings per share performance was a fair reflection of the performance of the Group over the period, having regard to a number of factors, including the Group's TSR performance over the period relative to the FTSE All-Share Index and a comparator group of companies. Accordingly, with the level of award being calculated on a straight-line basis between the Meets and Stretch targets, 49.32 per cent of the 2014 awards will vest on their three-year anniversary date in March 2017.

Full details of the Directors' remuneration for 2016 are set out in the Annual Report on Remuneration.

Remuneration policy review and proposed key changes

The existing remuneration policy was submitted to the 2014 AGM, where it received 99.8 per cent shareholder support, and took effect from that time for a maximum of three years. All decisions made by the Committee during 2016 were in line with this policy. Details of the policy were set out in the 2015 Annual Report and Accounts.

Although the current policy has served the Group well over the three-year period, a new remuneration policy is required to be put to shareholders for their approval at the 2017 AGM. In formulating the new policy, the Committee took full account of the Group's strategy (as set out on pages 8 to 11 of these 2016 Annual Report and Accounts), the Group's historic performance and future prospects, the change in the size and complexity of the Group and market best practice, as well as taking advice from Tyman's remuneration consultants and consulting extensively with its shareholders.

Pleasingly, the shareholder consultation demonstrated general acceptance that the Company has an appropriate approach to pay. Therefore, the proposed changes to the remuneration policy are mainly evolutionary in nature and principally aimed at further aligning the executives with the long term creation of shareholder value. This includes increasing the portion of the remuneration package that is performance related. During consultation, shareholders were generally supportive of the proposed changes and were keen to ensure that performance targets were sufficiently challenging to justify any additional reward that might be earned.

The proposed key changes to the remuneration policy are: increasing the maximum potential reward under the annual bonus and LTIP from 100 to 125 per cent of salary, along with the introduction of additional and challenging performance criteria; increasing the shareholding requirements of executive directors from 100 to 200 per cent of salary; reducing the pension contributions for new executive director appointments from 20 to 15 per cent of salary; and ensuring the recovery and withholding provisions of both the annual bonus scheme and LTIP are in line with best practice. Full details of these changes, and further explanations for them, are set out in the Remuneration Policy immediately following this Annual Statement.

Directors' remuneration in future periods

Salary

The Remuneration Committee reviewed the Executive Directors' salaries, together with those of the Group's senior management team, in December 2016. The average increase awarded for the senior management group of 31 people, adjusted to exclude exceptional increases due to role promotions or benchmarking exercises, was 2.5 per cent, reflecting local market conditions in the various geographies in which Tyman operates. In line with the increases given to the wider group, the two Executive Directors were awarded increases of 2.5 per cent with the Group Chief Executive's salary increasing from £397,000 to £407,000 and that of the Chief Financial Officer from £245,000 to £251,200. All increases took effect from 1 January 2017. Despite these increases, the salaries of the two Executive Directors still remain below the Committee's assessment of the mid-market position for their roles.

The fees paid to the Chairman and Non-executive Directors were reviewed at the same time with all fees increasing by 2.0 per cent from 1 January 2017.

Annual Bonus

The structure of the annual bonus scheme for Executive Directors and other senior managers in 2017 remains unchanged from that operated in 2016, with the only exception being divisional managers having a portion of their bonus dependent upon the Group's financial performance, whereas in the past it was all dependent upon the performance of their respective Division. In line with the current policy, the maximum rewards available for the Executive Directors in 2017 will remain at 100 per cent of salary.

In line with the new Remuneration Policy, assuming approval by shareholders at the 2017 AGM, the current intention of the Remuneration Committee is to increase the maximum rewards payable under the Annual Bonus Scheme to 125 per cent of salary from 2018. As stated elsewhere in this Statement, the Committee fully recognises the desire of investors to ensure performance targets are sufficiently stretching, particularly where additional rewards are available. Accordingly, it is the Committee's intention to introduce at least one other performance measure, in addition to the challenging profit and cash flow measures currently in place, at the time the maximum award is increased.

Long term Incentive Plan

The maximum rewards available for Executive Directors under the LTIP will remain at 100 per cent of base salary for 2017, in line with current policy. As has been demonstrated, the Committee has a good record of ensuring challenging performance conditions are in place, with the Company required to increase earnings per share at compound annual rates of 27 per cent, 18 per cent and 16 per cent respectively, under the 2014, 2015 and 2016 LTIP schemes, for the maximum award to vest. The Committee has also made the performance conditions attaching to the 2017 LTIPs, which are due to be awarded in mid-March 2017 shortly after the 2016 results are announced, equally challenging, with the upper threshold again set an annual growth rate in adjusted earnings per share of 16 per cent.

As set out in the proposed new Remuneration Policy, the current intention is to increase the maximum awards available to Executive Directors under the LTIP to 125 per cent of salary from 2018. At that time, if not before, the Remuneration Committee will introduce a discretionary ROCE underpin as an additional performance measure to ensure the performance conditions remain suitably challenging and fully aligned with shareholder interests. The ROCE underpin will operate in addition to the existing TSR underpin, with the Committee having the discretion to reduce LTIP awards in the event that ROCE does not meet certain pre-determined targets over the performance period. In the first year of operation of the ROCE underpin, it is intended that the discretion to reduce the LTIP award would apply if ROCE had not increased by at least 100 bps over the three-year performance period.

Annual General Meeting

As set out above, the new Remuneration Policy will be put to shareholders for approval at the Annual General Meeting to be held on Friday 12 May 2017. The 2016 Annual Report on Remuneration will be subject to an advisory vote by shareholders at the same time.

I will be in attendance at the meeting, when I would be pleased to answer questions or receive feedback on any aspect of the Group's remuneration policy. In the meantime, the Annual Report on Remuneration and proposed new Remuneration Policy fully support the Committee's overall objectives on remuneration and its desire to ensure that the historic success of the Group, under the current successful leadership team, continues for the foreseeable future. Accordingly, it hopes to receive your full support for both resolutions at the forthcoming AGM.

Mark Rollins
Chairman of the Remuneration Committee
8 March 2017

Policy report

Overview

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

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

The Group's current policy statement, which was approved by shareholders at the 2014 Annual General Meeting, only remains in effect until the 2017 Annual General Meeting, due to be held on 12 May 2017. Accordingly, a new policy, prepared in accordance with Part 4 of Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), has been prepared and will be put to shareholders at the 2017 Annual General Meeting for approval. Full details of the new policy are set out below. If approved by shareholders, the new policy would supersede that approved by shareholders in 2014 and be effective from 12 May 2017 until the Group's 2020 Annual General Meeting.

Main changes to the remuneration policy

Over the three-year period of the existing policy, the Group has increased in size and complexity, through organic and acquisitive expansion, and has seen its underlying earnings per share increase by 85%, from 13.71 pence in 2013 to 25.41 pence in 2016. During this period of strong growth, the Group's Return on Capital Employed ("ROCE") also increased from 9.0% to 13.8%, demonstrating management's clear focus on the creation of real shareholder value.

Overall, the Committee believes the existing remuneration policy has served Tyman and its shareholders well over the past three years and consequently the proposed changes in policy are mainly evolutionary in nature and principally aimed at further aligning the current successful management team with the long term creation of shareholder value. The new policy reflects the views of shareholders, following a period of consultation with them towards the end of 2016, as well as seeking to take account of industry best practice and the employment market in which Tyman operates.

The main changes to the remuneration policy are as follows:

- Annual bonus – In order to increase the performance related element of the package, and ensure the potential reward is more appropriate given the increased size and complexity of the business, it is proposed that the maximum reward under the Executive Directors' annual bonus scheme be increased from 100 per cent to 125 per cent of base salary. At the time of such increase, it is the Committee's intention to introduce at least one other stretching performance measure, in addition to the challenging profit and cash flow measures currently in place. At the earliest this will be in respect of the 2018 year, with the measure selected at the end of 2017 as being one that is appropriate to the needs of the business at that time.
- Long Term Incentive Plan – This currently offers annual awards of up to 100 per cent of salary in normal circumstances and up to 150 per cent in exceptional circumstances. It is proposed that the maximum award in normal circumstances is increased to 125 per cent, to increase the variable element of the remuneration package that is delivered in shares and tied to longer term performance, so increasing the Executive Director's alignment with investors. The exceptional limit, for circumstances such as recruitment, is to be increased to 200 per cent of salary. In addition, a ROCE underpin will be introduced alongside the existing TSR underpin. The current mandatory two-year holding period after vesting continues to apply in the new policy.
- Shareholding requirements – The existing policy requires the executive directors to maintain a minimum shareholding of 100 per cent of basic salary. In line with best practice, to promote equity ownership and ensure long term alignment with the Group's shareholders, the shareholding requirement is being increased to 200 per cent in the new policy.
- Pension contributions – The maximum opportunity for Executive Directors under the existing policy is 20 per cent of salary. The new policy reduces this opportunity to 15 per cent of salary for new appointments.
- Recovery and withholding provisions – In line with best practice, the new policy includes appropriate recovery and withholding provisions which will now apply to both LTIP awards and annual bonuses.

Remuneration report continued

Policy report continued

Remuneration policy table for future remuneration arrangements

Link to strategy	Operation	Maximum opportunity	Metrics
Base salary			
To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved. The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and the management of its business in the international environment in which it operates.	Base salary is paid monthly in cash. The Executive Directors' salaries are set having regard to typical pay levels at companies of a similar size, internationality and complexity. Salaries are normally reviewed annually and are typically effective from 1 January each year. When reviewing salaries, the Committee considers all relevant factors including: • prevailing market and economic conditions; • scope and responsibilities of the role; • the level of increase for other roles within the business; and • Company and individual performance.	There is no prescribed maximum salary. Salary increases will normally be broadly in line with the general annual salary increase received by Group employees in the relevant Director's country of residence. The Committee retains the discretion to award larger increases, for example, to reflect a change in role, development and performance of a director or to reflect an increase in complexity of the Group.	While there are no performance targets attached to the payment of salary, Company and individual performance is a factor considered in the salary review process.
Benefits			
To provide a range of market-competitive benefits to facilitate the recruitment of high calibre individuals and encourage their retention.	Executive Directors are eligible for a range of benefits that may include: • life assurance cover; • critical illness cover; • private medical and dental cover; • car allowance; and • professional tax and financial advice. Additional benefits may also be provided in certain circumstances which may include relocation and associated expenses. Other benefits may be offered if considered appropriate, reasonable and necessary by the Committee and any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). Executive Directors are eligible for other benefits introduced for the wider workforce on broadly similar terms.	No overall maximum level has been set since some costs may change in accordance with market conditions. Benefits are reviewed by the Committee on an annual basis and set at an appropriate market rate.	No performance metrics apply.
Pension			
To provide a market-competitive benefit for retirement, to facilitate the recruitment of high calibre individuals and encourage their retention.	Executive Directors are eligible to participate in the relevant pension arrangements offered by the Group or to receive a cash salary supplement in lieu of pension entitlement. The Committee may amend the form of any Executive Director's pension arrangements in response to changes in legislation or similar developments, provided that the amendment does not materially increase the cost to the Company of the pension provision.	The maximum opportunity, either by way of a contribution to a Group pension arrangement or payment of a cash salary supplement, is 20 per cent of base salary. The maximum cash salary supplement for any new Executive Director would be limited to 15 per cent of base salary.	No performance metrics apply.

Link to strategy	Operation	Maximum opportunity	Metrics
Annual bonus			
To incentivise and reward achievement of annual goals consistent with the strategic direction of the business. To create further alignment with shareholders' interests via the delivery and retention of deferred equity.	Rewards annual performance against targets set and assessed by the Committee. Any bonus payable under the annual bonus scheme is paid 50 per cent in cash and 50 per cent in shares deferred for three years under the Deferred Share Bonus Plan ("DSBP") and is not pensionable. A dividend equivalent provision allows the payment of dividends, at the Committee's discretion on vested shares at the time of vesting. Three-year recovery and withholding provisions apply.	The normal maximum annual bonus opportunity for the Executive Directors is 125 per cent of salary.	Performance metrics are selected annually based on the objectives of the business at the time, with the majority of the bonus linked to financial metrics. Annual financial performance targets have historically been focused on profit and cash generation metrics. Performance below threshold results in zero payment. Payments normally rise from 0 per cent to 100 per cent of the maximum opportunity for performance between the threshold and maximum targets.
Long Term Incentive Plan ("LTIP")			
To align the interests of senior executives to those of shareholders in developing the long term growth of the business and execution and delivery of the Group's strategy. To facilitate share ownership.	Consists of awards of shares that vest subject to the achievement of performance conditions. Participation and individual award levels will be determined at the discretion of the Committee and within the approved limits of the policy. The Committee reviews the LTIP performance measures in advance of each grant to ensure their ongoing appropriateness and, where material changes to performance measures are proposed, it consults with shareholders. Awards made under the LTIP are non-pensionable and will normally require Executive Directors to retain any awards that vest, net of tax, (whether held as shares or options) for a minimum of two further years from the date of vesting. Three-year recovery and withholding provisions apply. Dividend equivalents may be paid.	125 per cent of salary or 200 per cent in exceptional circumstances, such as the recruitment or retention of critical talent on a targeted basis.	Awards are subject to the achievement of defined targets measured over three financial years, starting at the beginning of the financial year in which the award is made. In respect of each performance measure, performance below threshold results in zero vesting. The starting point for the vesting of each performance element will be no higher than 25 per cent of the maximum opportunity and will rise a straight-line basis to 100 per cent of maximum opportunity for attainment of levels of performance between threshold and maximum. Awards will be granted subject to performance conditions that measure the long term success of the Company. The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.
Shareholding requirement			
To motivate and reward the creation of long term shareholder value. To ensure alignment with shareholders' interests.	Executive Directors are expected to retain a minimum shareholding equivalent to 200 per cent of basic salary. Executive Directors are required to retain 50 per cent of shares vesting (after any disposals necessary to pay associated tax charges) under both the deferred share bonus plan and the LTIP until the minimum shareholding is reached.		

Remuneration report continued

Policy report continued

Remuneration policy table for future remuneration arrangements continued

Link to strategy	Operation	Maximum opportunity	Metrics
Chairman and Non-executive Director fees			
To attract and retain high calibre Non-executive Directors.	Non-executive Director fees are set by the Board. Fees are normally reviewed annually, but not necessarily increased. Reviews take into account the time commitment, responsibilities and fees paid by companies of a similar size and complexity. Fee increases, if applicable, for Non-executive Directors, take effect from 1 January. Additional fees may be paid to Chairmen of Board Committees and to the Senior Independent Director. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload. No eligibility to receive bonuses, retirement benefits or to participate in the Group's long term incentive plans or employee share plans. Any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit).	Aggregate annual fees to Directors are limited to £500,000 under Company's Articles of Association.	No performance metrics.

Notes to the policy table:

1) Recovery and withholding provisions may be applied to LTIP and DSBP awards in the exceptional circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.

2) For the avoidance of doubt, by approval of the policy, authority has been given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous Directors' Remuneration Reports. Details of any payments to former directors, where required by relevant regulations, will be set out in the Annual Report on Remuneration as they arise.

3) The Remuneration Committee retains discretion over the operation of certain elements of pay, particularly variable pay. This includes the discretion to adjust either the annual bonus or LTIP if the outcome is not considered to be reflective of Company performance. In addition, the Committee may adjust elements of the plan including, but not limited to:

- participation;
- the timing of the grant and/or payment;
- the size of an award (up to plan limits) and/or payment;
- discretion relating to the measurement of performance in the event of a change of control;
- determination of a good leaver for incentive plan purposes;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
- in certain circumstances to grant and/or settle bonus or LTIP awards in cash. In practice this will only be used in exceptional circumstances for Executive Directors;
- revise any formulaic bonus award downwards or upwards in the event that an exceptional negative or positive event occurs during the bonus year in question, however in practice it would not normally expect to revise any formulaic bonus upwards; and
- the ability to recognise exceptional events within the existing performance conditions.

4) Annual bonus performance metrics are determined at the start of each year based on the key business priorities for the year. The majority will be based on clear financial targets that include a significant weighting towards profit and cash generation as, when combined, these are often strong indicators of sustainable growth.

5) LTIP performance metrics are determined at the time of grant. Performance measures may include measures of profitability (such as EPS), measures of capital allocation discipline (such as ROCE) and other measures of long term success (such as relative TSR). These measures align with the Company's goal of value creation for shareholder through financial growth and above market returns. Performance against targets may also be subject to appropriate discretionary underpins.

Executive Directors' service agreements and exit payment policy

The service agreements of the Executive Directors provide for a notice period of 12 months from either party. On termination of their contract by Tyman, and during the period of notice, Executive Directors would be eligible to be paid their salary, pension contributions and other employment benefits (but not annual bonus or grants under long term incentive plans) until the earlier of 12 months from notice of termination or the Director obtaining full time employment, with an obligation on the part of the Director to mitigate.

Payments will normally be made monthly, although the Committee retains discretion to agree settlement terms. These may include a pro-rata bonus in respect of the period worked by the Executive Director up until the date of termination. Bonuses in the final year of employment may also be settled in cash. The Committee may pay reasonable outplacement and legal fees where considered appropriate. The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

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

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

Non-executive Directors' letters of appointment and shareholding guidelines

The Chairman and Non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment. Non-executive Directors are employed for terms of three years' duration, terminable on a month's notice by the Company or the Director. All Non-executive Directors are required to undertake that they will submit themselves for re-election at each Annual General Meeting occurring during their term of office and no Non-executive Director will serve more than three terms of three years without prior shareholder approval.

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

Other policies

Recruitment of Executive Directors

The Committee's general policy on recruitment remuneration is that new Executive Directors should be offered a contract on similar terms to the existing Executive Directors, except for pension contributions which would be capped at 15% of salary. The Committee may agree that the Company will meet certain relocation and associated expenses of a new Executive Director, subject to circumstances.

For a new Executive Director their annual bonus framework and LTIP awards will be in line with the limits set out in the policy table. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors for the first year of appointment. An LTIP award can be made shortly following an appointment (assuming the Company is not in a close period).

Where individuals are promoted to the Board from within the Group, their existing share grants or awards will be allowed to payout on their original terms.

In certain circumstances, and in order to secure the services of an outstanding candidate, it may be necessary to make an award to a new Executive Director to "buy out" unvested performance plan share or cash awards forfeited on leaving their previous employment. Any such reimbursement would be subject to independent confirmation of the existence, forfeiture on departure and probability of these historic awards vesting had the new Executive Director remained in post. In doing so, the Committee will seek to do no more than match the fair value of the awards forfeited, taking account of performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. Such awards may be made using existing arrangements or using the flexibility provided by the Listing Rules to make awards without prior shareholder approval.

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

Recruitment of Non-executive Directors

New Non-executive Directors recruited to the Board will be paid the same rates and be subject to the same provisions concerning annual re-election and shareholdings as the then current Non-executive Directors.

Policy on external appointments

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

Other share plans

The Executive Directors may participate in any all-employee share plans on the same basis as other employees in their country of residence. The maximum level of participation is subject to the limits imposed by HMRC (or a lower cap set by the Company.)

Employment conditions elsewhere in the Group

The Remuneration Policy for Executive Directors is consistent with that for other employees save lower levels of incentive opportunity based on seniority and market norms. All senior management employees of the Group participate in bonus arrangements with all permanent UK employees eligible to participate in one or more share schemes. Although the Committee does not consult directly with employees on the Directors' remuneration policy, the Committee does consider the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining remuneration policy for the Executive Directors.

Consultation with shareholders and shareholder bodies

The Committee is committed to regular engagement with shareholders and Governance bodies. During the year, the Committee engaged in a consultation exercise with its major shareholders and Governance bodies in order to take account of their views on the proposed changes to the policy on executive remuneration prior to its finalisation. In advance of implementing any material future changes to the Executive Directors' remuneration the Committee would normally engage in further consultation with shareholders.

Remuneration report continued

Policy report continued

Other policies continued

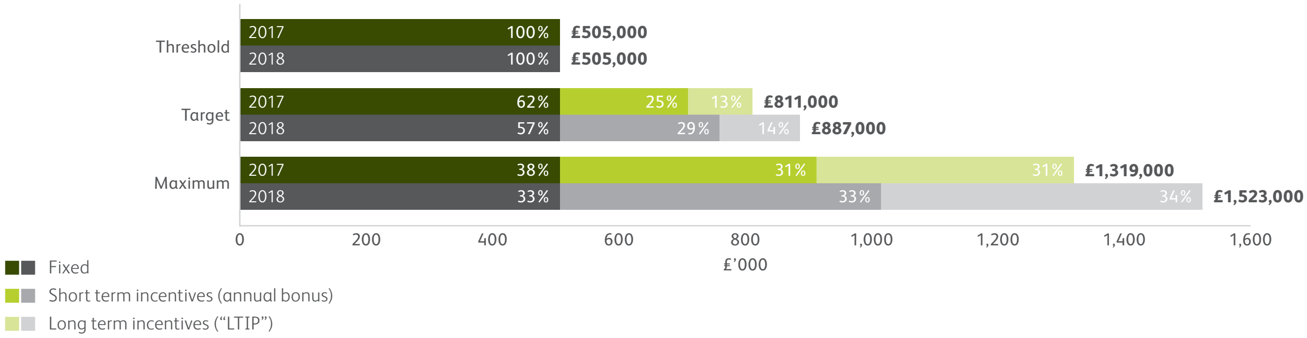
Consultation with shareholders and shareholder bodies continued

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

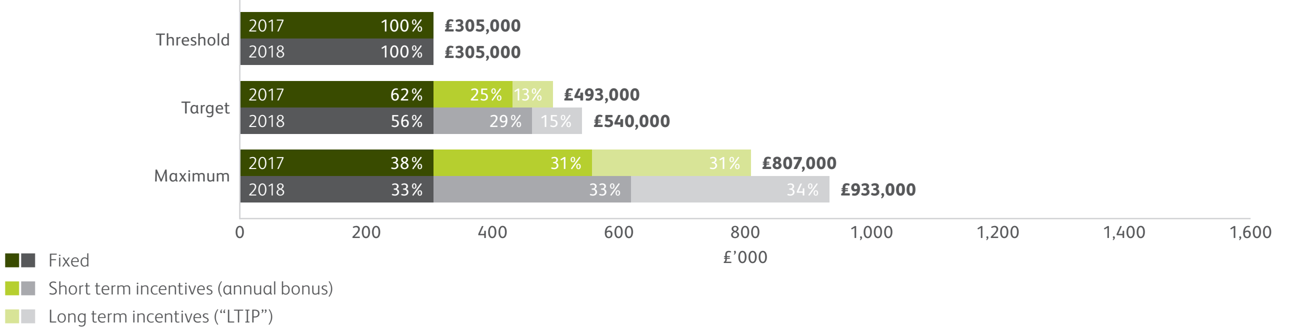
Illustrative performance scenarios

The table below sets out, performance scenarios for each Executive Director, for the years 2017 and 2018, showing an indication of the level of remuneration that would be received in 2017, prior to the implementation of the revised policy and in 2018, in accordance with the revised Remuneration Policy for the 2018 financial year, which is the first full year to which the new policy will apply. It should be noted that for 2017 the existing policy applies, with the maximum bonus potential for the Executive Directors remaining at 100% of salary and the LTIP awards made to them being 100% of salary.

CEO



CFO



The above charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component. The assumptions noted for on-target performance and maximum in the graph above are provided for illustration purposes only.

Three scenarios have been illustrated for each Executive Director:

	2017	2018
Threshold performance	• Fixed remuneration • No annual bonus • No vesting of LTIP awards	• Fixed remuneration • No annual bonus • No vesting of LTIP awards
On-target	• Fixed remuneration • 50 per cent annual bonus payout (50% of salary) • 25 per cent of LTIP awards vest (25% of salary)	• Fixed remuneration • 50 per cent annual bonus payout (62.50% of salary) • 25 per cent of LTIP awards vest (31.25% of salary)
Maximum	• Fixed remuneration • 100 per cent annual bonus payout (100% of salary) • 100 per cent of LTIP awards vest (100% of salary)	• Fixed remuneration • 100 per cent annual bonus payout (125% of salary) • 100 per cent of LTIP awards vest (125% of salary)

The fixed pay element is based on the following elements:

- Base salary is the base salary effective for the year ended 31 December 2017, as set out on page 71.
- Benefits are the value of benefits paid in the year ended 31 December 2016, as set out in the table of Directors' remuneration on page 65.
- Cash contribution in lieu of pension (20 per cent of base salary for the CEO and 15 per cent of base salary for the CFO) effective for the year ended 31 December 2017.

Remuneration report continued

Annual report on Directors' remuneration

Role of the Remuneration Committee

The Remuneration Committee is responsible for setting and implementing the remuneration policy for all Executive Directors, the Company's Chairman and other members of the senior management team.

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

Committee membership

The members of the Committee during the year ended 31 December 2016 were as follows:

Remuneration Committee member	Appointed
Mark Rollins (Chairman)	April 2015
Kirsten English (resigned 1 October 2016)	April 2015
Jamie Pike	November 2009
Martin Towers	December 2009
Angelika Westerwelle	November 2012

All members are independent Non-executive Directors. In keeping with the review of the Board and Committee size and structure by the Nominations Committee during the year, it was agreed that the membership of the Remuneration Committee should comprise a minimum of two members. The meetings are also attended by the Chief Executive, Chief Financial Officer and Company Secretary at the invitation of the Chairman. Other individuals such as the external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. None of these individuals were present or participated in any discussion in respect of their own remuneration.

The Committee held four scheduled meetings which were timed to coincide with the reporting cycle of the Company, including the approval of the Annual Report, and the management of the Executive Directors' remuneration and incentive plans. The Committee's terms of reference are available on the Group's website.

Remuneration Outcomes for 2016

Single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2015 and 2016:

	Salary/fees[1]		Annual bonus: cash		Annual bonus: deferred shares		Cash payments in lieu of pension[2]		Benefits[3]		Vested LTIP awards[4]		Total remuneration	
Directors' remuneration for the year ended 31 December 2016	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Executive Directors														
James Brotherton	**245**	237	**112**	69	**112**	69	**37**	36	**16**	1	**121**	255	**643**	667
Louis Eperjesi	**397**	387	**181**	112	**181**	112	**79**	77	**17**	2	**163**	336	**1,018**	1,026
Non-executive Directors														
Jamie Pike	**128**	125	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**128**	125
Martin Towers	**51**	50	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**51**	50
Angelika Westerwelle	**46**	45	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**46**	45
Kirsten English	**34**	34	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**34**	34
Mark Rollins	**51**	37	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**51**	37

1 Effective 1 January 2016, James Brotherton received an increase of 3.4 per cent and Louis Eperjesi 2.6 per cent; these increases were broadly in line with those received by the wider workforce.

2 Both Louis Eperjesi and James Brotherton received cash in lieu of pension amounting to 20 per cent and 15 per cent of base salary respectively. The Executive Directors are not members of any of the Group pension schemes.

3 The benefits provided to the Executive Directors included private medical insurance, permanent health insurance, life assurance and car allowance. There were no changes to the benefits policies. The car allowance for 2017 is £16,000 (2016: £15,000). There were no other changes during the year.

4 The estimated value of the LTIP awards for 2016 (granted in 2014), which vests on 9 March 2017, is based on the average share price over the three months ended 31 December 2016 of £2.58, including the dividend equivalent shares. The comparative value of LTIP awards for 2015 has been restated using the actual share price at vesting on 9 March 2016 and so it is different to the value shown in the 2015 Remuneration report.

Remuneration report continued

Annual report on Directors' remuneration continued

Determination of the 2016 Group Bonus Plan

The maximum opportunity for both Executive Directors for the 2016 financial year was 100 per cent of annual salary, of which 50 per cent is paid in cash and 50 per cent in shares deferred for three years.

The outcome of the 2016 bonus alongside the performance targets set, are shown below:

Measure	Threshold 0%	Target 50%	Exceeds 100%	Performance achieved	Bonus as % of salary
Profit growth over year (25% weighting)	£44.9m	£47.2m	£49.4m	£62.1m	25
Profit performance versus budget (45% weighting)	£48.7m	£54.1m	£59.6m	£62.1m	36.25
Cash conversion of operating profit (15% weighting)	70%	80%	90%	106%	15
Cash generation versus target (15% weighting)	£52.9m	£58.7m	£64.6m	£73.9m	15

Straight-line vesting occurs between target and stretch performance.

Relevant targets were increased to take account of the three acquisitions made during the year and to provide an equivalent level of difficulty. Whilst the actual performance compared to budget in 2016 was above the "Exceeds" target, and therefore 45 per cent would ordinarily be due, the Remuneration Committee chose to exercise its discretion and to reduce the award under this criteria to 36.25 per cent of salary, being the average of the amount due under the scheme rules and that which would have been due if measured on a constant currency basis. This decision has resulted in 91.25 per cent of the maximum bonus being paid out.

Director	Bonus maximum (% of base salary)	Achievement (% of award)	Bonus awarded £000	Cash bonus £000	Deferred bonus £000
James Brotherton	100	91.25	224	112	112
Louis Eperjesi	100	91.25	362	181	181

Deferred bonus awards in respect of 2016 performance will be subject to recovery and withholding provisions covering the exceptional circumstances of a material misstatement, gross misconduct, or a material miscalculation of the performance of the Company. The Executive Directors have voluntarily agreed to be bound by broader malus provisions covering the exceptional circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.

DSBP awards granted during the year

The table below details the deferred shares granted in 2016 in respect of the 2015 annual bonus award:

Director	Number of shares	Share price-5 day average	Estimated value	Vesting date
James Brotherton	24,557	£2.796	£68,649	March 2019
Louis Eperjesi	40,099	£2.796	£112,097	March 2019

Shares are deferred for three years.

The actual value will be the value at the vesting date and will include dividend equivalent award shares.

LTIP awards vesting in respect of 2016

LTIP awards were made to Executive Directors in June 2014, subject to performance measured over three years ending 31 December 2016. Awards were measured against targets outlined below dependent upon underlying EPS from continuing operations:

EPS targets (100% weighting)	Cumulative EPS target over the three years ending December 2016[1]
25%	61p
100%	68p

1 Straight-line vesting between these points.

Performance year	Earnings per share
2014	18.61p
2015[1]	19.25p
2016	25.41p
Underlying cumulative EPS	**63.27p**

1 The 2015 Underlying Earnings Per Share has been restated in the 2016 accounts to 19.33p. However, for the purposes of the performance measurement the Committee has elected to use the lower number of 19.25p reported in 2015.

LTIP awards vesting in respect of 2016 continued

In addition to the targets above, vesting is subject to a financial underpin which considers relative TSR, actual EPS achieved in 2016, risk-taking and whether the three-year cumulative EPS target has been achieved through increased and inappropriate gearing of the balance sheet. The Committee believes the outcome above to be a fair representation of Company performance and therefore the underpin was satisfied. Details of the Directors' awards which therefore vested are shown below:

Director	Date of grant	Earliest date for vesting	Number of shares under award	Number of[1] shares vesting	Average share price (1 October – 30 December 2016)	Estimated award value on vesting
James Brotherton	26 June 2014	March 2017	88,508	43,654	£2.58	£112,627
Louis Eperjesi	26 June 2014	March 2017	118,912	58,650	£2.58	£151,317

1 Calculated on a straight-line basis.

In accordance with the regulations, the estimated value of the award is based on the average share priced over the last quarter of the financial year. The actual value at the vesting date, 9 March 2017, will include the value of the dividends that have accrued on those shares over the vesting period.

LTIP awards granted during the financial year

LTIP awards were granted to both Executive Directors on 9 March 2016 with a face value of 100 per cent of salary. A summary of the details of the awards is provided below:

Director	Award scheme	Date of award	Normal[1] vesting date	Number of shares awarded	Face value of award	Share price at award date	Number of shares receivable for minimum performance
James Brotherton	LTIP	09/03/16	March 2019	93,459	£245,000	£2.76	23,364
Louis Eperjesi	LTIP	09/03/16	March 2019	151,442	£397,000	£2.76	37,860

1 Calculated in accordance with the Rules using the 30 day average of £2.62147.

Performance will be measured against EPS targets as set out below:

EPS targets (100% weighting)	Cumulative EPS[(1)] target over the three years ending December 2018
25%	67.0p
100%	78.5p

1 Straight-line vesting between these points.

These thresholds represent compound annual growth rates in adjusted earnings per share of 8 per cent (for 25% award) and 16 per cent (for 100% award).

Directors' and former Directors' interests in shares (audited)

The interests of each person who was a Director of the Company as at 31 December 2016 (together with interests held by his or her connected persons) were:

		Shareholding guidelines				
	Ordinary shares[1] at 31 Dec 2016	% of salary[2] required (2016)	% of salary required (2017)	% of salary[3] achieved	2016 and 2017 Guidelines met?	Ordinary shares at 31 Dec 2015
James Brotherton	**418,039**	100%	200%	470%	Yes	399,999
Louis Eperjesi	**574,340**	100%	200%	399%	Yes	511,031
Jamie Pike	**507,362**	—	—	—	—	507,362
Martin Towers	**62,984**	—	—	—	—	62,984
Angelika Westerwelle	**131,318**	—	—	—	—	131,318
Kirsten English	**—**	—	—	—	—	6,113
Mark Rollins	**15,000**	—	—	—	—	—

1 From 31 December 2016 to 8 March 2017 there were no changes to the above stated holdings.

2 Base salary as at 31 December 2016.

2 Based on the closing price of a Tyman plc ordinary share of £2.7550 on 30 December 2016.

Under the proposed Policy, as detailed on page 58 the minimum shareholding requirement for Executive Directors will be increased from 100 per cent to 200 per cent in with effect from the 2017 AGM.

Remuneration report continued

Annual report on Directors' remuneration continued

Directors' interests in shares under all-share plans (LTIP, DSBP and SAYE) (audited)

Award scheme	Award date	Reference Share price at award date	Shares over which awards: held at 1 Jan 2016	granted during the year	vested during the year	lapsed during the year	held at 31 Dec 2016	Exercise price	Market value at grant date	Market value at vesting date	Normal vesting date	Expiry date
James Brotherton												
LTIP	14/11/13	£2.2800	86,302	—	(86,302)	—	**—**	—	£196,769	£255,057	Mar 2016	14/11/23
DSBP	08/05/13	£2.0500	32,986	—	(32,986)	—	**—**	—	£67,621	£99,143	Mar 2016	08/05/23
DSBP	11/03/14	£2.6700	34,001	—	—	—	**34,001**	—	£90,783	—	Mar 2017	11/03/24
LTIP	26/06/14	£2.7000	88,508	—	—	—	**88,508**	—	£238,972	—	Mar 2017	26/06/24
DSBP	10/03/15	£3.2300	10,865	—	—	—	**10,865**	—	£35,094	—	Mar 2018	10/03/25
LTIP	22/06/15	£3.2400	74,181	—	—	—	**74,181**	—	£240,346	—	Mar 2018	22/06/25
UK ESSP	24/09/15	£2.9300	2,608	—	—	—	**2,608**	£2.7612	£7,641	—	Nov 2018	24/09/25
DSBP	08/03/16	£2.7955	—	24,557	—	—	**24,557**	—	£68,649	—	Mar 2019	08/03/26
LTIP	09/03/16	£2.7670	—	93,459	—	—	**93,459**	—	£258,601	—	Mar 2019	09/03/26
UK ESSP	22/09/16	£2.7555	—	2,750	—	—	**2,750**	£2.6177	£7,578	—	Nov 2019	22/09/26
Louis Eperjesi												
LTIP	14/11/13	£2.2800	113,555	—	(113,555)	—	**—**	—	£258,905	£335,600	Mar 2016	14/11/23
DSBP	08/05/13	£2.0500	43,402	—	(43,402)	—	**—**	—	£88,974	£130,450	Mar 2016	08/05/23
DSBP	11/03/14	£2.6700	44,736	—	—	—	**44,736**	—	£119,445	—	Mar 2017	11/03/24
LTIP	26/06/14	£2.7000	118,912	—	—	—	**118,912**	—	£321,062	—	Mar 2017	26/06/24
DSBP	10/03/15	£3.2300	16,057	—	—	—	**16,057**	—	£51,864	—	Mar 2018	10/03/25
LTIP	22/06/15	£3.2400	121,131	—	—	—	**121,131**	—	£392,464	—	Mar 2018	22/06/25
DSBP	08/03/16	£2.7955	—	40,099	—	—	**40,099**	—	£112,097	—	Mar 2019	08/03/26
LTIP	09/03/16	£2.7670	—	151,442	—	—	**151,442**	—	£419,040	—	Mar 2019	09/03/26

LTIPs awarded from 2014 are subject to a mandatory two-year holding upon vesting, after the sale of the necessary number of shares to cover tax and National Insurance payments.

There are no outstanding awards for past Directors.

Dilution

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

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

During the year awards were made under the following plans:

- Tyman Sharesave Plan and Tyman US Sharesave Plan in the form of options totalling 96,911 shares at a price of £2.6177 to £2.6415, vesting over a one or three-year period, depending on jurisdiction. The total number of awards outstanding is 225,265.
- Deferred Share Bonus Plan in the form of deferred share awards totalling 186,100 shares. Awarded as a nil cost option in respect of deferred bonus. Vesting over a three-year period. The total number of shares awards outstanding is 536,535.
- Tyman Long Term Incentive Plan totalling 744,901 shares. Awarded with performance conditions, vesting over a three-year period, with a further two year holding period. The total number of shares outstanding is 1,995,384 shares.

As at 31 December 2016, shares equivalent to 1.6 per cent of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Employee and Executive Share Plans, assuming maximum vesting.

Payments to past Directors

There were no payments to past Directors during the year.

Loss of office

No loss of office payments were made during the year.

Service contracts

Service contracts were entered into between the Company and the Executive Directors as follows:

	Commencement date	Notice period
James Brotherton	07/03/2014	12 months
Louis Eperjesi	07/03/2014	12 months

Details of the letters of appointment of the Non-Executives are shown below:

Non-executive Director	Date of appointment	Latest date of appointment/ reappointment	Expiry date	Notice period
Jamie Pike	23 November 2009	—	12 May 2017[1]	One month
Martin Towers[2]	17 December 2009	8 November 2016	—	One month
Angelika Westerwelle	30 November 2012	8 November 2016	30 November 2018	One month
Mark Rollins	1 April 2015	1 April 2015	1 April 2018	One month
Helen Clatworthy	9 January 2017	9 January 2017	9 January 2020	One month

1 Jamie Pike announced his intention to stand down as Non-executive Director and Chairman at the Company's forthcoming AGM.

2 As announced on 8 November 2016 Martin Towers will be standing for re-election, as Non-Executive Director and will succeed Jamie Pike as Chairman, following the AGM.

Copies of service contracts and letters of appointment are available to view at the Company's registered office.

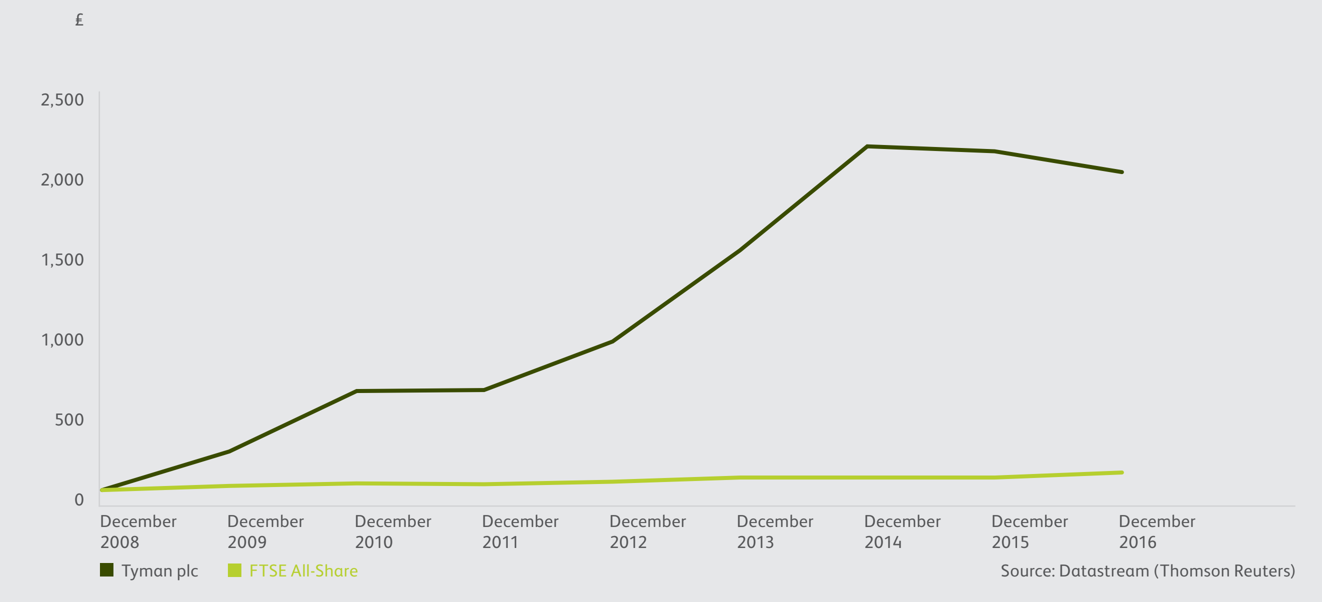
External appointments

James Brotherton became a non-executive director of the Quoted Companies Alliance on 17 January 2017, this is an unpaid position. Louis Eperjesi does not hold any external appointments.

Performance graph and table

The graph below shows the total shareholder return for Tyman plc and the FTSE All-Share Index over the past eight years. The Committee considers the FTSE All-Share Index relevant to the Company since it is a recognised benchmark for companies of Tyman's size.

The graph shows the value of £100 invested in Tyman plc on 31 December 2008, compared with the value of £100 invested in the FTSE All-Share Index at the same time. As at 31 December 2016, shares equivalent to 1.6 per cent of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Employee and Executive Share Plans, assuming maximum vesting.



Remuneration report continued

Annual report on Directors' remuneration continued

Historical Chief Executive remuneration outcomes

The table below sets out the single figure for the total remuneration paid to the Chief Executive Officer, together with the annual bonus payout (expressed as a percentage of the maximum opportunity), the value of LTIPs vesting (or equivalent for plans in place before the approval of the Group LTIP scheme by shareholders in December 2010) and the LTIP payout (expressed as a percentage of the maximum opportunity) for the current year and previous seven years.

Year	CEO	Single figure of total remuneration £'000	Annual bonus payout %	LTIP payout %
2016	Louis Eperjesi[2]	1,018	91%	49%
2015	Louis Eperjesi[2]	1,026[1]	58%	100%
2014	Louis Eperjesi[2]	1,137	31%	94%
2013	Louis Eperjesi[2]	1,821	90%	100%
2012	Louis Eperjesi[2]	493	68%	Nil
2011	Louis Eperjesi[2]	338	22%	Nil
2010	Louis Eperjesi[2]	394	100%	Nil
	Denis Mulhall[3]	438	—	Nil
	Keith Taylor[4]	73	n/e	n/e
2009	Keith Taylor[4]	572	100%	n/e
	Greg Hutchings[5]	713	—	Nil

1 The LTIP awards for 2015 have been recalculated using the actual exercise share price. Consequently, the single figure of remuneration for 2015 shows a different value to that shown in the 2015 Remuneration report.

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

3 Acting Chief Executive Officer for the Group for the period between Keith Taylor's resignation and Louis Eperjesi's appointment.

4 Interim Chief Executive Officer from 1 July 2009 until 22 January 2010.

5 Executive Chairman of the Group until 1 July 2009.

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

Relative spend on pay

The table below sets out, for the years ended 31 December 2016 and 31 December 2015, the total cost of employee remuneration for the Group together with the total distributions made to shareholders by way of dividends.

Relative spend on pay (£'000)	**2016**	2015	Year on year % change
Total employee remuneration for the Group (excluding share-based payments)	**127,655**	98,436	29.68%
Dividends paid in the financial year	**15,578**	14,565	6.95%

The increase in employee remuneration largely reflects an increase in the average number of employees of 21.3 per cent, principally as a consequence of acquisitions made over the period.

Statement of implementation of remuneration for the 2017 financial year

As set out fully within the Policy Report, a series of amendments to the Directors' remuneration policy are proposed for 2018 onwards. During 2017 the Directors remuneration will be set in line with the existing policy and its structure is therefore similar to that for 2016 as detailed in the table below:

Current salary	CEO – £407,000 CFO – £251,200
Pension allowance	CEO – 20% of base salary CFO – 15% of base salary
Benefits	Typically life assurance cover, critical illness cover, private medical and dental cover, car allowance and professional tax and financial advice.
Annual bonus	100% of base salary, with 50% in cash and 50% in shares deferred for three years. Targets for 2017 will be all based on financial objectives.
LTIP	Nil-cost options of 100% of base salary. Performance metrics based on cumulative underlying EPS measured over a three-year period, with a discretionary total shareholder return underpin. 25% vests for threshold performance (0% below threshold) increasing pro rata to 100% vesting for stretch performance. LTIP awards to be retained for two years after vesting.

Salary

The salaries of the two Executive Directors, were reviewed in December 2016, along with the Group's senior management team and general employee work force. The average increase awarded was 2.5 per cent excluding exceptional increases reflecting local market conditions in the various geographies where Tyman operates and a handful of market comparison-led increases. The Executive Directors were awarded a similar average increase as outlined below. All increases are effective from 1 January 2017.

	Salary 2017	**Salary 2016**	Percentage increase
Louis Eperjesi	£407,000	**£397,000**	2.5%
James Brotherton	£251,200	**£245,000**	2.5%

Cash allowance in lieu of pension

The cash allowances to be paid in lieu of pension remain unchanged for 2017, with the CEO receiving 20 per cent of base salary and the CFO 15 per cent of base salary.

Car allowance

The Directors receive a car allowance of £16,000 per annum (2015: £15,000) with effect from 1 January 2017.

Annual Bonus

The maximum opportunity for the two Executive Directors under 2017 annual bonus plan remains unchanged at 100 per cent of basic salary. The performance measures for 2017 also remain at 70 per cent linked to profitability (PBTA) and 30 per cent linked to cash flow measures.

LTIP awards

It is anticipated that an award of shares will be made under Tyman's Long Term Incentive Plan in mid-March 2017, shortly after the release of the Group's financial results for 2016 (the "2017 Awards"), with the two Executive Directors being awarded shares to the value of 100 per cent of their respective base salaries. The measurement period for the 2017 Awards will be from 1 January 2017 to 31 December 2019. These awards will be subject to revised recovery provisions, which have been increased to three years, post vesting.

The 2017 Awards are expected to vest (to the extent that the performance conditions have been satisfied) in March 2020; however, in line with the Group's policy on the vesting of LTIPs, Executive Directors will ordinarily be required to hold all vested awards under the 2017 Awards (other than any sales to settle tax and national insurance liabilities) for a further two years until March 2022. The performance targets will be based on cumulative EPS over the 2017 to 2019 financial years and subject to a minimum threshold of 89.10 pence (8.0% growth p.a.) to a maximum threshold of 103.30 pence (16.0% growth p.a.) and subject to a discretionary financial underpin based on, inter alia, relative TSR and reported ROCE performance.

The table below shows the performance period and corresponding targets of the outstanding LTIP awards.

LTIP awards granted in	Performance period	Vesting date	Cumulative EPS target range over the performance period	Number of shares
2014	2014 – 2016	March 2017	61.00 – 68.00p	587,921
2015	2015 – 2017	March 2018	69.60 – 78.45p	662,562
2016	2016 – 2018	March 2019	67.00 – 78.50p	744,901
2017[1]	2017 – 2019	March 2020	89.10 – 103.30p	800,073[2]

1 It is anticipated that awards under the LTIP will be awarded in mid-March 2017.

2 The estimated number of shares to be awarded using an average share price of £2.80.

Remuneration report continued

Annual report on Directors' remuneration continued

Statement of implementation of remuneration for the 2017 financial year continued

Non-executive Director fees

Position	Annual fee 2017 £	**Annual fee 2016 £**	Percentage change
Chairman	130,000	**127,500**	2%
Non-executive Director	46,800	**45,900**	2%
Annual fee for the Chair of the Audit Committee	5,200	**5,100**	2%
Annual fee for the Chair of the Remuneration Committee	5,200	**5,100**	2%
Annual fee for the Senior Independent Director	2,600	**—**	—

Non-executive director fees were reviewed in December 2016 and increased by 2.0 per cent from January 2017, in line with the general UK pay award for 2017.

Historically the Group has not paid an incremental fee to the Senior Independent Director, although payment of such a fee is permitted under the current Group remuneration policy approved by shareholders at our AGM in 2014. In light of the changes to the Board that took place in 2016 and the increasing size of the Group it was felt that it was appropriate for the Senior Independent Director role to receive an incremental fee. It was recommended that the gross fee be set at the same level as that of the Committee Chairmen but that the fee payable to the Senior Independent Director who is also Chairman of a Committee and in receipt of a Committee Chair fee should receive 50 per cent of the gross Senior Independent Director fee. Therefore, for the 2017 financial year, Mark Rollins, who is Chairman of the Remuneration Committee, will receive an additional fee of £2,600 as Senior Independent Director.

External advisers

During the year the Committee carried out a review of advisers through a comprehensive tender process, following which NBS, an Aon plc company, was appointed in May 2016. NBS is a signatory of the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code which sets out guidelines to ensure that its advice is independent and free of undue influence. Neither NBS or Aon plc with which the Company has not previously worked and with which it has no other connection. provided any other service to the Group during the year. Total fees for advice provided to the Committee during the year were £11,080 (2015: Kepler £10,820).

The Committee also took advice from the Group's legal advisers, Pinsent Masons LLP, as well as advice from a number of law firms around the world relating to local laws and regulations surrounding the granting, vesting and exercise of awards made to senior divisional management and to employees under the Company's Sharesave Plans. Total fees for legal advice provided to the Committee during the year were £5,500 (2015: £74,116).

Statement of voting at Annual General Meetings

The table below sets out the results of the 2014 and 2016 AGMs in respect of the remuneration policy and Directors' remuneration report respectively:

	Votes for number of shares	Votes at discretion	Votes against number of shares	Total number of votes cast	Total number of votes withheld
Directors' remuneration report (2016 AGM)	139,161,974	40,549	2,533,903	141,736,426	61,955
	(98.18%)	(0.03%)	(1.79%)	(100%)	
Remuneration policy (2014 AGM)	138,639,668	74,246	237,844	138,951,758	48,878
	(99.78%)	(0.05%)	(0.17%)	(100%)	

This Annual remuneration report has been approved by the Remuneration Committee and is signed on its behalf by:

Mark Rollins
Chairman of the Remuneration Committee
8 March 2017

Directors' report

Principal activities
The Group is a leading international supplier of engineered components to the door and window industry. These activities remain unchanged from the prior year. The Company is the ultimate holding company of the Tyman group of companies. A full list of subsidiaries may be found on pages 118 to 120.

Articles of Association
The Company's Articles of Association which may be found on the Company's website and may only be amended by a special resolution put to shareholders at general a meeting.

Directors' report
The Directors' report for Tyman plc for the year ended 31 December 2016 comprises the information in pages 3 to 74 inclusive. This covers the Strategic report; including the Operational review, Financial review and the Corporate social responsibility statement, the Corporate governance statement and the Remuneration report.

Corporate Governance Statement
The Company's Statement on corporate governance may be found in the Corporate Governance report on page 44 of these financial statements. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross reference.

Future Developments
Details of the future developments of the Group may be found in the Finance Review on pages 24 to 29.

Powers of Directors
The powers of the Directors are set out in the Company's Articles of Association.

At the Company's 2016 AGM the directors were authorised to allot shares equal to approximately one-third of the issued share capital of the Company as at 13 May 2016 or a further one-third of the issued share capital in connection with a pre-emptive offer by way of a rights issue.

The Directors were also given the authority to allot shares for cash representing up to 5 per cent of the Company's issued share capital as at 13 May 2016, without first offering these shares to existing shareholders in the proportion to their existing holding. The directors confirmed there was no intention to issue more than 7.5 per cent of the issued share capital of the Company on a non-pre-emptive basis in any rolling three-year period without prior consultation with the relevant investor groups.

At the 2016 AGM the Company was authorised to make market purchases of its own shares of up to approximately 14.99 per cent of the shares in issue as at 13 May 2016. The Board had no immediate intention of exercising this authority but wished to retain the flexibility to do so should it be needed in the future. This authority was not used during the year and therefore remained in full at the year end.

The Directors believe that it is in the best interests of the Company that these powers are renewed and, as in previous years, Resolutions to renew these authorities will be put to shareholders at the Company's AGM to be held on 12 May 2017.

Share transfer restrictions
There are no restrictions on the transfer of fully paid up shares in the Company.

Directors' insurance
Details of Directors' insurance may be found on page 47.

Share capital
The Company's shares are listed in the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Company's share capital consists of Ordinary Shares of 5p each, carrying the right to attend, vote and speak at general meetings of the Company. The Ordinary shares also have the right to profits of the Company which are available for distribution and the return of capital on winding up.

During the year the Company placed 8,478,128 Ordinary shares of the Company with institutional investors at a price of 225p per share, which raised approximately £18.6 million, before expenses. The net proceeds were used to reduce the Company's balance sheet gearing and to provide structural headroom on the Group's banking facilities following the acquisition of Bilco. Following this the Company had 178,582,513 Ordinary Shares of 5 pence each in issue at 31 December 2016.

Further information on the Company's share capital may be found in note 23 to the financial statements.

Waiver of dividends
As required under Listing Rule 9.8.4 12-13, reporting of waiver of dividends. Dividend waivers are in place from Tyman plc, in respect of the shares held in Treasury 541,814 and all but £0.01 of the total dividend to the Tyman Employee Benefit Trust which holds 989,780 Ordinary shares in Tyman plc. Further information on the Employee Benefit Trust may be found on page 28.

Substantial shareholders
The Company has been notified of, or has identified, the following direct or indirect interests comprising 3 per cent or more of its voting share capital (the issued share capital less shares held by the Company in Treasury) in accordance with DTR5:

	Ordinary shares held As at 31 December 2016	**%**	Ordinary shares held As at 8 March 2017	%
Wellington Management Co	**20,012,981**	**11.24**	17,815,666	10.01
Standard Life Investments	**19,223,676**	**10.80**	19,223,676	10.80
Columbia Threadneedle Investments	**12,457,853**	**7.00**	12,457,853	7.00
Aviva Investors	**12,308,096**	**6.91**	6,966,600	3.91
GVQ Investment Management	**10,201,467**	**5.73**	10,201,467	5.73
BMO Global Asset Management	**6,974,540**	**3.92**	6,974,540	3.92
Schroder Investment Management	**6,892,483**	**3.87**	6,892,483	3.87
Hargreave Hale	**6,249,318**	**3.51**	6,249,318	3.51
GMO	**5,425,231**	**3.05**	4,996,099	2.81

Directors' report continued

Financing
The Group finances its operations through a mixture of retained profits, equity and borrowings. The Group does not trade in financial instruments. Full details of the Group's borrowing facilities are set out in note 16 to the financial statements.

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

Financial Risk management
A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out in note 18 to the Group financial statements.

Financial reporting
The Annual Report and Accounts and the Interim Report are intended to provide a balanced and clear assessment of the Group's past performance, present position and future prospects. A statement by the Directors on their responsibility for preparing the financial statements is given on page 48 and a statement by the auditors on their responsibilities is given on page 79.

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

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

Going concern
Full details of the Directors' consideration and assessment of the Group's going concern may be found in the Statement of Governance on page 47.

Political donations
The Company did not make any political donations during the year (2015: £nil).

Greenhouse gas emissions
Information relating to greenhouse gas emissions are detailed in the Corporate social responsibility report on page 36.

Disclosure of information under Listing Rules 9.8.4
Reporting requirements under LR 9.8.4R (4), (5) and (6) and LR 9.8.6 (1), if applicable, have been included in the Remuneration report on pages 57 to 72. All other information required to be disclosed, under LR 9.8.4R (1), (2) and (7) to (14), if applicable, is covered in this report. There is no further information to disclose.

Employees
A full description of the Group's activities relating to our employees, their involvement with the Company, our employment and health and safety practices and policies may be found in the Corporate Social Responsibilities report on page 34.

Directors
The names and biographical details of all the current Directors are set out on pages 40 and 41. Kirsten English resigned from the Board on 1 October 2016 and Helen Clatworthy joined the Board on 9 January 2017, there were no other changes to the Board up to the date of this report.

As detailed on page 45 Jamie Pike will be resigning as Chairman and will be stepping down from the Board as a Director following the conclusion of the Company's AGM. With the exception of Kirsten English and Helen Clatworthy, all Directors served throughout the financial year.

Except for their shareholdings, which are detailed on page 68 of the Remuneration Report, the Non-executive Directors are entirely independent. There were no contracts subsisting during or at the end of the year in which a Director was or is materially interested. The Company maintains a policy of insurance against Directors' and officers' liabilities.

A description of the Board's work during the year and the way in which it operates is provided in the Corporate Governance report on pages 43 to 48. Details of the Directors' remuneration, notice periods under their service contracts or terms of appointment and their interests in the share capital of the Company are shown in the Remuneration report on pages 65 to 69. The service contracts for Executive Directors and terms of appointment for Non-executive Directors are available for inspection at the Company's registered office and will be available at the AGM.

Re-election of Directors
With the exception of Mr Pike who will be stepping down from the Board, each Director will stand for election or re-election at the AGM. Accordingly, Mr Towers, Mr Eperjesi, Mr Brotherton, Dr Westerwelle and Mr Rollins will offer themselves for re-election at the 2017 AGM. As this is Mrs Clatworthy's first year of appointment, she will offer herself for election to the Board.

Results and dividends
The total Group profit for the year after taxation amounted to £20,735,000 (2015: £7,691,000).

The Board is recommending a final dividend of 7.50 pence per ordinary share (2015: 6.09 pence) to be paid on 19 May 2017, subject to approval at the forthcoming AGM of the Company on 12 May 2017, to shareholders on the register on 21 April 2017. The ex-dividend date will be 20 April 2017. This, together with the interim dividend of 3.00 pence per share paid in September 2016, brings the total dividends for 2016 to 10.50 pence per ordinary share (2015: 8.75 pence).

Annual General Meeting
The Notice of the Company's AGM and related explanatory notes accompany this Annual Report and Accounts. Other than elections to the Board, the principal business to be considered at the AGM is to renew the Directors' authority to allot shares, to disapply pre-emption rights in certain limited circumstances, the Directors' Remuneration Policy, to purchase its own shares and other routine matters.

Further information on these resolutions is given in the explanatory notes to the Notice of AGM, which may also be found on the Group Website.

By order of the Board

Carolyn Gibson
Group Company Secretary
8 March 2017

Company registration number: 02806007

Independent auditors' report

To the members of Tyman plc

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

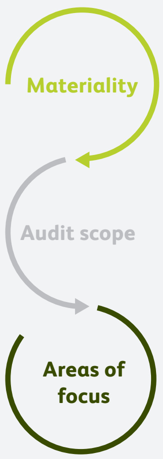
- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Overview



- Overall group materiality: £3.3 million which represents 5% of underlying operating profit before tax.

- 13 operating units subject to full scope audits on the basis of financial significance.
- Specific procedures over certain classes of transactions and balances at 3 further operating units where the particular balances were financially significant.
- Rotational procedures performed at 3 further operating units which were new to the Group or in remote locations.
- 68% of Group revenue accounted for by reporting units where full scope audit work or specific audit procedures performed over revenue. 62% of Group underlying operating profit before taxation accounted for by the reporting units where full scope audit work performed. Specific audit procedures on certain balances and classes of transactions provided additional coverage.

- Accounting for acquisitions, particularly the acquisitions of Giesse and Bilco.
- Goodwill and intangible assets impairment assessment.
- Carrying value of provisions, particularly property related provisions and warranty provisions.

The scope of our audit and our areas of focus

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

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

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

Independent auditors' report continued

To the members of Tyman plc

Report on the Group financial statements continued

Area of focus	How our audit addressed the area of focus
Accounting for acquisitions	
Refer to page 53 (Audit Committee Report), page 113 (notes). The Group acquired Giesse Group ("Giesse"), The Bilco Company ("Bilco"), and Response Electronics Limited during the year. The Giesse and Bilco acquisitions were significant to the financial statements of the Group and therefore we focused on these. Accounting standards require that all assets and liabilities are recorded at their fair value on acquisition. The determination of fair value inherently requires judgement. In particular, the identification and valuation of intangible assets, valuation of inventory, land and buildings, and provisions required significant judgement.	We evaluated the nature of intangible assets identified, considering the rationale for the acquisition and the methodology and assumptions used by the directors in valuing these assets. In respect of the customer relationship and brand intangible assets, we evaluated the cash flow forecasts used and challenged the appropriateness of key assumptions which included customer attrition rates, sales growth, and implied royalty rates. We were satisfied that the assumptions used were reasonable. In respect of inventory valuation, we assessed the margin uplift applied against historic actual margins earned and tested the calculation of the obsolescence provisions made based on inventory ageing. We were satisfied that the fair value adjustments were calculated on a reasonable basis. In respect of the valuation of land and buildings, management obtained an independent third-party valuation and we evaluated the work performed by the valuers. We were satisfied that the valuation was reasonable. In respect of provisions we evaluated the judgements made around potential future liabilities and challenged the reasonableness of assumptions made by management in calculating the provisions. We were satisfied that whilst these are judgemental, they had been made on a reasonable basis.
Goodwill and intangible assets impairment assessment	
Refer to page 53 (Audit Committee Report), page 94 (notes). There is £346 million of goodwill and £131 million of intangible assets on the balance sheet, predominantly arising from past acquisitions. The Group operates in the building products market and therefore future results are impacted by fluctuations in the housing market and wider economy. We focused on these balances because the determination of whether or not an impairment charge was necessary involved significant judgements about the future results of the business and the allocation of assets to cash generating units (CGUs). In particular, we focused on the assessment of cash generating units in light of the acquisitions made in the year as the acquisitions have been allocated to existing cash generating units. We also focused on the estimated value in use calculations of the Schlegel International and AmesburyTruth CGUs as these units have the most significant carrying values. The value in use calculation to support the carrying value of goodwill and intangibles includes the impact of some anticipated improvement in housing markets and realisation of the benefits of synergies arising from acquisitions, the footprint rationalisation project, investment made by the Group, and closure of loss-making business units. The Group's other CGU ERA operates in the United Kingdom and has significant headroom relative to the CGU carrying value.	We evaluated the appropriateness of the allocation of acquired assets to CGUs. We considered the level of integration of acquisitions made during the year to assess the level at which cash flows were independently generated. We were satisfied that the level of integration was such that the cash flows of acquired entities were no longer independently generated and therefore the allocation to CGUs was appropriate. For all CGUs, including AmesburyTruth and Schlegel International, we evaluated the reasonableness of management's future cash flow forecasts and tested the underlying value in use calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management's forecasting. Where performance was below budget, we assessed why this was the case. Based on this evaluation, we considered management's ability to forecast was fair. The key assumptions in the calculations were growth in revenue and EBITDA margins. In assessing these assumptions we considered external construction industry outlook reports and economic growth forecasts from a variety of sources, as these were good indicators of building product sales. Where management's growth assumptions were in excess of these external forecasts, we evaluated management's rationale, being the benefit of acquisition synergies and restructuring activities undertaken and as a result, we considered the forecasts to have been prepared on a supportable basis. We also tested: • management's assumption in respect of the long term growth rates in the forecasts by comparing them to long term average growth rates of the economies in the relevant territories; and • the discount rate by assessing the cost of capital for the company and comparable organisations. We were satisfied these assumptions were appropriate. Management also performed sensitivity analysis in respect of the key assumptions, which were flexed within a reasonable range, and determined at what level this would eliminate the headroom in the model. There were no changes in the key assumptions that were considered reasonably possible which would eliminate headroom, as outlined in the disclosure in note 10.

Report on the Group financial statements continued

Area of focus	How our audit addressed the area of focus
Carrying value of provisions Refer to page 53 (Audit Committee Report), page 107 (notes). The Group holds a number of provisions which are inherently judgemental, including: Property related provisions (£3.8 million) The Group has been built up through acquisition and is in the process of going through a footprint rationalisation programme which has resulted in the exit and consolidation of manufacturing and warehouse facilities. Consequently there are a number of manufacturing and warehouse sites which are no longer used. Provisions have therefore been made in relation to onerous leases. In addition, a number of leasehold properties require the Group to reinstate them to their original state of repair, for which dilapidation provisions have been made. We focused on these because there is inherent judgement in assessing the minimum expected costs of onerous leases as well as the cost of repairs at the end of a lease term. Warranty provisions (£1.9 million) The provision is based on the estimated costs of warranty claims on products sold. We focused on this provision as the estimation and timing of costs in respect of future warranty claims requires judgement, and, as such, there is a risk that the provision may be understated. Other provisions (£6.5 million) Other provisions are comprised mainly of provisions for potential tax exposures and onerous contracts. We focused on these provisions as there is inherent judgement in assessing the amount and timing of settlement of these liabilities.	Property related provisions Onerous lease provisions are based on the residual lease period and contractual lease payments, discounted for the time value of money. Our approach included agreeing remaining rental costs to lease agreements and assessing the reasonableness of discount rates applied against the risk free interest rate in each applicable country. We were satisfied the onerous lease provisions were made on a reasonable basis. The Group has implemented a rolling programme of obtaining updated external valuations for costs of reinstating leasehold properties to their original state of repair. We read available external valuation reports, assessed the competence and objectivity of the valuer by reviewing qualifications, and agreed their estimate to management's calculation. Where no external valuations were available, we considered the reasonableness of the items included in the calculation, being the estimated removal costs of equipment, and repair costs considering the relative size and complexity of work across sites. We also compared the provisions made by management in prior years to the external valuations to assess the accuracy of management's estimations, noting that there was no significant difference between management's previous estimate and the external valuation. Warranty provisions We tested the accuracy of management's calculation of forecast claims, which contain a general element based on historic claims experience, and specific elements for known warranty issues, and compared the level of historic warranty claims to that forecast. Based on the work performed, we were satisfied that the provision was made on a reasonable basis. Other provisions The provisions for potential tax exposures identified are based on either calculations performed by management considering the potential risks identified and historic settlement values, or specific advice received from external tax advisers. We assessed the reasonableness of the estimates made and were satisfied that whilst judgemental, the provisions have been made on a reasonable basis. Provisions for onerous contracts are based on the minimum contractual cost of terminating loss-making contracts. We examined the terms of the contract and considered the appropriateness of treating it as onerous. We verified that the cost of termination is calculated in line with the terms of the contract and were therefore satisfied that the provision was made on a reasonable basis.

How we tailored the audit scope

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

The Group is structured along three business lines being AmesburyTruth, ERA, and Schlegel International along with centralised functions covering Group treasury and central costs. The Group financial statements are a consolidation of 64 reporting units for the Group's operating businesses, which map into the three business lines and centralised functions.

Of the Group's 64 reporting units, we identified 13 which, in our view, required an audit of their complete financial information, due to their size. The units were based in the United Kingdom (UK), the United States (US), and Italy.

Specific audit procedures on certain balances and classes of transactions were performed at a further 3 reporting units, as while overall the units were not financially significant, certain classes of transactions and balances were material or considered to be higher risk, including revenue, provisions, borrowings, trade and other payables, trade and other receivables, operating expenses, and interest expense. Component auditors in China and Brazil also undertook specific procedures on 3 small reporting units, in line with our plan of rotating visits to different financially insignificant units to incorporate unpredictability and provide evidence over the units not subject to audit of their complete financial information. These were selected on the basis that they were new to the Group and in remote locations.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each of the reporting units either by us, as the Group engagement team, or the component auditors in the US, Italy, China, or Brazil operating under our instruction. Where work was performed by the US and Italian component

Independent auditors' report continued

To the members of Tyman plc

Report on the Group financial statements continued

How we tailored the audit scope continued

auditors, the UK engagement leader and senior manager visited the US and Italian component teams, reviewed audit work papers related to areas of focus, and participated in the US and Italian component clearance meetings. In addition to the site visits we held regular phone calls with the US and Italian teams and obtained formal reporting. The US engagement leader also attended the Group Audit Committee meeting in the UK. Where work was performed by the Chinese and Brazilian component auditors, we held regular calls and obtained formal reporting.

68% of the Group's revenue is accounted for by reporting units where we performed full scope audit work or performed specific audit procedures over revenue. 62% of the Group's underlying operating profit before taxation is accounted for by the 13 reporting units where we performed full scope audit work on the complete financial information. Audit procedures were performed at a further 6 reporting units as explained above. We considered the quantitative and qualitative characteristics of the remaining reporting units which comprise a large number of small units in which we considered the risk of material misstatement to the Group to be low. The Group team performed appropriate analytical procedures over these remaining units. Together with additional procedures performed at the Group level on balances such as goodwill, intangible assets, and taxation, this gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

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

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

Overall Group materiality	£3.3 million (2015: £2.5 million).
How we determined it	Approximately 5% of Underlying operating profit before tax.
Rationale for benchmark applied	Underlying operating profit before tax is the key measure used internally by management in assessing the performance of the Group, externally by analysts, and is the measure disclosed as a key performance indicator in the annual report. This measure provides us with a consistent year on year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items. Underlying operating profit excludes net finance costs, exceptional items, amortisation of acquired intangible assets, and impairment of acquired intangible assets and goodwill.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £165,000 (2015: £125,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 47, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

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

• information in the Annual Report is: ◦ materially inconsistent with the information in the audited financial statements; or ◦ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ◦ otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 48, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 49, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

Other required reporting continued

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 30 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 33 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the company financial statements of Tyman plc for the year ended 31 December 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2017

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	6	**(10,900)**	(7,563)
Amortisation of acquired intangible assets	10.3	**(21,713)**	(19,567)
Impairment of acquired goodwill	10.2	**—**	(1,796)
Operating profit		**37,190**	22,499
Finance income	7	**853**	154
Finance costs	7	**(8,667)**	(7,077)
Net finance costs	7	**(7,814)**	(6,923)
Profit before taxation		**29,376**	15,576
Income tax charge	8.2	**(8,641)**	(7,885)
Profit for the year		**20,735**	7,691
Basic earnings per share	9	**11.98p**	4.57p
Diluted earnings per share	9	**11.93p**	4.55p
Non-GAAP alternative performance measures[1]			
Underlying operating profit	3	**69,803**	51,425
Underlying profit before taxation	9	**62,079**	45,106
Basic underlying earnings per share	9	**25.41p**	19.33p
Diluted underlying earnings per share	9	**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. Non-GAAP alternative performance measures for 2015 have been restated to adjust for gains and losses on the fair value of derivative financial instruments. See definition on page 128.

The notes on pages 84 to 120 are an integral part of these consolidated financial statements.

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	20	**(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	17	**(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. The income tax relating to each component of other comprehensive income is disclosed in note 8.

The notes on pages 84 to 120 are an integral part of these consolidated financial statements.

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).

The notes on pages 84 to 120 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Goodwill	10.2	**349,503**	253,718
Intangible assets	10.3	**130,514**	86,772
Property, plant and equipment	11	**71,742**	42,845
Deferred tax assets	8.3	**15,933**	12,944
		567,692	396,279
Current assets			
Inventories	12	**70,733**	45,990
Trade and other receivables	13	**68,446**	34,836
Cash and cash equivalents	14	**40,917**	29,975
Derivative financial instruments	17	**506**	178
		180,602	110,979
TOTAL ASSETS		**748,294**	507,258
LIABILITIES			
Current liabilities			
Trade and other payables	15	**(76,694)**	(37,488)
Derivative financial instruments	17	**(291)**	(17)
Current tax liabilities		**(4,337)**	(1,475)
Provisions	19	**(5,085)**	(5,395)
		(86,407)	(44,375)
Non-current liabilities			
Borrowings	16	**(216,470)**	(111,558)
Derivative financial instruments	17	**—**	(68)
Deferred tax liabilities	8.3	**(42,658)**	(27,395)
Retirement benefit obligations	20	**(17,108)**	(9,927)
Provisions	19	**(8,124)**	(6,060)
Other payables	15	**(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	23	**8,929**	8,505
Share premium	23	**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

The notes on pages 84 to 120 are an integral part of these consolidated financial statements.

The financial statements on pages 80 to 83 were approved by the Board on 8 March 2017 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Tyman plc
Company registration number: 02806007

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	26	**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	19	**(2,543)**	(2,397)
Pension contributions	20	**(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	11	**(12,615)**	(8,872)
Purchases of intangible assets	10.3	**(2,818)**	(2,918)
Proceeds on disposal of property, plant and equipment		**172**	936
Acquisition of subsidiary undertakings, net of cash acquired	21	**(96,383)**	—
Proceeds on disposal of subsidiary undertakings	22	**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	25	**(15,578)**	(14,565)
Net proceeds on issue of shares	23	**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	14	**29,975**	39,332
Cash and cash equivalents at the end of the year	14	**40,917**	29,975

The notes on pages 84 to 120 are an integral part of these consolidated financial statements.

Notes to the 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 addition, note 18 to the consolidated financial statements includes the Group's policies and processes for managing capital, liquidity and credit risks as well as details of its financial instruments and hedging strategies.

In performing 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.

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

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

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

- exceptional items (note 6);
- the carrying amount of goodwill and intangible assets (note 10);
- the carrying amount of inventories (note 12);
- the carrying amount of trade receivables (note 13);
- provisions (note 19); and
- business combinations (note 21).

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

- deferred tax assets (note 8); and
- defined benefit pension and post-retirement benefit schemes (note 20).

2.4 Changes in accounting policy and disclosures
2.4.1 New, revised and amended EU-endorsed accounting standards
There were no new or amended accounting standards relevant to the Group's results that are effective for the first time in 2016 that have a material impact on the Group's consolidated financial statements.

2. Accounting policies and basis of preparation continued

2.4 Changes in accounting policy and disclosures continued

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

A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements of the Group, except the following:

Accounting standard	Requirement
IFRS 9 Financial instruments	IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income (non recycling). The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is in the process of assessing IFRS 9's full impact.
IFRS 15 Revenue from contracts with customers	IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. It is not anticipated that this will have a material impact on the Group; however, additional disclosures will be required. IFRS 15 will be effective for the first time for the year beginning on or after 1 January 2018.
IFRS 16 Leases	Under the previous guidance in IAS 17, a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The new standard requires lessees to recognise almost all lease contracts on the balance sheet; the only optional exemptions are for certain short term leases and leases of low-value assets. An interest expense on the lease liability and depreciation on the "right-of-use" asset will also have to be recognised. IFRS 16 will be effective for the first time for the year beginning on or after 1 January 2019 (subject to EU endorsement). The Group is in the process of assessing IFRS 16's full impact.

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

2.5 Consolidation

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

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

2.6 Foreign exchange

2.6.1 Functional and presentation currency

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

2.6.2 Transactions and balances

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

2.6.3 Group companies

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

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

Notes to the financial statements continued
For the year ended 31 December 2016

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 on 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	6	**(10,900)**	(7,563)
Amortisation of acquired intangible assets	10.3	**(21,713)**	(19,567)
Impairment of acquired goodwill	10.2	**—**	(1,796)
Operating profit		**37,190**	22,499
Net finance costs	7	**(7,814)**	(6,923)
Profit before taxation		**29,376**	15,576

3. Segment reporting continued

3.2 Segment information continued

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		Segment 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. Operating profit

Operating profit is stated after charging the following:

	Note	**2016 £'000**	2015 £'000
Depreciation of property, plant and equipment	11	**(10,701)**	(8,013)
Amortisation of intangible assets	10.3	**(22,662)**	(19,997)
Impairment of acquired goodwill	10.2	**—**	(1,796)
Operating lease rentals		**(6,843)**	(4,760)
Foreign exchange loss		**(27)**	(157)

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For the year ended 31 December 2016

4. Operating profit continued

Analysis of auditors' remuneration:

	2016 £'000	2015 £'000
Audit of Parent Company and consolidated financial statements	(200)	(114)
Audit of subsidiaries	(575)	(391)
Total audit	(775)	(505)
Audit related assurance services	(25)	(25)
Other assurance services	—	(68)
Total assurance services	(800)	(598)
Tax compliance services	(43)	(15)
Tax advisory services	—	(5)
Total tax services	(43)	(20)
Corporate finance services	—	(750)
Other non-audit services	(20)	—
Total non-audit services	(88)	(863)
Total fees	**(863)**	**(1,368)**

5. Employees and employee costs

5.1 Accounting policy

5.1.1 Wages and salaries

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

5.1.2 Termination benefits

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

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

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

5.1.3 Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on the expected level of payment to employees in respect of the relevant financial year. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

5.2 Number of employees

The average monthly number of employees during the financial year and total number of employees as at 31 December 2016 was:

	Average employees		Total number of employees	
	2016	2015	2016	2015
Administration	374	275	427	299
Operations	2,883	2,450	2,931	2,325
Sales	311	222	339	229
	3,568	2,947	3,697	2,853

The analysis above includes Directors.

5. Employees and employee costs continued

5.3 Employment costs

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

	Note	2016 £'000	2015 £'000
Wages and salaries		**(113,990)**	(88,269)
Social security costs		**(10,344)**	(7,436)
Share-based payments	24	**(1,047)**	(968)
Pension costs – defined benefit schemes	20	**(1,186)**	(637)
Pension costs – defined contribution schemes		**(1,946)**	(1,939)
Other post-retirement benefits – defined benefit schemes	20	**(189)**	(155)
		(128,702)	(99,404)

Full details of Directors' remuneration are set out in the Remuneration report on pages 57 to 72.

6. Exceptional items

6.1 Accounting policy

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

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

6.2 Exceptional items

	Note	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	22	**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 are £0.8 million of 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.

Notes to the financial statements continued

For the year ended 31 December 2016

7. Finance income and costs

	Note	2016 £'000	2015 £'000
Finance income			
Interest income from short term bank deposits		**525**	154
Gain on revaluation of fair value hedge	17	**328**	—
		853	154
Finance costs			
Interest payable on bank loans, private placement notes and overdrafts		**(7,760)**	(6,122)
Amortisation of borrowing costs		**(412)**	(409)
Unwinding of discount on provision	19	**(6)**	(18)
Pension interest cost	20	**(489)**	(351)
Loss on revaluation of fair value hedge	17	**—**	(177)
		(8,667)	(7,077)
Net finance costs		**(7,814)**	(6,923)

8. Taxation

8.1 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 it 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 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 same tax entity or different taxable entities where there is an intention to settle tax balances on a net basis.

8.1.1 Key source of estimation uncertainty: deferred tax assets

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

8. Taxation continued

8.2 Taxation – income statement and other comprehensive income

8.2.1 Tax on profit on ordinary activities

	Note	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	8.3	**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	8.3	**(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.

8.2.2 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)

8.3 Taxation – balance sheet

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016 £'000	2015 £'000
Deferred tax assets	**15,933**	12,944
Deferred tax liabilities	**(42,658)**	(27,395)
Deferred tax liabilities (net)	**(26,725)**	(14,451)

The net movement in deferred tax is as follows:

	Note	2016 £'000	2015 £'000
At 1 January		**(14,451)**	(15,087)
Acquisitions of subsidiaries	21	**(7,951)**	—
Income statement credit	8.2	**2,750**	1,818
Reclassification to current taxation		**—**	(236)
Tax charge relating to components of other comprehensive income	8.2	**(49)**	(508)
Exchange difference		**(7,024)**	(438)
At 31 December		**(26,725)**	(14,451)

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For the year ended 31 December 2016

8. Taxation continued

8.3 Taxation – balance sheet continued

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets	Accelerated tax depreciation £'000	Post-retirement benefit provisions £'000	Purchased goodwill £'000	Other timing differences £'000	Total £'000
At 1 January 2015	473	3,775	5,474	5,306	15,028
Income statement charge	(166)	(3)	(1,012)	(822)	(2,003)
Tax charge relating to components of other comprehensive income	—	(72)	—	(436)	(508)
Exchange difference	(14)	183	149	109	427
At 31 December 2015	293	3,883	4,611	4,157	12,944
Income statement (charge)/credit	(66)	68	(548)	(6,564)	(7,110)
Acquisitions of subsidiaries	189	1,156	628	6,169	8,142
Tax credit/(charge) relating to components of other comprehensive income	—	267	—	(316)	(49)
Exchange difference	(129)	1,022	615	498	2,006
At 31 December 2016	**287**	**6,396**	**5,306**	**3,944**	**15,933**

Deferred tax liabilities	Accelerated tax depreciation £'000	Intangible assets on acquisition £'000	Other timing differences £'000	Total £'000
At 1 January 2015	(4,018)	(25,276)	(821)	(30,115)
Income statement (charge)/credit	(913)	4,980	(246)	3,821
Reclassification to current taxation	—	(236)	—	(236)
Exchange difference	(228)	(641)	4	(865)
At 31 December 2015	(5,159)	(21,173)	(1,063)	(27,395)
Income statement credit/(charge)	1,406	9,141	(687)	9,860
Acquisitions of subsidiaries	(576)	(14,570)	(947)	(16,093)
Exchange difference	(946)	(4,379)	(3,705)	(9,030)
At 31 December 2016	**(5,275)**	**(30,981)**	**(6,402)**	**(42,658)**

The deferred tax asset arises from timing differences in the US, UK, Greece, Spain, Argentina and Australia. Given both recent and forecast trading, the Directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

Deferred tax liabilities of £33.1 million (2015: £23.7 million) are expected to fall due after more than one year and deferred tax assets of £11.7 million (2015: £8.1 million) are expected to be recovered after more than one year.

8.3.1 Factors that may affect future tax charges

The estimated tax losses within the Group are as follows:

	2016 £'000	2015 £'000
Capital losses	**3,992**	3,992
Trading losses	**19,782**	16,443
	23,774	20,435

As the future use of these losses is uncertain, in accordance with the Group's accounting policy, none of these losses has been recognised as a deferred tax asset.

The tax effect of the unrecognised tax losses within the Group are as follows:

Tax effect	**2016 £'000**	2015 £'000
Capital losses	**(734)**	(719)
Trading losses	**(4,633)**	(4,307)
	(5,367)	(5,026)

No deferred tax liability is recognised on temporary differences of £68.0 million (2015: £57.8 million) relating to the unremitted earnings of overseas subsidiaries. As a result of UK legislation, which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional UK corporate taxes. Furthermore, although the remittance to the UK of those earnings could still result in a tax liability, arising as a result of withholding taxes levied by some overseas tax jurisdictions in which those subsidiaries operate, such jurisdictions provide currently for zero dividend withholding tax in their tax agreements with the UK.

9. Earnings per share

9.1 Non-GAAP 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 taxation 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.

9.2 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.

9.2.1 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

9.2.2 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 128.

Underlying profit after taxation is derived as follows:

	Note	**2016 £'000**	2015 £'000
Profit before taxation		**29,376**	15,576
Exceptional items	6	**10,900**	7,563
Gain/(Loss) on revaluation of fair value hedge	7	**(328)**	177
Amortisation of borrowing costs	7	**412**	409
Unwinding of discount on provisions	7	**6**	18
Amortisation of acquired intangible assets	10.3	**21,713**	19,567
Impairment of acquired goodwill	10.2	**—**	1,796
Underlying profit before taxation		**62,079**	45,106
Income tax charge	8.2	**(8,641)**	(7,885)
Add back: tax effect of exceptional items, gain or loss on revaluation of fair value hedge, 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

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For the year ended 31 December 2016

10. Goodwill and intangible assets

10.1 Accounting policy

10.1.1 Goodwill

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

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

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

10.1.2 Intangible assets

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

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

- Acquired brands – 5 to 20 years
- Customer relationships – 9 to 15 years
- Internally developed computer software – 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.

10.1.3 Impairment of goodwill and intangible assets

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

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

As at 31 December 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.

10. Goodwill and intangible assets continued

10.2 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	21	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

10.2.1 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 growth 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.

Notes to the financial statements continued

For the year ended 31 December 2016

10. Goodwill and intangible assets continued

10.2 Carrying amount of goodwill continued

10.2.1 Impairment tests for goodwill continued

Impairment review results: 2016 continued

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 13.20 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.

10.3 Carrying amount of intangible assets

	Note	Computer software £'000	Acquired 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	11	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
Acquisitions of subsidiaries	21	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)
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.

11. Property, plant and equipment

11.1 Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost of the subsequent item can be measured reliably. The carrying amount of the replaced part is derecognised from the date of replacement. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Freehold buildings – 2 to 5 per cent

Plant and machinery – 7.5 to 33 per cent

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

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

11. Property, plant and equipment continued

11.2 Carrying amount of property, plant and equipment

	Note	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2015		18,920	67,600	86,520
Additions		117	8,755	8,872
Disposals		(864)	(16,856)	(17,720)
Disposal of business		—	(5,105)	(5,105)
Reclassification between fixed asset categories		261	(261)	—
Transfers to intangible assets	10.3	—	(44)	(44)
Exchange difference		487	2,779	3,266
At 31 December 2015		18,921	56,868	75,789
Additions		299	12,316	12,615
Acquisitions of subsidiaries	21	12,512	6,480	18,992
Disposals		—	(4,587)	(4,587)
Reclassification between categories		(156)	156	—
Exchange difference		6,328	27,769	34,097
At 31 December 2016		**37,904**	**99,002**	**136,906**
Accumulated depreciation				
At 1 January 2015		(4,797)	(38,869)	(43,666)
Depreciation charge for the year		(649)	(7,364)	(8,013)
Disposals		864	15,428	16,292
Disposal of business		—	4,590	4,590
Exchange difference		(81)	(2,066)	(2,147)
At 31 December 2015		(4,663)	(28,281)	(32,944)
Depreciation charge for the year		(1,058)	(9,643)	(10,701)
Disposals		—	4,352	4,352
Impairment		(712)	(395)	(1,107)
Exchange difference		(2,937)	(21,827)	(24,764)
At 31 December 2016		**(9,370)**	**(55,794)**	**(65,164)**
Carrying value				
At 1 January 2015		14,123	28,731	42,854
At 31 December 2015		14,258	28,587	42,845
At 31 December 2016		**28,534**	**43,208**	**71,742**

Depreciation of £10.7 million (2015: £8.0 million) is included in administrative expenses in the income statement.

The impairment charge of £1.1 million (2015: £Nil) relates to the write-off of items of property, plant and equipment associated with the Schlegel International footprint restructuring project. The impairment charge has been included in exceptional items in the income statement (note 6).

12. Inventories

12.1 Accounting policy

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

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

12.1.1 Critical accounting estimates and judgements: carrying amount of inventories

The carrying amounts of inventories are stated with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value. Provisions for slow-moving and obsolete inventory are based on management's assessment of the nature and condition of the inventory, including assumptions around future demand, market conditions and new product development initiatives.

12.2 Carrying amount of inventories

	2016 £'000	2015 £'000
Raw materials and consumables	**20,245**	15,696
Work in progress	**9,587**	3,458
Finished goods	**40,901**	26,836
	70,733	45,990

Notes to the financial statements continued

For the year ended 31 December 2016

12. Inventories continued

12.2 Carrying amount of inventories continued

The cost of materials charged to the income statement during the year was £187.5 million (2015: £150.0 million).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £13.9 million (2015: £5.4 million).

An impairment charge of £2.4 million (2015: £1.1 million) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2015: £Nil).

13. Trade and other receivables

13.1 Accounting policy

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets.

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts (provision for impairment).

13.1.1 Critical accounting estimates and judgements: carrying amount of trade receivables

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write downs required which is based on current assessments of the creditworthiness of current customers, the ageing profile of receivables and historical experience.

13.2 Carrying amounts of trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**59,325**	31,485
Less: Provision for impairment of trade receivables	**(3,999)**	(1,977)
Trade receivables – net	**55,326**	29,508
Other receivables – net	**9,252**	2,091
Accrued income	**57**	112
Prepayments	**3,811**	3,125
	68,446	34,836

All trade and other receivables are current. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

The ageing of net trade receivables is as follows:

	Within normal payment terms		Past due		
	Fully performing £'000	Not fully performing £'000	Within three months £'000	Three to twelve months £'000	Over twelve months £'000
At 31 December 2016					
Trade receivables	**49,264**	**518**	**5,183**	**240**	**121**
At 31 December 2015					
Trade receivables	26,560	—	2,889	59	—

All of the Group's trade and other receivables have been reviewed for impairment at 31 December 2016. Net trade receivables of £5.5 million (2015: £2.9 million) were past due but not impaired. These relate to customers for whom there is no recent history of default. Trade receivables of £4.0 million (2015: £2.0 million) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic circumstances.

Movement in the provision for impairment of trade receivables is as follows:

	2016 £'000	2015 £'000
At 1 January	**(1,977)**	(2,179)
Provision for receivables impairment	**(796)**	(546)
Receivables written off during the year	**75**	241
Unused amounts reversed	**401**	385
Disposal of business	**—**	71
Acquisitions of subsidiaries	**(1,296)**	—
Exchange difference	**(406)**	51
At 31 December	**(3,999)**	(1,977)

The creation of provision for impairment of trade receivables is included in administrative expenses in the income statement.

13. Trade and other receivables continued

13.2 Carrying amounts of trade and other receivables continued

Ageing of impaired trade receivables is as follows:

	2016 £'000	2015 £'000
Trade receivables within normal terms not fully performing	(71)	(80)
Trade receivables past due date and aged up to three months from invoice date	(1,431)	(1,072)
Trade receivables past due date and aged between three and twelve months after invoice date	(555)	(46)
Trade receivables past due date and aged beyond twelve months after invoice date	(1,942)	(779)
	(3,999)	(1,977)

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	13,359	9,994
US Dollars	29,612	19,981
Euros	17,091	2,377
Other currencies	8,384	2,484
	68,446	34,836

14. Cash and cash equivalents

14.1 Accounting policy

In the consolidated statement of cash flows and balance sheet, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less and bank overdrafts.

14.2 Carrying amounts of cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	52,258	42,809
Short term deposits	466	2,237
Bank overdrafts	(11,807)	(15,071)
	40,917	29,975

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	10,352	15,611
US Dollars	17,453	7,996
Euros	5,314	3,012
Other currencies	7,798	3,356
	40,917	29,975

15. Trade and other payables

15.1 Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

15.2 Carrying amounts of trade and other payables

	2016 £'000	2015 £'000
Trade payables	(38,303)	(19,839)
Other taxes and social security costs	(3,648)	(1,881)
Accruals	(35,104)	(17,296)
Deferred income	(536)	(116)
	(77,591)	(39,132)
Analysed as:		
Current liabilities	(76,694)	(37,488)
Non-current liabilities	(897)	(1,644)
	(77,591)	(39,132)

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

Notes to the financial statements continued

For the year ended 31 December 2016

15. Trade and other payables continued

15.2 Carrying amounts of trade and other payables continued

The carrying amounts of trade and other payables are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	**(15,380)**	(12,857)
US Dollars	**(34,532)**	(22,380)
Euros	**(15,925)**	(1,682)
Other currencies	**(11,754)**	(2,213)
	(77,591)	(39,132)

16. Interest-bearing loans and borrowings

16.1 Accounting policy

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

16.2 Carrying 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)

16.2.1 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 21). 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.

16.2.2 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.

17. Derivative financial instruments

17.1 Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives as either:

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

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

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

17.1.1 Fair value hedges

Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

17.1.2 Cash flow hedges

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

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

17.1.3 Net investment hedge

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

17.2 Carrying amount of derivative financial instruments

	2016		2015	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Forward exchange contracts – fair value hedges	**506**	**—**	178	—
Interest rate swaps – cash flow hedges	**—**	**(291)**	—	(85)
Total	**506**	**(291)**	178	(85)
Less: non-current portion	**—**	**—**	—	—
Interest rate swaps – cash flow hedges	**—**	**—**	—	(68)
Non-current portion	**—**	**—**	—	(68)
Current portion	**506**	**(291)**	178	(17)

17.2.1 Fair value hedges

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2016 were £12.5 million (2015: £7.4 million).

During the year a gain of £0.3 million (2015: loss of £0.2 million) was recognised in the income statement for the changes in value of the fair value hedges.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

Notes to the financial statements continued

For the year ended 31 December 2016

17. Derivative financial instruments continued

17.2 Carrying amount of derivative financial instruments continued

17.2.2 Cash flow hedges

The notional principal amounts of the outstanding interest rate swap at 31 December 2016 were £19.4 million (2015: £41.1 million).

During the year a loss of £0.2 million (2015: gain of £0.2 million) was recognised in the statement of comprehensive income and £Nil (2015: £Nil) in the income statement for the ineffective portion of changes in the value of cash flow hedges.

Details of the interest rate swaps are as follows:

	Notional amount '000	Fixed interest rate paid	Floating interest rate received	Fair value '000
At 31 December 2016				
Swaps – Sterling	£6,000	1.7490%	0.5408%	£(208)
Swaps – US Dollars	$16,500	1.7225%	1.3227%	$(103)
At 31 December 2015				
Swaps – Sterling	£14,100	1.2476%	0.6877%	£(64)
Swaps – US Dollars	$39,900	1.1776%	0.4631%	$(31)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the balance sheet.

Refer to note 18.4 for the fair value measurement methodology.

17.2.3 Net investment hedges

The Group uses foreign currency-denominated debt to hedge the value of its US Dollar and Euro-denominated net assets which may change due to movements in US Dollar and Euro exchange rates respectively. At 31 December 2016, the value of the net investment hedge was £207.9 million (2015: £94.5 million). This hedge is considered highly effective and no ineffective portion has been recognised in the income statement.

18. Financial risk management and financial instruments

18.1 Accounting policy

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

18.1.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (note 13) and "cash and cash equivalents" (note 14) in the balance sheet.

18.1.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "trade and other payables" (note 15) and "interest-bearing loans and borrowings" (note 16).

18.2 Financial instruments: by category

Assets as per balance sheet:

	31 December 2016			31 December 2015		
	Loans and receivables £'000	**Derivatives used for hedging £'000**	**Total £'000**	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Trade and other receivables[1]	**55,326**	**—**	**55,326**	29,508	—	29,508
Cash and cash equivalents	**40,917**	**—**	**40,917**	29,975	—	29,975
Derivative financial instruments	**—**	**506**	**506**	—	178	178
Total	**96,243**	**506**	**96,749**	59,483	178	59,661

Liabilities as per balance sheet:

	31 December 2016			31 December 2015		
	Derivatives used for hedging £'000	**Other financial liabilities at cost £'000**	**Total £'000**	Derivatives used for hedging £'000	Other financial liabilities at cost £'000	Total £'000
Borrowings[2]	**—**	**(217,666)**	**(217,666)**	—	(113,154)	(113,154)
Derivative financial instruments	**(291)**	**—**	**(291)**	(85)	—	(85)
Trade and other payables[3]	**—**	**(73,407)**	**(73,407)**	—	(37,135)	(37,135)
Total	**(291)**	**(291,073)**	**(291,364)**	(85)	(150,289)	(150,374)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1.2 million (2015: £1.6 million).

3 Excludes non-financial liabilities.

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile

18.3.1 Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (note 14), interest-bearing loans and borrowings (note 16) and equity attributable to the shareholders of the Parent as disclosed in the consolidated statement of changes in equity.

18.3.2 Financial management

The Group's principal financial instruments comprise bank loans, private debt and cash and short term deposits. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken.

The Board reviews and agrees policies for managing each financial instrument risk and they are summarised below.

18.3.3 Liquidity and credit risk

The Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow.

The Group manages liquidity risk by the pooling of cash resources and depositing funds available for investment in approved financial instruments with financial institutions. Counterparty risk with respect to cash and cash equivalents is managed by only investing in banks and financial instruments with independently assessed credit ratings of at least A2 as published by Standard and Poor's. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance of these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from customers. Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In order to mitigate credit risk the Group utilises credit insurance in those areas of its operations where such insurance is available. In areas where such insurance is not available or it is uneconomical to purchase, management monitors the utilisation of credit limits by customers, identified either individually or by group, and incorporates this information in credit risk controls. The diverse nature of the Group's customer base means that the Group has no significant concentrations of credit risk.

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. Management considers all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

During the year ended 31 December 2016 the Group operated within its borrowing facilities.

The table below analyses the present value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Not less than one year £'000	Later than one year but not later than two years £'000	Later than two years but not later than five years £'000	Over five years £'000	Total £'000
Borrowings[1]	**—**	**—**	**(136,637)**	**(85,202)**	**(221,839)**
Derivative financial instruments	**(291)**	**—**	**—**	**—**	**(291)**
Trade and other payables[2]	**(72,629)**	**(778)**	**—**	**—**	**(73,407)**
At 31 December 2016	**(72,920)**	**(778)**	**(136,637)**	**(85,202)**	**(295,537)**
Borrowings[1]	—	—	(45,605)	(71,028)	(116,633)
Derivative financial instruments	(17)	—	(68)	—	(85)
Trade and other payables[2]	(35,491)	(1,644)	—	—	(37,135)
At 31 December 2015	(35,508)	(1,644)	(45,673)	(71,028)	(153,853)

1 Excludes capitalised borrowing costs of £1.2 million (2015: £1.6 million).

2 Excludes non-financial liabilities.

Notes to the financial statements continued

For the year ended 31 December 2016

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.4 Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2016 was as follows:

	Floating rate borrowings[1] £'000	Fixed rate borrowings[2] £'000	Total £'000
At 31 December 2016			
Sterling	**(9,800)**	**—**	**(9,800)**
US Dollars	**(65,243)**	**(81,029)**	**(146,272)**
Euros	**(61,594)**	**—**	**(61,594)**
Total	**(136,637)**	**(81,029)**	**(217,666)**
At 31 December 2015			
Sterling	(16,803)	—	(16,803)
US Dollars	(26,960)	(67,549)	(94,509)
Euros	(1,842)	—	(1,842)
Total	(45,605)	(67,549)	(113,154)

1 Excludes capitalised borrowing costs of £0.9 million (2015: £1.2 million).

2 Excludes capitalised borrowing costs of £0.3 million (2015: £0.4 million).

The interest rate on the floating bank loans is linked to LIBOR. The Board periodically reviews any exposure the Group may have to interest rate fluctuations. The Group has used interest rate swaps to fix the cost of a proportion of these floating rate borrowings.

	Floating rate borrowings[1] £'000	Covered by swaps £'000	Swap fixed rate
At 31 December 2016			
Sterling	**(9,800)**	**(6,000)**	**1.7490%**
US Dollars	**(65,243)**	**(13,370)**	**1.7225%**
Euros	**(61,594)**	**—**	**n/a**
Total	**(136,637)**	**(19,370)**	
At 31 December 2015			
Sterling	(16,803)	(14,100)	1.2476%
US Dollars	(26,960)	(39,900)	1.1776%
Euros	(1,842)	—	n/a
Total	(45,605)	(54,000)	

1 Excludes capitalised borrowing costs of £0.9 million (2015: £1.2 million).

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £0.6 million (2015: £0.3 million) impact on profits. This impact would be reduced by the tax effect on such a change.

Interest rate risk of financial assets

The weighted average interest rate received on deposited funds was 1.2 per cent during the year (2015: 0.5 per cent).

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.5 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's functional currency and net investments in overseas entities.

The Group has a number of overseas subsidiaries, whose net assets are subject to currency translation risk. The Group borrows in local currencies as appropriate to minimise the impact of this risk on the balance sheet.

Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into British Pounds at the closing rate, are as follows:

	Sterling £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2016					
Financial assets					
Trade and other receivables[1]	**11,158**	**26,241**	**12,207**	**5,720**	**55,326**
Cash and cash equivalents	**10,352**	**17,453**	**5,314**	**7,798**	**40,917**
Derivative financial instruments	**506**	**—**	**—**	**—**	**506**
Total	**22,016**	**43,694**	**17,521**	**13,518**	**96,749**
Financial liabilities					
Borrowings[2]	**(9,800)**	**(146,272)**	**(61,594)**	**—**	**(217,666)**
Derivative financial instruments	**(208)**	**(83)**	**—**	**—**	**(291)**
Trade and other payables[3]	**(14,220)**	**(33,994)**	**(14,285)**	**(10,908)**	**(73,407)**
Total	**(24,228)**	**(180,349)**	**(75,879)**	**(10,908)**	**(291,364)**
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		**(1,727)**	**294**	**(245)**	**(1,678)**
10% decrease in functional currency		**2,110**	**(162)**	**300**	**2,248**
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		**12,423**	**5,306**	**(198)**	**17,531**
10% decrease in functional currency		**(15,184)**	**(6,485)**	**243**	**(21,426)**

	Sterling £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2015					
Financial assets					
Trade and other receivables[1]	8,547	16,671	2,094	2,196	29,508
Cash and cash equivalents	15,612	7,996	3,012	3,355	29,975
Derivative financial instruments	178	—	—	—	178
Total	24,337	24,667	5,106	5,551	59,661
Financial liabilities					
Borrowings[2]	(16,803)	(94,509)	(1,842)	—	(113,154)
Derivative financial instruments	(64)	(21)	—	—	(85)
Trade and other payables[3]	(11,491)	(22,217)	(1,562)	(1,865)	(37,135)
Total	(28,358)	(116,747)	(3,404)	(1,865)	(150,374)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(2,694)	886	(131)	(1,939)
10% decrease in functional currency		1,143	(487)	162	818
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		8,371	(155)	(312)	7,904
10% decrease in functional currency		(10,231)	189	382	(9,660)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1.2 million (2015: £1.6 million).

3 Excludes non-financial liabilities.

The 10 per cent movements in exchange rates are considered to be indicative of the historic average movements in exchange rates.

Notes to the financial statements continued

For the year ended 31 December 2016

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.6 Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and benefits to stakeholders. The Group defines its capital as total equity plus net debt.

In maintaining the capital structure, the Group may adjust the amount paid as dividends to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors its financial capacity by reference to financial covenant ratios, including leverage and interest cover. If the Group fails to meet its key financial ratios required by its lenders, this could impact the Group's average interest rate of borrowings and the future availability of credit to the Group.

The Group is in compliance with the financial covenants contained within its credit facilities, and has been in compliance throughout the financial year.

	Note	2016 £'000	2015 £'000
Total borrowings[1]		217,666	113,154
Less: Cash and cash equivalents	14	(40,917)	(29,975)
		176,749	83,179
Total equity		376,630	306,173
Total capital		553,379	389,352

1 Excludes capitalised borrowing costs of £1.2 million (2015: £1.6 million).

18.4 Fair value estimation

The Group's derivative financial instrument used for hedging is measured at fair value. The Group uses the following hierarchy for measuring fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

Derivatives shown at fair value in the balance sheet have been valued by reference to level 2 techniques described above.

There were no transfers between levels during the year.

18.4.1 Valuation techniques used to derive level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives. The fair value of the derivative financial instruments at 31 December 2016 is a net asset of £0.2 million (2015: net asset of £0.1 million).

There were no changes in valuation techniques during the year.

18.4.2 Group's valuation process

The Group has a team that performs the valuations of financial assets required for financial reporting purposes. This team reports to the CFO and the Audit Committee.

18.4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	2016 £'000	2015 £'000
Non-current liabilities	(216,763)	(112,642)

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

19. Provisions
19.1 Accounting policy

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised in the income statement within net finance costs. Provisions are not recognised for future operating losses.

19.1.1 Critical accounting estimates and judgements: carrying amount of provisions

Provisions, by their nature, are uncertain and highly judgemental. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date based on the nature of the provisions, the potential outcomes, any developments relating to specific claims and previous experience.

19.2 Carrying amounts of provisions

	Note	Property related £'000	Restructuring £'000	Warranty £'000	Other £'000	Total £'000
At 1 January 2015		(5,357)	(3,304)	(2,025)	(1,508)	(12,194)
(Charged)/Credited to the income statement						
Additional provisions in the year		(23)	(1,765)	(341)	(110)	(2,239)
Unused amounts reversed		728	136	235	148	1,247
Utilised in the year		874	1,270	253	—	2,397
Disposal of business		(825)	—	—	—	(825)
Unwinding of discount	7	(18)	—	—	—	(18)
Exchange difference		(6)	159	(32)	56	177
At 31 December 2015		(4,627)	(3,504)	(1,910)	(1,414)	(11,455)
(Charged)/Credited to the income statement						
Additional provisions in the year		(20)	(158)	—	(200)	(378)
Unused amounts reversed		214	1,342	563	202	2,321
Utilised in the year		792	1,656	95	—	2,543
Acquisitions of subsidiaries	21	—	—	(430)	(4,281)	(4,711)
Unwinding of discount	7	(6)	—	—	—	(6)
Exchange difference		(111)	(426)	(223)	(763)	(1,523)
At 31 December 2016		**(3,758)**	**(1,090)**	**(1,905)**	**(6,456)**	**(13,209)**

Analysed as:

	2016 £'000	2015 £'000
Non-current liabilities	**(8,124)**	(6,060)
Current liabilities	**(5,085)**	(5,395)
	(13,209)	(11,455)

Current liabilities are those aspects of provisions that are expected to be utilised within the next 12 months.

19.2.1 Property related
Property provisions include provisions for onerous leases of £2.8 million (2015: £3.7 million) and leasehold dilapidations of £1.0 million (2015: £0.9 million). Property provisions are expected to be utilised by 2023.

For onerous leases, the Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and any likely sub-lease income on a property-by-property basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in note 28.

The provision for leasehold dilapidations relates to contractual obligations to reinstate leasehold properties to their original state of repair.

The transfer of economic benefits will occur at the end of the leases set out in note 28.

19.2.2 Restructuring
Restructuring provisions include provisions for employee redundancy costs at restructured business units and are expected to be utilised by 2021.

Notes to the financial statements continued
For the year ended 31 December 2016

19. Provisions continued

19.2 Carrying amounts of provisions continued

19.2.3 Warranty

Warranty provisions are calculated based on historical experience of the ultimate cost of settling product warranty claims and potential claims. Warranty provisions are expected to be utilised by 2025.

19.2.4 Other

Included in other provisions is £1.3 million (2015: £1.4 million) relating to the tax consequences of international intragroup transactions for which the fiscal authorities may be expected to adopt opposing treatments in respect of revenue and cost recognition. The remaining £5.2 million (2015: £Nil) relates to potential exposures arising from pre-acquisition tax audits by fiscal authorities at certain Giesse locations. Other provisions are expected to be utilised by 2018.

20. Retirement benefit obligations

20.1 Accounting policy

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

20.1.1 Pension obligations

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Past service costs are recognised immediately in income.

20.1.2 Other post-employment obligations

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

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

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

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

20.2 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee-administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due. The Group had no unpaid pension contributions included within employee benefit liabilities (2015: £Nil).

20. Retirement benefit obligations continued

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

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

	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 TFR termination obligations payable to employees of the Group's Italian operations. 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. TFR termination obligations are unfunded.

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 expense is included within net finance income and costs.

Actuarial gains and losses from participant experience, changes in demographic assumptions, changes in financial assumptions and net return on plan assets are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

20.3.1 Balance sheet disclosures

Amounts recognised on the balance sheet are as follows:

	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)

Notes to the financial statements continued

For the year ended 31 December 2016

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

20.3.1 Balance sheet disclosures continued

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	21	(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)

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

20.3.1 Balance sheet disclosures continued

Plan assets comprise the following asset classes:

	2016		2015	
	£'000	%	£'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	69.3%
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	**—**	**—**
Healthcare 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:

	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**

Notes to the financial statements continued

For the year ended 31 December 2016

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

20.3.1 Balance sheet disclosures continued

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)**

20.3.2 Amounts recognised in the consolidated income statement

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

	Note	**2016 £'000**	2015 £'000
Current service cost		**(523)**	(258)
Expected administrative expense		**(363)**	(183)
Net interest expense	7	**(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.

20.3.3 Amounts recognised in the consolidated statement of comprehensive income

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

	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.

21. Business combinations

21.1 Accounting policy

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

Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability 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 10.2). If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

21.1.1 Critical accounting estimates and judgements: acquisition accounting

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

21.2 Acquisitions in the year

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

	Note	Giesse £'000	Bilco £'000	Response £'000	Total £'000
Intangible assets	10.3	22,408	22,565	369	45,342
Property, plant and equipment	11	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	8.3	(3,374)	(4,512)	(65)	(7,951)
Retirement benefit obligations	20	(2,674)	(911)	—	(3,585)
Provisions	19	(4,338)	(373)	—	(4,711)
Total identifiable net assets		21,069	24,309	123	45,501
Goodwill arising on acquisition	10.2	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**

Notes to the financial statements continued

For the year ended 31 December 2016

21. Business combinations continued

21.3 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 with 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 6). 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.

21.4 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 6).

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.

21. Business combinations continued

21.5 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.

22. Disposal of business

On 7 September 2015, the Group disposed of its steel reinforcer business, EWS, for a net cash consideration of £6.8 million. Loss on disposal was £1.4 million and in the year a further consideration of £0.3 million was received (see note 6).

23. Share capital and share premium

23.1 Accounting policy

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

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

23.2 Share capital and share premium

	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 January 2015 and 31 December 2015	170,104	8,505	63,256
Shares issued in year	8,478	424	18,151
At 31 December 2016	**178,582**	**8,929**	**81,407**

The total authorised number of ordinary shares is 180.0 million (2015: 180.0 million) with a par value of 5.00 pence per share (2015: 5.00 pence per share). All issued shares are fully paid up.

On 21 June 2016 the Group issued 8,478,128 shares by way of a placing with institutional investors.

Notes to the financial statements continued

For the year ended 31 December 2016

24. Share-based payments

24.1 Accounting policy

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

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

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

24.2 LTIP

The charge to the income statement in 2016 in relation to the LTIP was £1.0 million (2015: £1.0 million).

LTIP

Conditional, annual awards of shares are granted under the LTIP to the Executive Directors and certain senior managers at the discretion of the Remuneration Committee. Provided the participant remains an employee of the Group and the performance conditions are met, awards will vest three years after the date of the grant at no cost to the employee. Further information on the LTIP and the performance conditions for each grant are given in the Remuneration report.

The fair value of the awards granted under the LTIP in 2016 and the assumptions used in the calculation of the share-based payment charge are as follows:

Valuation model	Probability model to predict EPS levels
Date of grant	9 March 2016
Number granted	769,901
Share price at date of award	277 pence
Fair value (pence)	120 pence
Exercise price (pence)	Nil pence
Expected life of award	Three years
Vesting conditions	Continuous service and cumulative underlying EPS over three years 2016 to 2018 in range of 67.00 to 78.50 pence

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2016 '000	2015 '000
At 1 January	**2,066**	2,590
Exercised	**(800)**	(1,113)
Granted	**770**	693
Lapsed	**(40)**	(104)
At 31 December	**1,996**	2,066

Details of treasury shares purchased:

	2016 '000	2015 '000
Number of ordinary shares	**659**	839
Cost to Company	**£1,860**	£2,649

25. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2015 of 6.09 pence per share (2014: 6.00 pence)	**10,266**	10,089
Interim dividend for the year ended 31 December 2016 of 3.00 pence (2015: 2.66 pence)	**5,312**	4,476
Total amounts recognised as distributions to owners in the year	**15,578**	14,565
Amounts not recognised in the financial statements:		
Final dividend proposed for the year ended 31 December 2016 of 7.50 pence per share (2015: 6.09 pence)	**13,279**	10,266

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements for the year ended 31 December 2016.

26. 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	**7,814**	6,923
Depreciation	11	**10,701**	8,013
Amortisation of intangible assets	10.3	**22,662**	19,997
Impairment of property, plant and equipment	11	**1,107**	—
Impairment of acquired goodwill	10.2	**—**	1,796
Disposal of property, plant and equipment		**63**	510
Write-off of inventory fair value adjustments	6	**5,698**	—
Pension current service cost and expected administration costs	20	**886**	441
Non-cash provision movements		**(1,943)**	1,178
(Profit)/Loss on disposal of business	22	**(250)**	1,381
Share-based payments	24	**1,047**	968
Other non-cash adjustments		**209**	58
		47,994	41,265

27. Contingent liabilities

There are no contingent liabilities.

28. Financial commitments

28.1 Capital commitments

	2016 £'000	2015 £'000
Property, plant and equipment	**5,797**	7,780

28.2 Operating lease commitments

The Group has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

The present values of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
No later than one year	**6,956**	4,376	**933**	598
Later than one year but no later than five years	**20,746**	6,774	**1,262**	544
Later than five years	**50,522**	884	**159**	—
	78,224	12,034	**2,354**	1,142

A new 20-year non-cancellable lease agreement was signed in Statesville, North Carolina in September 2016 resulting in higher future minimum rentals payable from 2018 onwards.

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For the year ended 31 December 2016

29. Events after the reporting year

29.1 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.

30. Subsidiaries

Details of the subsidiaries of the Group as at 31 December 2016 are detailed below. Unless otherwise indicated, all subsidiaries are wholly owned.

Name	Registered office address[1]	Country of incorporation	Nature of business
Corporate			
Jasper Acquisition Holdings Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Holding company
Lupus Capital Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Dormant
Octroi Group Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Holding company
Octroi Investments Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Dormant
Otterburn Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Dormant
Schlegel Acquisition Holdings Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Holding company
Tetchy Investments BV	Havenkade 99B, 1973 AK Ljmuiden, Holland	Netherlands	Dormant
Tyman Equities Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Dormant
Tyman Finance S.á.r.l.	6 Rue Jean Monnet L-2180	Luxembourg	Financing company
Tyman Management Limited	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Management services
UK operations			
Balance UK Limited[1]	30-32 Martock Business Park, Gt. West Road, Martock TA12 6HB	United Kingdom	Dormant
Crompton Limited[1]	Straight Road, Short Heath, Willenhall WV12 5RA	United Kingdom	Dormant
ERA Home Security Limited[1]	Straight Road, Short Heath, Willenhall WV12 5RA	United Kingdom	Building products
ERA Products Limited[1]	Straight Road, Short Heath, Willenhall, WV12 5RA	United Kingdom	Dormant
ERA Security Hardware Limited[1]	Straight Road, Short Heath, Willenhall WV12 5RA	United Kingdom	Dormant
Grouphomesafe Limited[1]	Straight Road, Short Heath, Willenhall WV12 5RA	United Kingdom	Dormant
Response Electronics Limited[1]	Roman House, Lysons Avenue, Ash Vale GU12 5QF	United Kingdom	Building products
Schlegel Building Products Limited[1]	Coatham Ave, Aycliffe Ind. Est. Newton Aycliffe, Co. Durham, DL5 6DB	United Kingdom	Dormant
Schlegel Limited[1]	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Building products
Ventrolla Limited[1]	Crimble Court, Hornbeam Business Park, Harrogate HG2 8PB	United Kingdom	Dormant
Window Fabrication and Fixing Supplies Limited[1]	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Dormant

30. Subsidiaries continued

Name	Registered office address[1]	Country of incorporation	Nature of business
North American operations			
Amesbury Acquisition Holdings (2) Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
Amesbury Canada Inc[1]	333 Bay Street, Toronto M5H 2T4	Canada	Holding company
Amesbury Finance Holdings LLC[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
Amesbury Group Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
Amesbury Group Plastic Profiles Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
Amesbury Holdings Limited[1]	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Holding company
Amesbury Industries Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
Amesbury Mexico, S. De R.L. De C.V.[1]	Roberto Fierro # 6351, Industrial Park Aero Juarez, Juarez, Chih. Mexico 32695	Mexico	Building products
Atlas Holdings Company Limited[1]	8005 Dixie Road, Unit 8043, Brampton, ON L6T 3V1	Canada	Building products
Balance Systems Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
Bandlock Corporation Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
BHC de Mexico S de RL de CV[1]	Deportistas 7820 Parque Industrial Gema Ciudad Juarez, Chih. Mexico 32648	Mexico	Building products
Bilcomex Comercializadora S de RL de CV[1]	Deportistas 7820 Parque Industrial Gema Ciudad Juarez, Chih. Mexico 32648	Mexico	Building products
Bilcomex S de RL de CV[1]	Deportistas 7820 Parque Industrial Gema Ciudad Juarez, Chih. Mexico 32648	Mexico	Building products
Bilco UK Limited[1]	3 Park Farm Business Centre, Genevieve, Farnham Street, IP28 6TS	United Kingdom	Building products
Fastek Products Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
Giesse Group North America Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
Jasper Acquisition Limited[1]	29 Queen Anne's Gate, London SW1H 9U	United Kingdom	Holding company
Overland Products Company, Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
Schlegel Acquisition Holdings USA Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
Schlegel Systems Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
The Bilco Company[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
The Bilco Holding Company[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company
Truth Hardware Corporation[1]	3600 Minnesota Drive, Edina MN 55435	United States	Building products
Tyman Investments[1]	29 Queen Anne's Gate, London SW1H 9BU	United Kingdom	Dormant
Unipoly Schlegel Holdings Inc[1]	3600 Minnesota Drive, Edina MN 55435	United States	Holding company

Notes to the financial statements continued
For the year ended 31 December 2016

30. Subsidiaries continued

Name	Registered office address[1]	Country of incorporation	Nature of business
Other international operations			
Giesse Brasil Indústria e Comércio de Ferragens e Acessórios Ltda.[1]	Rua Rosa Kasinski, 1109 Galpoes G02, G03, G04 Patio G01 do Condominio Empresarial Marino Lena Bairro Capuava 09.380-128 Maua, Sao Paolo	Brazil	Building products
Giesse Group Argentina S.A.[1]	Enrique Becquerel 4873, Area de promocion el Triangulo, CP 1615, Buenos Aires	Argentina	Building products
Giesse Group Hellas S.A.[1]	Kolonou 1-3, 12131 Peristeri	Greece	Building products
Giesse Group Iberia S.A.[1]	Constitucion, 84-Poligono Industrial Les Grases, 08980 Sant Feliu De Llobregat, Barcelona	Spain	Building products
Giesse Hardware (Beijing) Co. Ltd.[1]	Room 810-815 F8, CWE Building, No.3 Guangqu East Road, Chaoyang District, 100124 Beijing	China	Building products
Giesse S.p.A.[1]	Via Leonardo Da Vinci, 320/414 Fossatone, 40059 Ville Fontana Di Medicina, Bologna	Italy	Building products
LSS Ningbo Limited[1]	No 8 Xingye Road Pingyi Software Park Eastern Section Ningbo Free Trade Zone Ningbo city Zhejiang P.R. China	China	Building products
LSS Trading (Ningbo) Limited[1]	Unit 14-2 New City Tower No 535 Qingshuiqiao Road Jiangdong District Ningbo City, the PRC	China	Building products
Schlegel América Do Sul Vedação Para Construção Civil Ltda.[1]	Alameda Itatinga, 617 Galpoa 2, Bairro Joapiranga II, CEP13278-480, Cidade Valinhos, Estado de Sao Paulo	Brazil	Holding company
Schlegel América Latina - Vedação, Esquadrias e Extrusão Ltda.[1]	Alameda Itatinga, 617 Galpoa 2, Bairro Joapiranga II, CEP13278-480, Cidade Valinhos, Estado de Sao Paulo	Brazil	Building products
Schlegel Asia Pte. Ltd[1]	1 Commonwealth Lane, 6-18, One Commonwealth, Singapore 149544	Singapore	Building products
Schlegel Australia Pty (2006) Ltd[1]	44 Riverside Road, Chipping Norton, NSW 2170	Australia	Holding company
Schlegel Belgium BVBA[1]	Nieuwpoortsesteenweg 1028400 Oostende	Belgium	Building products
Schlegel GmbH[1]	Bredowstrasse, 33-22113, Hamburg	Germany	Building products
Schlegel Middle East Building Materials Trading LLC[1,2]	3rd Interchange, Sheikh Zayed Road, Al Quoz Industrial Area 1, Dubai. P.O.Box 52766 UAE	United Arab Emirates	Building products
Schlegel Pty Limited[1]	44 Riverside Road, Chipping Norton, NSW 2170	Australia	Building products
Schlegel Taliana SL[1]	c/ Constitución 84 Polígono Industrial Les Grases 08980 Sant Feliu de Llobregat (Barcelona) – Spain	Spain	Building products

1 Held by subsidiary.

2 Shareholding of 49 per cent held by the Group. The Group has managerial control and is entitled to 100 per cent of the profits and cash of the business.

31. Related party transactions
The following transactions were carried out with related parties of Tyman plc:

31.1 Subsidiaries
Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. There were no transactions between the Company and its subsidiaries, apart from intercompany loans.

31.2 Key management compensation
The Group considers its Directors to be the key management personnel. Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group are set out in the Remuneration report on pages 57 to 72.

Full details of individual Directors' remuneration are given in the Remuneration report on pages 57 to 72.

Independent auditors' report

To the members of Tyman plc

Report on the company financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the company balance sheet as at 31 December 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

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

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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

Independent auditors' report continued

To the members of Tyman plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Group financial statements of Tyman plc for the year ended 31 December 2016.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2017

Company balance sheet

As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments in subsidiaries	4	**295,529**	294,279
Current assets			
Debtors	5	**87,447**	73,653
Cash and cash equivalents		**11,597**	408
		99,044	74,061
Creditors – amounts falling due within one year	6	**(6,861)**	(13,695)
Net current assets		**92,183**	60,366
Total assets less current liabilities		**387,712**	354,645
Creditors – amounts falling due after more than one year	6	**(88,569)**	(75,032)
Net assets		**299,143**	279,613
Equity			
Called up share capital	9	**8,929**	8,505
Share premium		**81,407**	63,256
Other reserves		**8,920**	8,920
Treasury reserve		**(3,338)**	(4,321)
Retained earnings – carried forward		**202,838**	202,695
Retained earnings – profit for the year		**387**	558
Total shareholders' funds		**299,143**	279,613

The notes on pages 125 to 127 are an integral part of these financial statements.

The financial statements on pages 123 and 124 were approved by the Board on 8 March 2016 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Tyman plc
Company registration number: 02806007

Company statement of changes in equity

For the year ended 31 December 2016

	Called up share capital £'000	Share premium £'000	Other reserves[1] £'000	Treasury reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015	8,505	63,256	8,920	(4,742)	219,740	295,679
Total comprehensive income for the year						
Profit for the year	—	—	—	—	558	558
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)	203,253	279,613
Total comprehensive income for the year						
Profit for the year	—	—	—	—	387	387
Transactions with owners	424	18,151	—	983	(415)	19,143
Share-based payments[2]	—	—	—	—	933	933
Dividends paid	—	—	—	—	1,495	1,495
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)**	**203,225**	**299,143**

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).

The notes on pages 125 to 127 are an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2016

1. Accounting policies

1.1 Basis of preparation

The financial statements of Tyman plc have been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'. The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.3 of the Group financial statements.

1.1.1 FRS 101 – reduced disclosure exemptions

The following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payments;
- IFRS 7 Financial instruments: disclosures;
- paragraphs 91 to 99 of IFRS 13 Fair value measurement;
- the following paragraphs of IAS 1 Presentation of financial statements:
  - comparative information requirements in respect of paragraph 79(a)(iv);
  - paragraph 10(d), cash flow statements;
  - paragraph 16, statement of compliance with all IFRS;
  - paragraph 38A, minimum of two primary statements, including cash flow statements;
  - paragraphs 38B to 38D, additional comparative information;
  - paragraphs 40A to 40D, requirements for a third statement of financial position;
  - paragraph 111, cash flow statement information; and
  - paragraphs 134 to 136, capital management disclosures;
- paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors;
- IAS 7 Statement of cash flows;
- paragraph 17 of IAS 24 Related party disclosures; and
- the requirements IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group.

1.2 Foreign currency translation

1.2.1 Functional currency and presentation currency

The financial statements are presented in British Pounds, which is also the functional currency.

1.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.3 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.3.1 Financial assets: loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "debtors" (note 5) and "cash and cash equivalents" in the balance sheet.

1.3.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "creditors" (note 6).

1.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

1.5 Borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans are subsequently carried at amortised cost using the effective interest rate method. All borrowing costs are expensed as incurred, on an accruals basis, to the income statement using the effective interest rate method.

Notes to the Company financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

1.6 Share-based payments

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

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

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Details of share-based payments are provided in note 24 of the Group financial statements.

2. Profit attributable to the shareholders of the Company

The Company is an investment holding company. It receives dividend income from subsidiaries and bank interest. It pays loan interest to a subsidiary. The majority of administrative expenses are paid by the Company's subsidiary, Tyman Management Limited, including the whole amount of relevant auditors' remuneration and operating lease costs.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2016 of £0.4 million (2015: £0.6 million).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2015: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's financial statements on pages 57 to 72.

4. Investments

	£'000
Cost	
At 1 January 2015	298,848
Capital contribution relating to share-based payments	1,027
At 31 December 2015	299,875
Capital contribution relating to share-based payments	1,250
At 31 December 2016	**301,125**
Impairment	
At 1 January 2015	(5,596)
Charge for the year	—
At 31 December 2015	(5,596)
Charge for the year	—
At 31 December 2016	**(5,596)**
Carrying amount	
At 1 January 2015	293,252
At 31 December 2015	294,279
At 31 December 2016	**295,529**

All of the above investments are in unlisted shares. The Directors believe that the carrying value of the investments is supported by the recoverable amount of their underlying assets.

5. Debtors

	Note	2016 £'000	2015 £'000
Amounts receivable after more than one year:			
Amounts owed by Group undertakings		**86,990**	73,139
Corporation tax asset		**260**	—
Deferred tax asset	8	**197**	514
		87,447	73,653

The amounts owed by subsidiary undertakings are unsecured, interest free and recoverable on demand but are unlikely to be repaid within one year.

6. Creditors

	Note	2016 £'000	2015 £'000
Amounts falling due within one year:			
Amounts owed to Group undertakings		**(6,380)**	(13,285)
Other creditors		**(481)**	(410)
		(6,861)	(13,695)
Amounts falling due after more than one year:			
Private placement notes	7	**(80,693)**	(67,156)
Amounts owed to Group undertakings		**(7,876)**	(7,876)
		(88,569)	(75,032)

The amounts owed to Group undertakings falling due within one year are interest free, repayable on demand and unsecured.

The amounts owed to Group undertakings falling due after more than one year are between the Company and Octroi Group Limited, a subsidiary, and interest is charged at a fixed rate of 2.0 per cent per annum.

7. Private placement notes

The senior notes relate to the issuance of a private debt placement with US financial institutions totalling US$100,000,000. Refer to note 16.2.2 of the Group financial statements.

Details of the private placement notes, which are unsecured, are as follows:

	2016 £'000	2015 £'000
Wholly repayable in 2021	**(44,566)**	(37,152)
Wholly repayable in 2024	**(36,463)**	(30,397)
Capitalised borrowing costs	**336**	393
Total	**(80,693)**	(67,156)

8. Deferred tax asset

	2016 £'000	2015 £'000
At 1 January	**514**	903
Income statement credit	**—**	47
Tax charge relating to components of other comprehensive income	**(317)**	(436)
At 31 December	**197**	514
Deferred tax comprises:		
Timing differences	**197**	514

The deferred tax asset relates to share-based payments. There are no unused tax losses or unused tax credits.

9. Called up share capital

The share capital of the Company is as set out in note 23 of the Group financial statements.

10. Financial commitments

At 31 December 2016 the Company had future annual lease commitments on land and buildings under non-cancellable operating leases as stated below. These commitments were met on the Company's behalf by Tyman Management Limited.

	2016 £'000	2015 £'000
Not later than one year	**190**	190
Later than one year but no later than five years	**952**	952
Later than five years	**381**	571
	1,523	1,713

11. Dividends

The dividends of the Company are set out in note 25 of the Group financial statements.

12. Related party transactions

The Company has taken advantage of the exemption in accordance with FRS 101, as a wholly owned subsidiary, not to disclose details of related party transactions in accordance with IAS 24 Related party disclosures required by this standard.

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; and
- 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.

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.
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.
Constant Currency or CC	Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.
Controllable capital employed	Capital employed before tax balances (current, deferred and sales taxes), interest accruals, purchased goodwill and intangible assets.
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 93.

Definitions

Bilco	The Bilco Company acquired by the Group's AmesburyTruth Division on 1 July 2016.
DSBP	Deferred Share Bonus Plan.
Giesse	Giesse Group acquired by the Group's Schlegel International Division on 7 March 2016.
Howe Green	Howe Green Limited acquired by the Group's ERA Division on 3 March 2017.
LTIPs	Long Term Incentive Plans.
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.
The Act	The Companies Act 2006.
The Code	UK Corporate Governance Code 2016.
£ or Sterling or British Pounds	The lawful currency of the UK.
US$	The lawful currency of the United States of America.

Glossary of terms

APM	Alternative Performance Measure
APAC	Asia Pacific region
bps	Basis points
CGU	Cash Generating Unit
CPA	Construction Products Association
DSBP	Deferred Share Bonus Plan
DTR	Disclosure Rules and Transparency Rules of the UK Listing Authority
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EBT	Tyman Employees' Benefit Trust
EMEAI	Europe, Middle East and Africa and India region
EPS	Earnings per share
ESSP	Employee Sharesave Plan
EU	European Union
FRC	Financial Reporting Council
FRS 101	Financial Reporting Standard 101, 'Reduced Disclosure Framework'
FY	Full year
GHG	Green House Gas
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
JCHS	Joint Centre for Housing Studies of Harvard University
KPI	Key performance indicator
LIRA	Leading Indicator for Remodelling Activity published quarterly by JCHS
LTI	Lost time injury
LTIP	Long Term Incentive Plan
LTM	Last twelve months
M&A	Mergers and acquisitions
NPD	New product development
OECD	Organisation for Economic Cooperation and Development
OEM	Original equipment manufacturer
OTIF	On time in full
PBTA	Profit Before Taxation and Amortisation
PPE	Property, plant and equipment
R&D	Research and development
RMI	Renovation, maintenance and improvement
TMC	Tyman Management Committee
TFR	Trattamento di fine Rapporto
TSR	Total shareholder return
UK	United Kingdom
UK ESSP	Tyman Sharesave Plan
UK GAAP	UK Generally Accepted Accounting Practice
US	United States
US ESSP	Tyman US Sharesave Plan

Roundings and exchange rates

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

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

Closing rates	2016	2015
US Dollar	**1.2341**	1.4804
Euro	**1.1729**	1.3572
Australian Dollar	**1.7136**	2.0281
Canadian Dollar	**1.6589**	2.0532
Brazilian Real	**4.0176**	5.8630

Average rates	2016	2015
US Dollar	**1.3554**	1.5287
Euro	**1.2243**	1.3772
Australian Dollar	**1.8252**	2.0350
Canadian Dollar	**1.7965**	1.9536
Brazilian Real	**4.7437**	5.0923

Five-year summary

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	**457,644**	353,425	350,899	298,054	228,753
Underlying[1] operating profit	**69,803**	51,425	46,077	32,348	22,958
Net finance costs	**(7,814)**	(6,923)	(7,033)	(3,517)	(4,618)
Profit/(Loss) before taxation	**29,376**	15,576	11,904	794	(25,833)
Taxation	**(8,641)**	(7,885)	(2,573)	162	3,700
Profit/(Loss) for the year	**20,735**	7,691	9,331	956	(22,133)
Underlying[1] basic earnings per share	**25.41p**	19.33p	18.61p	13.71p	10.31p
Underlying[1] diluted earnings per share	**25.31p**	19.24p	18.40p	13.51p	10.15p
Underlying[1] profit before taxation	**62,079**	45,106	41,629	28,586	21,313
Dividends per share declared	**10.50p**	8.75p	8.00p	6.00p	4.50p
Total number of shares in issue	**178,582**	170,104	170,104	170,104	137,287
Return on capital employed[2]	**13.8%**	12.5%	11.4%	9.0%	7.2%
Underlying net debt[2]	**(176,749)**	(83,179)	(90,678)	(80,947)	(36,982)
Leverage[2]	**1.89x**	1.35x	1.56x	1.81x	1.23x
Operating Cash Conversion[2]	**105.9%**	84.9%	71.8%	116.4%	84.1%
Average monthly number of employees	**3,568**	2,947	2,897	2,317	1,871

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. Non-GAAP alternative performance measures for 2015 have been restated to include gains and losses on the fair value of derivative financial instruments. See Alternative Performance Measures on page 128.

2 See Alternative Performance Measures on page 128.

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Tyman plc Annual Report and Accounts 2016