Tyman plc Annual Report and Accounts 2017

Delivering **operational excellence**

TYMAN PLC

TYMAN PLC

A brief overview

Who we are

Tyman is a leading international supplier of engineered components to the door and window industry.

Our building products solutions include:

- a full suite of window and door hardware including high security locks, electronic access controls and perfectly matching hardware;
- compact balances, casement operators and hinges that enable windows to function efficiently and effectively;
- weatherproof seals for doors and windows;
- roof access hatches, smoke vents and sidewalk doors used in residential, commercial and infrastructure applications;
- complex ancillary extrusions that improve window and door performance; and
- in the UK, we also offer the market-leading sash window renovation service.

→ Find out more about our business on **Page 5**

How we create value

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

- Flexibility and engineered solutions
- Financial discipline
- Quality and service

→ See our business model on **Page 10**

Financial highlights

Revenue

£522.7m

2016: £457.6m +14.2%

Underlying Operating Profit

£76.8m

2016: £69.8m +10.0%

Profit before Taxation

£34.5m

2016: £29.4m +17.6%

Underlying Earnings Per Share

26.91p

2016: 25.41p +5.9%

Dividend per share

11.25p

2016: 10.50p +7.1%

Underlying Net Debt

£163.7m

2016: £176.7m (7.4)%

Leverage

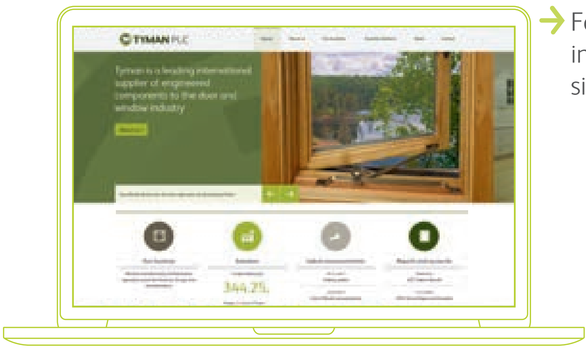
1.83x

2016: 1.89x (0.06)x

→ Alternative Performance Measures provide additional useful information to shareholders on the underlying performance of the business. A detailed description of APMs, which have been consistently applied, is included on **Page 146**

Operational highlights

- Further year of profitable growth assisted by increased contributions from Bilco and Giesse acquisitions and favourable exchange rates.
- AmesburyTruth ahead of last year with strong Bilco growth partially offset by some short term market share loss in smaller residential customers and operational issues in Juarez, Mexico, which are now largely resolved.
- ERA gained share in both OEM and distribution in what remains a slow market.
- SchlegelGiesse increased margins by c. 190 bps as its enlarged product offering continues to gain traction.
- Synergy targets for both Giesse and Bilco acquisitions exceeded.
- Leverage back within the Group's target range of 1.50 to 2.00x at year end.
- Industry-leading facilities opened in Sioux Falls, South Dakota; Statesville, North Carolina; and Wolverhampton, West Midlands.
- Group effective tax rate for 2018 expected to reduce by c. 400 bps to 26.0–27.0 per cent following changes to US Federal tax rate.



→ For latest news and more information about our business simply visit **tymanplc.com**

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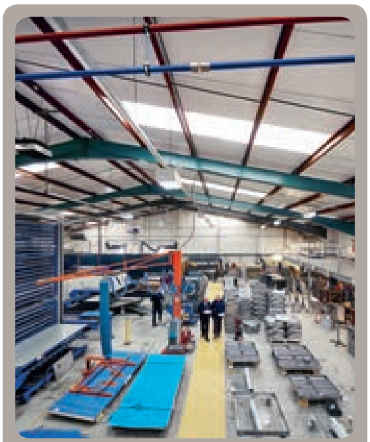
Delivering operational excellence

Delivering in 2017

The Group's footprint project brought a number of new and expanded facilities online, adding to the centres of excellence within the Group's operations.



Howe Green acquired by the Group

Howe Green is one of the world's leading manufacturers of floor, wall and ceiling access hatches. For over 30 years Howe Green has been at the forefront of design and innovation in the highly specialised architectural building products sector.

See our Operating review on **Page 22**

New sites in Sioux Falls and Statesville

Two new centres of excellence opened in Sioux Falls, South Dakota, and Statesville, North Carolina. The movement of plant and machinery and key personnel to the new centres of excellence was completed on time and within budget.

See our Operating review on **Page 18**

Giesse merges sites in Bologna

Two Giesse facilities in Bologna were consolidated onto the larger manufacturing site, with an offsite logistics warehouse retained for the storage and dispatch of finished goods.

Our investment case

1

Increasing geographical footprint

Countries

19

2

A balanced financial discipline

Revenue

+14%

3

Strong relationships with customers and suppliers

Sourcing and distribution sites

18

4

Proven expertise and experience

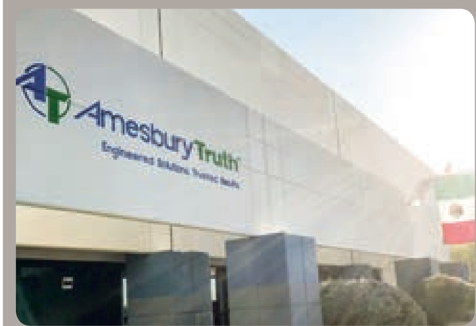
Pedigree dating back to

1838

The Juarez centre of excellence became fully operational

This site is now a 157,000 sq. ft. plant, fulfilling phase I of the North American footprint project. The expansion has transformed this facility into a full-service manufacturing unit.

See our Operating review on **Page 18**



Harrogate site opened for business

Ventrolla moved to a new facility in the first quarter of the year which allows the business to manufacture larger timber windows for commercial projects as well as residential joinery.

See our Operating review on **Page 22**

Wolverhampton site becomes a centre of excellence

ERA occupied its new facility at Wolverhampton in the West Midlands during the second half of the year, with the final warehouse moves taking place in the first two months of 2018. The purpose built 136,000 sq. ft. facility has allowed the consolidation of three distribution warehouses onto a single site.

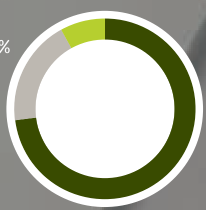
Group at a glance

Market leaders

Tyman's businesses are market leaders in their chosen geographies. The Group provides innovative solutions to offer a complete range of hardware, seals and extrusions for both residential and commercial applications.

Who Tyman sells to

- Manufacturers of doors and windows – 73%
- Distributors and wholesalers – 19%
- Other industrial uses – 8%

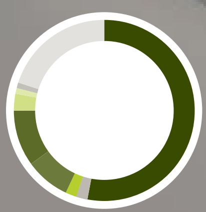


Where Tyman's products are sold

- US – 56%
- UK – 16%
- Europe – 11%
- Canada – 7%
- Rest of the World – 7%
- Australia – 2%
- China – 1%

Sourcing analysis

- US – 53%
- Far East (inc. China) – 20%
- Italy – 10%
- UK – 8%
- Other Europe – 3%
- Canada – 2%
- Mexico – 2%
- Australia – 1%
- South America – 1%



What Tyman sells

- Hardware – 45%
- Sealing – 17%
- Balances – 11%
- Operators – 9%
- Speciality access products – 9%
- Polymer extrusion – 4%
- Industrial and restoration – 4%
- Metal forming – 1%

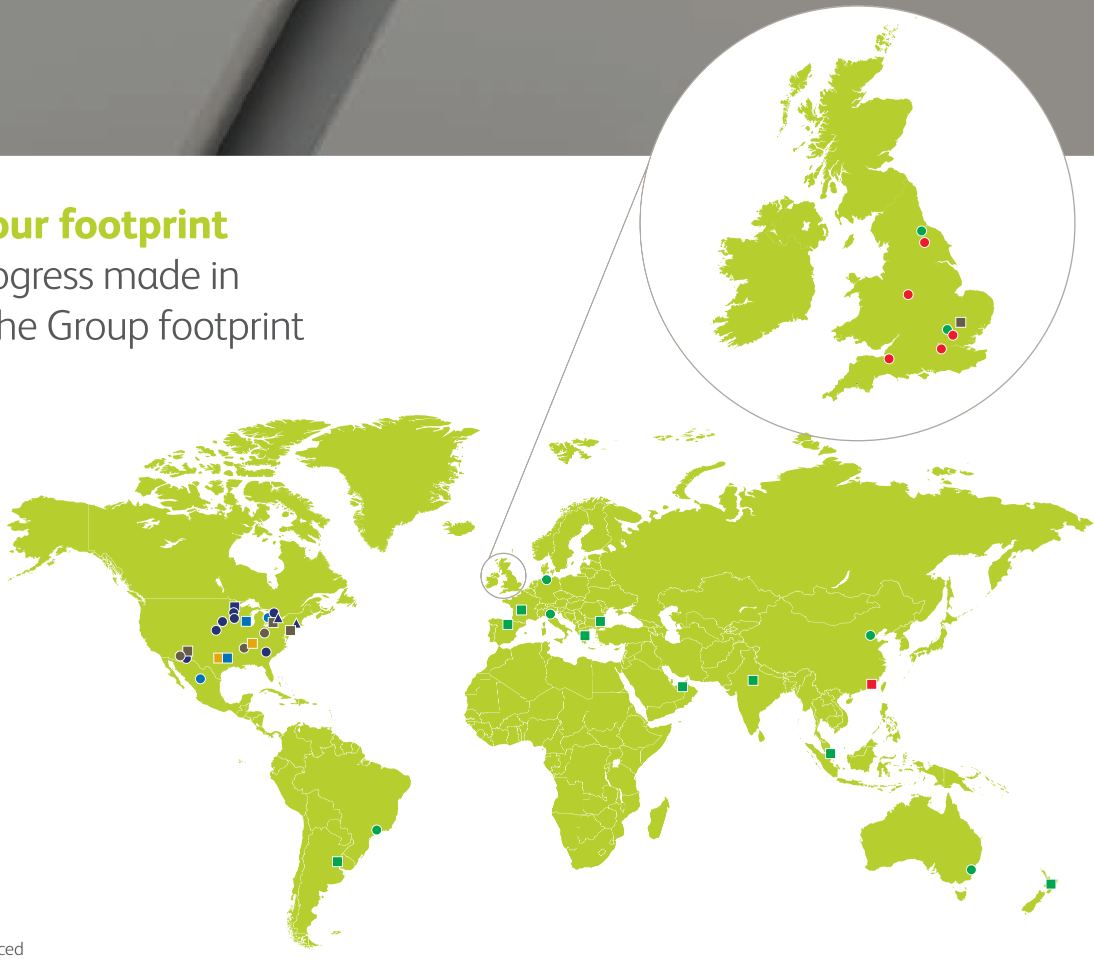
Optimising our footprint

Significant progress made in rationalising the Group footprint

9
facilities exited

3
properties for sale

4
significant new facilities



- AmesburyTruth site
- ERA site
- SchlegelGiesse site
- Bilco site
- Ashland site
- ISC third party warehouse
- Manufacturing site
- Sourcing/distribution site
- Site rationalisation announced

AmesburyTruth

Tyman's 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.

AmesburyTruth's commercial activities include Bilco, North America's leading manufacturer of smoke vents, roof access hatches and sidewalk doors.

Revenue	Underlying Operating Profit
£332.7m	**£59.7m**
2016: £290.1m	**2016:** £54.6m

→ More on **Pages 18 to 21**

ERA

Tyman's 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 video. These products are brought to the market under the ERA and Fab & Fix brands. ERA also owns Ventrolla, a leading sash window renovation business.

ERA's commercial and light infrastructure business is Bilco, incorporating Howe Green, a manufacturer and distributor of commercial and light infrastructure floor and roof access covers.

Revenue	Underlying Operating Profit
£80.3m	**£10.2m**
2016: £73.0m	**2016:** £11.7m

→ More on **Pages 22 to 23**

SchlegelGiesse

SchlegelGiesse comprises the Group's businesses outside North America together with its UK sealing and extrusion businesses.

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.

Revenue	Underlying Operating Profit
£109.7m	**£12.8m**
2016: £94.6m	**2016:** £9.4m

→ More on **Pages 24 to 25**

Differentiated strategic focus

A solid set of results with good cash generation demonstrating the Group's resilience.

Martin Towers
Non-executive Chairman

This is my first statement since my appointment as Chairman of Tyman in May of last year in succession to Jamie Pike.

Tyman has again demonstrated its resilience in producing a solid set of results for 2017 and a further year of profitable growth, assisted by increased contributions from the Bilco and Giesse businesses purchased in 2016 and by further margin expansion in the enlarged SchlegelGiesse business.

These results were achieved despite the Group encountering some challenges during the year. Operational issues in Juarez, Mexico took longer to resolve than expected, there was some short term market share loss in AmesburyTruth and subdued market conditions continued in the United Kingdom.

In 2017, alongside its regular agenda items, the Board has spent considerable time on four key topics: how the Board operates, succession planning, Group strategy and health and safety.

How the Board operates

The Board conducted an externally facilitated evaluation during the year, with a focus on how the Board and its associated Committees operate, the results of which are summarised in the Corporate governance section on pages 56 to 60. This exercise has proved useful in that it confirmed the open and collegiate culture of the Group Board while providing specific direction for improvement of the Board's processes in the future.

> "Please join us on 10 May 2018 in Wolverhampton to see first hand how one of Tyman's Divisions is delivering our commitment to operational excellence."
>
> **Martin Towers**
> Non-executive Chairman

As in previous years the Board continued with its established practice of spending time with Divisional management and employees away from the Group head office. In 2017, Board meetings were held in the US and Italy with site visits made to the Group's two facilities in Juarez, Mexico.

The Board also attended the Group Management Conference held in Bologna, Italy, in October.

Succession planning

Succession planning is a key Board responsibility and the Nominations Committee has spent considerable time during the year considering succession plans for both the Board and for the Divisional Management Teams. Further details on succession planning are contained in the Nominations Committee report on pages 67 to 68.

A number of changes to the Board composition and roles took place during the year. As announced at the time of the interim results, from August 2017 James Brotherton took on responsibility for Group strategy, corporate development and M&A in addition to his existing duties as Chief Financial Officer. Helen Clatworthy joined the Board as an Independent Non-executive Director in January 2017 and took over from me as Chair of the Audit Committee in May.

Since the year end Tyman has announced the appointment of Pamela Bingham as an Independent Non-executive Director and the retirement of Angelika Westerwelle. I would like to welcome Pamela to the Group Board and thank Angelika for her service to Tyman.

Jamie Pike stepped down as Non-executive Chairman in May 2017 and I succeeded him from that date. Jamie joined Tyman in November 2009 following a challenging period for the Group and led the Board through the subsequent seven and half years in which Tyman changed considerably. He made a significant contribution to the Group's development in that time and, on behalf of all shareholders, I would like to thank Jamie for his leadership and to wish him well for the future.

Group strategy

To allow scope for discussion and debate, the Board held a strategy away day in 2017 which included presentations to the Board from the three Divisional CEOs concerning the strategy for their Divisions' respective markets.

The Group's strategy remains to be a leading international supplier of engineered components to the door and window industry. This strategic focus, which was adopted in 2010, has allowed Tyman to differentiate itself in the various national markets in which the Group operates. As the Group has grown, the strategy has evolved from a pure play on residential markets to include commercial applications and now light infrastructure.

Our strategy is implemented through a combination of our commitment to operational excellence, targeted acquisitions and close alignment with our customers.

Tyman remains the only supplier of scale that can offer its customers, wherever they are located, a one stop solution for all their engineered component requirements. Further details on the Group's strategy are set out in the business model on pages 10 to 11.

2017 saw further significant investment made in the Group's operating footprint with new facilities constructed in Statesville, North Carolina, and Wolverhampton, West Midlands. These investments provide the Divisions with the modern manufacturing, sourcing and distribution facilities necessary to achieve operational excellence and support our future growth.

The Group made one small acquisition in the year, Howe Green, which has performed well since completion and has a good pipeline of prospects in the UK light infrastructure space. The integrations of Bilco and Giesse are now largely complete and it is pleasing to note the contributions that both businesses are making to the Group.

Health and safety

The health and safety of our employees remains a key priority for the Board and it is disappointing to have to report that the number of lost time incidents increased year on year and that severity rates increased across all three Divisions.

As part of the Group's commitment to operational excellence, the Board remains determined that all employees will be provided with a high quality, safe and appropriate working environment. 2017 saw further investments made in new plant and machinery and in appropriate guarding, as well as additional third party audits of operating environments.

All three Divisions now have their own dedicated Health and Safety Officer whose remit includes the rolling review of policies and procedures, as well as the investigation of incidents as and when they occur.

The Board continues to place a high priority on Tyman achieving real and tangible improvement to the Group's health and safety record and in 2018 the Chief Executive's remuneration will in part be determined by the Group's progress in this area.

Board priorities

2017 has seen the Board focus on four key areas:

- How the Board operates
- Succession planning
- Group strategy
- Health and safety

→ Find out more about governance on **Pages 56 to 60**

Dividend

Underlying Earnings Per Share increased to 26.91 pence in 2017 assisted by full year contributions from Giesse and Bilco and exchange translation benefits. In light of the Group's performance during the year, the Board is recommending a final dividend of 7.75 pence per share, making a total of 11.25 pence per share for the year, which equates to Dividend Cover of 2.40x and is an increase of 7.1 per cent over the previous year.

Outlook and AGM

As an international manufacturer working with customers in many different countries, the Group has continued to deliver for its stakeholders in 2017. The investments Tyman has made in each of its Divisions this year positions the Group well for further profitable growth in the years to come.

The Group's AGM this year will be held at the ERA Division's new facility in Wolverhampton on Thursday 10 May 2018. I do hope that as many shareholders as possible are able to join us to see first hand how one of Tyman's Divisions is delivering our commitment to operational excellence.

Martin Towers
Non-executive Chairman
7 March 2018

Chief Executive Officer's review

Focusing on our strengths

The Group has again demonstrated its resilience in producing a solid set of results.

2017 saw a further year of profitable growth for the Group with increased contributions from the Bilco and Giesse acquisitions, and continued favourable exchange rates on translation.

Footprint projects in each of the Divisions progressed well such that the Group has the safe, modern and flexible facilities necessary to support our customers' needs, increase our product quality and improve our service levels.

Reported Revenue and Underlying Operating Profit increased by 14.2 and 10.0 per cent respectively, principally due to the Bilco and Giesse acquisitions and favourable exchange rates on translation. On a constant currency like for like basis, Revenue increased by 1.7 per cent in the year and Underlying Operating Profit decreased by 1.5 per cent.

Cash generation was lower than in recent years due to targeted investment in working capital and continued investment in the balance sheet, including gross capital expenditure at 1.27x Depreciation. The Group remains cash generative and Leverage at the year end of 1.83x was again comfortably back within the Group's core year-end target range of 1.50x to 2.00x.

ROCE decreased slightly in the year to 13.6 per cent, with the Group continuing to target achieving a ROCE of 15.0 per cent over the medium term.

Louis Eperjesi
Chief Executive Officer

2018 priorities

Tyman's key priorities for 2018 are an extension of the themes that the Group has developed over the past few years and include:

1. Health and safety

The Group's health and safety performance in the past two years has been disappointing, despite the significant investment made in both time and resources dedicated to health and safety functions in each Division.

Securing a demonstrable improvement to the Group's health and safety record in 2018 is regarded by the Board as being of the highest importance. 2018 will see further investment made in employee training, the development of safer working practices, additional capital investment and sharing of best practice across Divisions.

2. Footprint

Tyman made significant changes to its footprint in 2017 in each of its Divisions such that the Group has safe, modern and flexible facilities necessary to support customers' needs, increase product quality and improve service levels.

2018 will see the completion of moves into the new facilities in the UK and US and the exit from two significant sites in North America. Successful management of these moves, with minimal operational disruption to the businesses, will be a key priority for the Group during the year.

3. Group collaboration

The Group has successfully established inter-Divisional teams in the areas of health and safety, risk management and supply chain through TSA. Cross selling of other Divisions' products continued to gain traction most notably with the Giesse products in North American and UK markets.

Encouraging effective communication, consistency of approach, sharing of best practice and standards of operational excellence across each of the Divisions remains a focus in 2018.

4. Financial objectives

A return to like for like Revenue growth and margin expansion in each Division, underpinned by working capital discipline and cash generation to enable the Group to make further progress towards its committed medium term ROCE target of 15.0 per cent.

Input cost inflation pressures in 2018 will be managed through a combination of effective purchasing, price management and cost reduction programmes.

5. 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.

6. M&A

Pursuing the Group's active acquisition programme, prioritising hardware and seals businesses in the UK and Europe and selecting emerging markets together with commercial hardware businesses in key end markets.

7. Integration

The completion of the integration of Bilco and the start of the integration of Ashland Hardware into AmesburyTruth.

Outlook

AmesburyTruth expects US residential and commercial markets will show growth in 2018, possibly assisted by increasing real wages as the changes to the US tax code become established. The Canadian market for the Division's products is expected to show further growth, although at a slower rate than was seen in 2017.

AmesburyTruth is well placed to capture the opportunities that exist in 2018, and expects to see market share recovery among smaller customers, like for like sales growth and a return to margin expansion during the year.

ERA expects that UK residential RMI demand will continue to be slow in 2018 and, as a consequence, expects that the market will contract to a similar extent to 2017. Given the subdued market backdrop ERA's focus will be on further share gains, leveraging the opportunities offered by ERA's new facility, new product introductions and management of costs and overheads. The outlook for ERA's commercial and light infrastructure products remains promising in 2018.

SchlegelGiesse expects that Continental European markets will show broad-based incremental growth in 2018 and is well placed to take further market share. The second half momentum established in the Middle East and Latin America is expected to continue, with key Brazilian and Argentine markets recovering. China and Asia Pacific markets are likely to remain variable with opportunities for growth in certain countries.

Volumes in 2018 to date are in line with expectations and there is a promising order book in each Division. Tyman expects to see a further year of profitable growth in 2018.

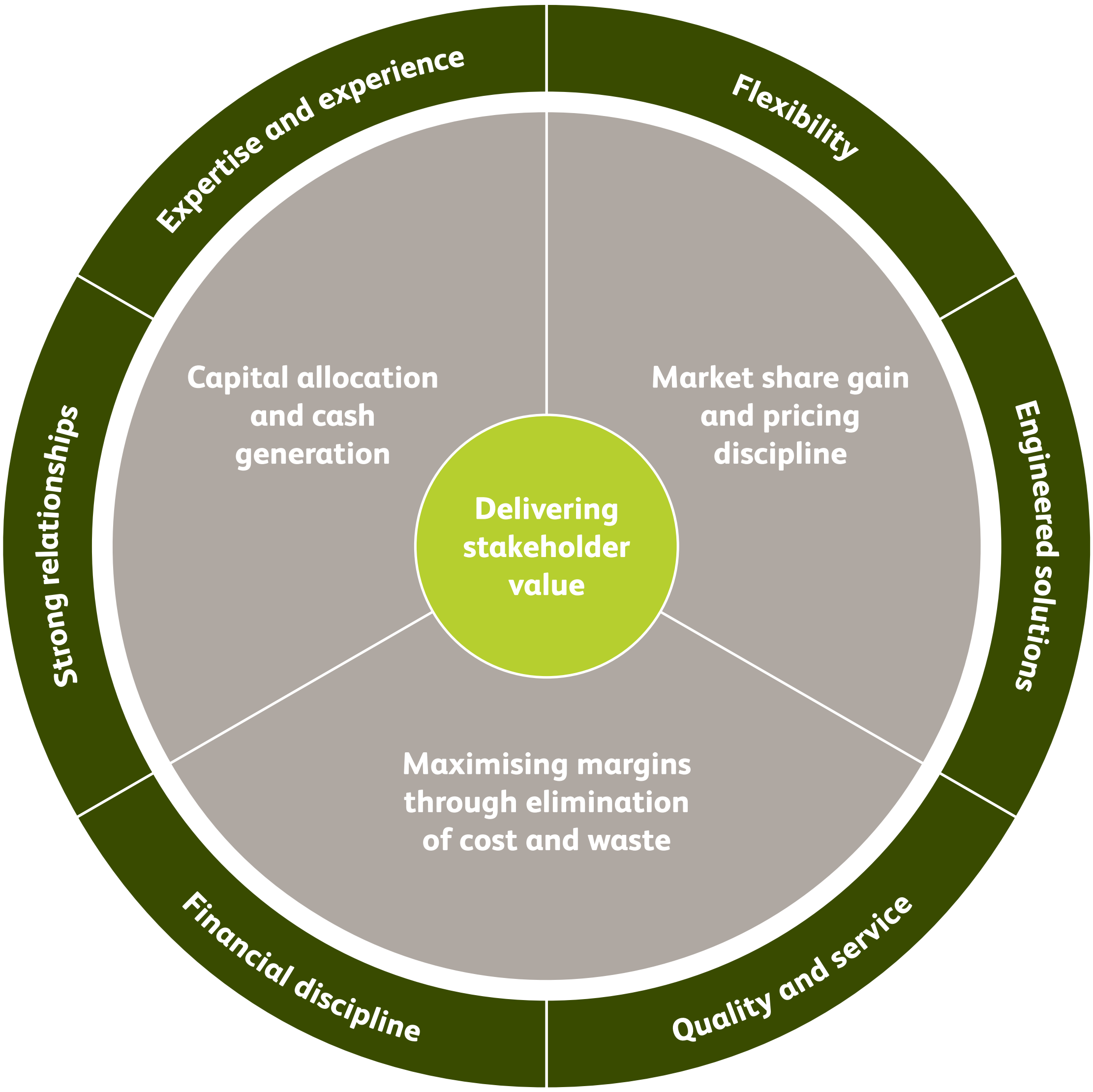
Louis Eperjesi
Chief Executive Officer
7 March 2018

> "Tyman expects to see a further year of profitable growth."
>
> **Louis Eperjesi**
> Chief Executive Officer

Tyman's business model

Creating value for stakeholders

The Group's business model is driven by its key strengths, which delivers value to Tyman's customers, shareholders and people.



Tyman's key strengths

Flexibility
Tyman chooses to manufacture certain products, such as complex balances, extrusions and seals, close to the customer base when flexibility, variety or complexity are key to the component manufacturing process and to the customer.

Engineered solutions
Substantially all of the components supplied to Tyman's customers – whether manufactured by Divisions in their own plants or sourced externally – are engineering-led, value-added products made to Tyman's designs, protected where possible and practical by patents and intellectual property, and manufactured on the Group's proprietary tooling.

Quality and service
The manufacturing decision for Tyman comes back to the Group's desire to differentiate its product offering from the Group's competitors by providing customers with the highest quality product at the relevant price point, delivered to specification on time and in full.

Financial discipline
Tyman focuses on financial disciplines that encompass margin targets for each product, 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.

Strong relationships
We believe in establishing an honest and fair long-term relationship with suppliers and customers based on value, quality and range of products, industry-leading service and value-added technical support.

Expertise and experience
Tyman invests in its people through employee training, career path development, and improvement of working practices and conditions. Training schemes around the Group include apprenticeship schemes, vocational training as well as personal development programmes.

Tyman's strategy

Market share gain and pricing discipline

Maximising margins through elimination of cost and waste

Capital allocation and cash generation

See our strategy on **Pages 12 to 13**

Value creation

Our customers
- Providing customers with the engineered components they need to add form and function to their end products.
- Providing the highest quality product for the relevant price point.
- Offering industry-leading levels of service.
- Investing in products and processes such that Tyman is the partner of choice.

1.7%

increase in organic Revenue

Our shareholders
Increasing shareholder value through:

- focusing on returns through capital allocation and cash generation;
- profitable growth in market share year on year; and
- pricing discipline to ensure a fair return on investment.

7%

increase in dividend

Our people
- Giving employees a modern, safe operating environment and opportunities for career development.
- Investment in facilities across all three Divisions.
- Commitment to improving health and safety across the Group.
- Enhanced training and development programmes.

3,900

employees

Delivering the strategy

The Group's strategy is to create shareholder value through being a leading international supplier of engineered components to the door and window industry.

Market share gain and pricing discipline

A Market share gain

Strategic objectives
Tyman aims 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 the Group's product offering and our ability to offer customers engineered solutions means that in each market there remain opportunities for the Group to continue to increase its market share.

Performance in 2017
The Group lost some residential market share in North America in 2017, however grew share in a number of international markets.

Focus for 2018
Profitable growth in market share remains a core objective for the Group and each Division is targeting further improvements in 2018. In North America the changes made to the route to market for smaller customers are expected to lead to market share recovery in 2018. Given market conditions, profitable share gain in the UK will be a particular focus for ERA.

Risks
- Market conditions
- Competitors
- Loss of major customers
- Raw material costs and supply chain failures
- Business integration

Key performance indicators
- Like for like Revenue growth
- Underlying Operating Margin

B Pricing discipline

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

Performance in 2017
Price discipline was well maintained in 2017 across each Division with the Group securing price and surcharge increases of 9.0 per cent in aggregate to recover in part raw material cost increases and exchange rate movements. AmesburyTruth did not recover all material cost increases incurred by the Division in 2017.

Focus for 2018
Inflationary cost pressures will continue in 2018 with further increases in commodity prices expected. Each Division will monitor pricing closely to ensure it reflects the costs of doing business.

Risks
- Market conditions
- Competitors
- Loss of major customers

Key performance indicators
- Like for like Revenue growth
- Underlying Operating Margin

Maximising margins through elimination of cost and waste

C Process scrutiny

Strategic objectives
Divisions scrutinise Tyman's manufacturing and sourcing processes to ensure that they 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 2017
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 2018
Improvements to processes will be a focus for each Division in 2018 in order to improve the Group's health and safety record, meet increasing quality standards and eliminate unnecessary cost and waste from processes.

Risks
- Competitors
- Loss of major customers
- Raw material costs and supply chain failures
- Footprint rationalisation
- Business integration
- Key Executives and personnel

Key performance indicators
- Like for like Revenue growth
- Underlying Operating Margin
- Return on Capital Employed and Return on Controllable Capital Employed
- Return on Acquisition Investment
- Underlying basic EPS

Capital allocation and cash generation

D Capital allocation

Strategic objectives
The Group adopts a rigorous appraisal process for all items of capital investment in order to ensure that 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 Divisions continue to invest in making facilities safe, leading edge and attractive working environments that are fit for purpose for an international manufacturing organisation.

Performance in 2017
Returns on capital decreased slightly during the year reflecting the increased levels of capital employed in the business following investment and the reduced Underlying Operating Margin.

Focus for 2018
The Group will continue to invest in the Divisions in 2018 through its footprint and integration projects and will seek to improve the Underlying Net Operating Margin as it makes progress towards its ROCE target of 15 per cent.

Risks
- Footprint rationalisation
- Business integration
- Financial risks
- Liquidity and credit risks

Key performance indicators
- Leverage
- Return on Capital Employed and Return on Controllable Capital Employed
- Return on Acquisition Investment
- Dividend growth
- Operating Cash Conversion

E Cash generation

Strategic objectives
Each Division is targeted on conversion of 100.0 per cent of its Underlying Operating Profit into operating cash. These Divisional cash conversion targets intentionally exclude capital investment in order to encourage the required long term investment decisions necessary to improve the Group's business. At a Group level, Operating Cash Conversion is measured after capital investment.

In any one year, a Division may need to invest in working capital in order to support customers' needs; however, a focus on cash conversion ensures that working capital investment receives the necessary scrutiny.

Performance in 2017
The Group generated £31.7 million of Free Cash Flow in 2017 which more than covered the Group dividend, the acquisition of Howe Green and other investments. This was despite the significant capital and operational investment made in each Division in connection with the various footprint projects.

Leverage was back within the Group's target range at the year end for the sixth successive year.

Focus for 2018
Further improvements to cash generation are targeted in the year with a more normal working capital cycle expected in 2018. 2018 will be the final year of material capital and operational investment in the North American footprint project.

Risks
- Key executives and personnel
- Financial risks
- Liquidity and credit risks

Key performance indicators
- Leverage
- Return on Acquisition Investment
- Dividend growth
- Operating Cash Conversion

"Profitable growth in market share remains a core objective for the Group and each Division is targeting improvements in market share in 2018."

Louis Eperjesi
Chief Executive Officer

→ See risks on **Pages 36 to 41**

→ See key performance indicators on **Pages 14 to 17**

Key performance indicators

Tracking performance

Tyman measures success through a focus on KPIs which are measured, reported on and challenged at all levels of the business.

Like for like Revenue growth

Trend ▲

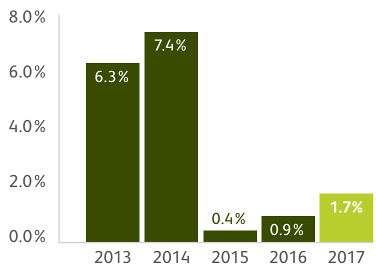
Year on year Revenue growth from continuing operations measured on a like for like basis. The KPI is used to evaluate the ability of the Group to grow its business organically year on year.

Strategic pillars

A B C D E

Like for like Revenue growth

1.7%



2017 performance
Organic Revenue growth improved for the second successive year, with 2.2 per cent of the increase relating to pricing and surcharge actions offset in part by a 0.5 per cent decrease in sales volumes.

Target
To grow Revenue organically year on year.

Underlying Operating Margin

Trend ▼

Underlying Operating Profit from continuing operations as a percentage of Revenue from continuing operations. The KPI is used to evaluate the profitability and financial health of the Group.

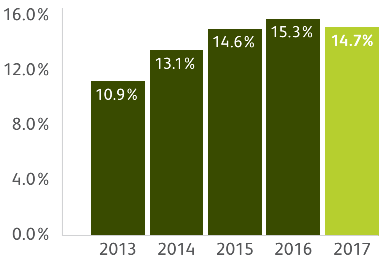
→ Refer to **page 148** for definition of Underlying Operating Profit.

Strategic pillars

A B C D E

Underlying Operating Margin

14.7%



2017 performance
Underlying Operating Margins decreased by 60 bps, the decrease largely driven by higher input costs across the Group in the year.

Target
To maintain and improve operating margins through the management control of the Group's processes as well as overheads and administrative costs.

Leverage

Trend ▲

Underlying Net Debt divided by Adjusted EBITDA both calculated at average exchange rates. The KPI is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.

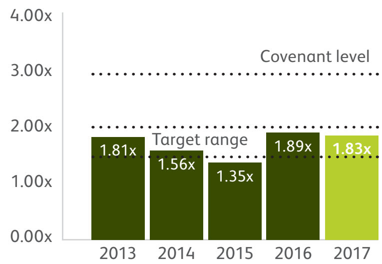
→ Refer to **page 148** for definitions of Underlying Net Debt and Adjusted EBITDA.

Strategic pillars

A B C D E

Leverage

1.83x



2017 performance
Leverage decreased by 0.06x to 1.83x, largely driven by the combined beneficial effect of a fall in Underlying Net Debt and a rise in adjusted EBITDA. Leverage at the year end was comfortably within the Group's target range of 1.50x to 2.00x and below 2.00x for the sixth successive year.

Target
To maintain a core Leverage ratio of between 1.50x to 2.00x at the year end throughout the cycle.

Our strategy

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

Return on Capital Employed and Return on Controllable Capital Employed

Trend ▼

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

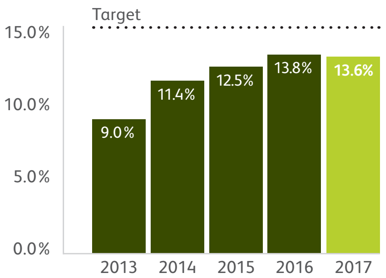
→ Refer to **page 148** for definitions of controllable capital employed and Underlying Operating Profit.

Strategic pillars

A B C D E

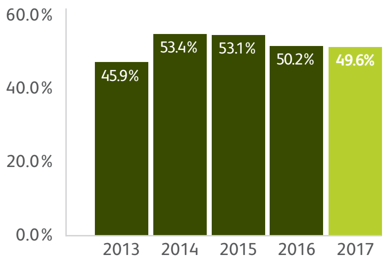
Return on Capital Employed

13.6%



Return on Controllable Capital Employed

49.6%



2017 performance

ROCE decreased by 20 bps to 13.6 per cent (2016: 13.8 per cent) and ROCCE decreased by 60 bps to 49.6 per cent (2016: 50.2 per cent). The fall in both measures is principally due to increases in average capital and controllable capital employed, following the 2016 acquisitions.

The Group continues to target a ROCE of 15.0 per cent over the medium term.

Target

To maintain and steadily improve ROCE and ROCCE with a medium term target for ROCE of 15.0 per cent.

Return on Acquisition Investment

Trend ▲

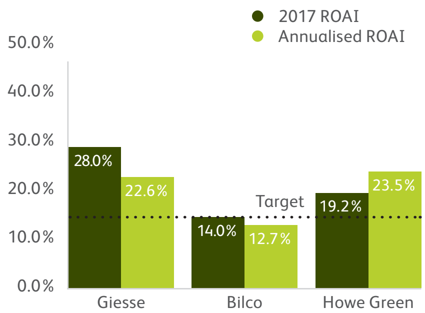
Underlying Operating Profit including synergies generated by an acquisition divided by the total cost of the acquisition. This KPI is monitored during the first two years of ownership. The KPI is used to evaluate the efficiency and returns achieved by the Group from its investments in recent material business acquisitions.

→ Refer to **page 148** for definition of ROAI

Strategic pillars

A B C D E

Return on Acquisition Investment



2017 performance

Giesse has made a significant contribution to the Group since its acquisition in March 2016 and has materially exceeded the Group's minimum target return threshold on both a run rate and annualised basis.

The ROAI for Bilco has increased as synergy benefits have started to be realised in the year. Bilco is expected to exceed the minimum run rate target return threshold within two years of acquisition.

Howe Green has been owned by the Group for ten months at the year end and has performed encouragingly since acquisition.

Target

For all acquisitions to achieve a run rate of ROAI greater than 15.0 per cent within two years of acquisition.

Key performance indicators continued

Our strategy

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

Underlying basic EPS

Trend ▲

Underlying Profit after Taxation divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares. The KPI is used to determine the improvement in underlying EPS for our shareholders.

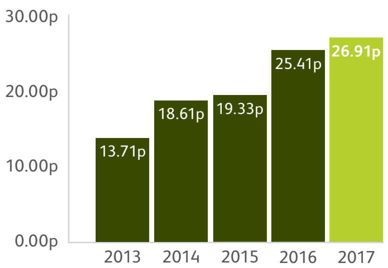
→ Refer to **page 148** for definition of Underlying Profit after Taxation.

Strategic pillars

A B **C** D E

Underlying basic EPS

26.91p



2017 performance

Underlying basic EPS increased by 5.9 per cent to 26.91 pence. The increase reflects the improvement in Underlying Operating Profit, offset by higher finance costs in the year and the higher Underlying effective tax rate for the Group.

Target

To improve underlying EPS performance year on year.

Dividend growth

Trend ▲

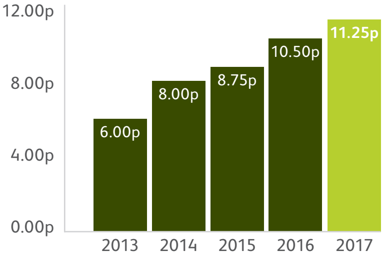
Year on year growth in total dividends. The KPI is used to evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.

Strategic pillars

A B C **D** **E**

Dividend growth

11.25p



2017 performance

Dividends have continued to grow consistently and by 7.1 per cent in the year. This equates to dividend cover of 2.40x, towards the top end of the Group's target range of 2.00x to 2.50x.

Target

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

Operating Cash Conversion

Trend ▼

Operational Cash Flow divided by Underlying Operating Profit. The KPI is used to evaluate the cash flow generated by the business operations in order to pay down debt, return cash to shareholders and invest in acquisitions.

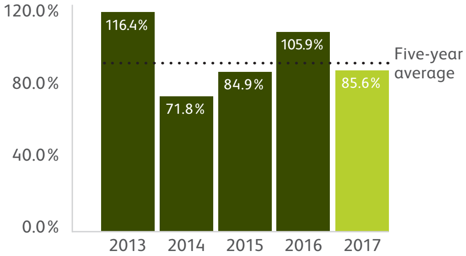
→ Refer to **page 148** for definitions of Operational Cash Flow and Underlying Operating Profit.

Strategic pillars

A B C **D** **E**

Operating Cash Conversion

85.6%



2017 performance

Operating Cash Conversion fell to 85.6 per cent with the measure impacted mostly by the year on year investment made in trade working capital of £10.4 million.

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.

On time in full delivery rate

Trend

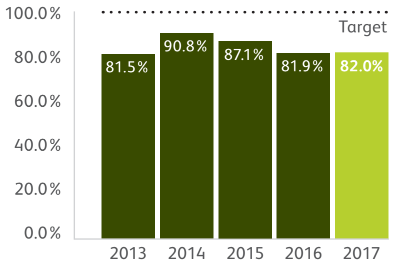
Proportion of customer orders that are delivered in full within the customer required time slot. The KPI is used to evaluate the manufacturing productivity and how efficient the business is at meeting delivery deadlines.

Strategic pillars

A B C D E

On time in full delivery rate

82.0%



2017 performance

The on time delivery rate improved marginally in the year following declines in 2015 and 2016.

As with the prior year, OTIF performance was impacted by factory moves in North America and the United Kingdom arising from footprint rationalisation programmes.

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 95.0 per cent.

Lost time injuries

Trend

The number of lost time injuries and the lost time injury rate are used to evaluate the frequency and directional trend of reported injuries.

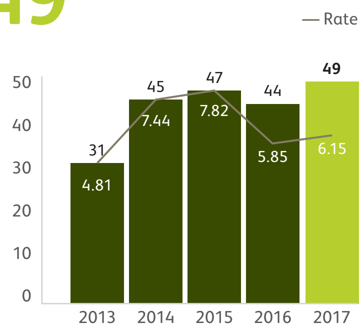
Refer to **page 149** for definitions of the number of lost time injuries and the lost time injury rate.

Strategic pillars

A B C D E

Lost time injuries

49



2017 performance

Although the Group has invested in its safety culture, the increase in both KPIs is disappointing. The severity of incidents was minor and most were preventable.

The Group continues to place a high priority on delivering tangible improvements to its health and safety record.

Target

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

Two new centres of excellence

AmesburyTruth™

£'m except where stated	2017	2016[1]	Change	CC LFL
Revenue	**332.7**	290.1	+15%	+2%
Underlying Operating Profit	**59.7**	54.6	+9%	—
Underlying Operating Margin	**17.9%**	18.8%	(90) bps	(30) bps

US$'m except where stated	2017	2016[1]	Change	CC LFL
Revenue	**428.8**	393.1	+9%	+2%
Underlying Operating Profit	**77.0**	74.1	+4%	—
Underlying Operating Margin	**17.9%**	18.8%	(90) bps	(30) bps

1 2016 restated for transfer of Bilco UK from AmesburyTruth to ERA.

Jeff Graby
President and Chief Executive Officer – AmesburyTruth

Summary

- Mixed trading performance in 2017 despite favourable market conditions.
- Juarez centre of excellence fully operational and two new centres of excellence opened.
- Three facilities closed in 2017 and 2018 and closures of Rochester and Amesbury facilities announced.
- Strong Bilco growth with delivery of US$2.8 million revenue and cost synergies in 2017.

Market

US residential

US residential markets saw further growth in new build starts and completions during 2017. Seasonally adjusted single family starts and completions each increased to 0.8 million units, increases of 3.5 per cent and 6.9 per cent respectively. Multifamily starts declined during the year reflecting a rebalancing of US construction towards single family units. Total residential completions in the US increased by 7.4 per cent in the year to 1.2 million units.

Repair and remodelling improved in 2017 with the NAHB RMI sentiment index averaging 57 (2016: 54) and the LIRA index increasing by 6.4 per cent. The aggregate value of residential construction put in place in the US in 2017 increased by 6.2 per cent to US$532.9 billion (2016: US$502.0 billion). Market data is aggregated across all aspects of repair and remodelling; the Division believes that the repair and remodelling for its products grew at a slower rate than the overall market.

The Division believes that the residential door and window market in the US increased in value terms by c. 4.5 per cent during the year.

US commercial

US commercial markets were flat in 2017 with the value of non-residential construction put in place increasing marginally to US$720.4 billion (2016: US$719.6 billion).

Canadian market

Canadian housing starts increased by 5.4 per cent in 2017 with continued growth in multifamily. The value of Canadian non-residential construction put in place grew by 1.6 per cent year on year, with commercial construction flat.

Business performance and developments

AmesburyTruth had a mixed year during 2017 despite generally favourable market conditions. On a reported basis, Revenue increased by 9.1 per cent to US$428.8 million (2016 restated: US$393.1 million), principally due to the full year contribution of Bilco, to the Division in the year. Like for like Revenue for the year was 1.9 per cent ahead of 2016 following an improved second half performance from Bilco, with volumes in the core AmesburyTruth business marginally ahead of last year.

Reported Underlying Operating Profit increased by 3.9 per cent to US$77.0 million (2016 restated: US$74.1 million). Like for like Underlying Operating Profit was flat year on year.

Input costs increased significantly, most notably for zinc where the spot unit cost at December increased by 57.0 per cent year on year, as well as for other raw materials such as paint and oil derivatives. The impact of these increases was not fully recovered through price, although AmesburyTruth expects to resume its usual practice of cost recovery through price in 2018. Overheads in the Division increased principally due to higher freight costs than usual.

AmesburyTruth's Underlying Operating Margin decreased to 17.9 per cent (2016 restated: 18.8 per cent), due to the consolidation of Bilco for a full 12 months and the increased input costs previously discussed. The Division remains confident that it will achieve a blended Underlying Operating Margin of 20.0 per cent over the medium term.

Residential and commercial

Volumes into residential were broadly flat during the year with modest growth in US tier one and two customers and from Bilco residential products being offset by volume declines in US tier three and four customers. The Division lost some market share in US residential during the year.

The Division's commercial offering made good progress during the year with increased contributions from both the Bilco and Giesse product offerings. Revenue in commercial increased by 4.3 per cent to US$62.7 million (2016 full year restated: US$60.1 million). The run rate of major project quote activity in Bilco in Q4 2017 was significantly higher than in Q4 2016.

Canada

Performance in Canada for the Division improved during 2017, reflecting better market conditions and some recovery of share lost in previous years assisted by more favourable exchange rates. Canadian Revenue increased by 8.8 per cent to US$46.0 million (2016 full year: US$42.3 million) with new customer and product wins across both AmesburyTruth and Bilco products.

Tier three and four account coverage

In June, AmesburyTruth transferred its US tier three and four account coverage to a national sales representative network, ISC. Previously coverage was managed through state or regional representatives, which led to some inconsistencies in service depending on location. Progress with ISC has been promising with trading in US tiers three and four during the second half of the year increasing by 4.7 per cent compared with the equivalent period in 2016 and c. US$1.4 million of annualised incremental orders secured to date, which should convert into Revenue in 2018.

> "Like for like Revenue increased by 1.9 per cent following strong Bilco growth and core AmesburyTruth business volumes were marginally ahead of 2016."

Jeff Graby
President and Chief Executive Officer – AmesburyTruth

Assembly parts store, Sioux Falls, South Dakota.

Pile weather strip in Statesville, North Carolina.

Operating review continued

Business performance and developments continued

Tier three and four account coverage continued

At the same time the Division started its first distribution pilot with ISC, taking pallet space in a Dallas, Texas, warehouse. The warehouse allows customers in the region access to over 200 AmesburyTruth SKUs with guaranteed order fulfilment within four hours if required. The pilot has exceeded expectations and in 2018 ISC plans to take space in a second warehouse in Nashville, Tennessee, and to extend the range of SKUs available to customers.

The Division is confident that this differentiated twin track approach to service and distribution of product will lead to a recovery in AmesburyTruth's market share among US tier three and four customers.

Footprint project

Further progress was made with the footprint project in 2017. The Juarez centre of excellence became fully operational and two new centres of excellence opened in Sioux Falls, South Dakota, and Statesville, North Carolina. The manufacturing facility in Canton, South Dakota, and the vacated facilities in Sioux Falls and Statesville all closed.

The movement of plant and machinery and key personnel to the new centres of excellence was completed on time and within budget; however, the operational issues encountered by the Division in 2016 at the Juarez facility persisted into 2017. Recruitment and retention of qualified semi-skilled operatives proved more challenging than expected and the facility did not meet its initial targeted output and quality levels. This led to increased levels of scrap and product rework and the requirement to support US tier one and two customers led to increased levels of expedited freight.

Encouragingly, AmesburyTruth has seen the expected reductions in direct labour and direct overhead from the moves starting to come through during the year which gives the Division confidence that the targeted net financial benefits from the footprint project will be achieved now that the business has reached its targeted output and quality levels and freight costs have started to normalise.

In 2018 the facilities in Rochester, New York, and Amesbury, Massachusetts, will close with production moving to the Statesville centre of excellence. These production moves are relatively low risk in that they are contained within the United States and the Division has been a significant employer in the Statesville area for a number of years.

The facility build out phase of the project is now substantially complete, with the exception of a potential extension to the fourth centre of excellence in Owatonna, Minnesota, which remains under evaluation.

At the end of 2019 the AmesburyTruth manufacturing footprint, excluding the Bilco and Ashland sites, is expected to be as follows:

Centres of excellence	Satellite sites
Juarez, Mexico	Cannon Falls, Minnesota
Owatonna, Minnesota	Fremont, Nebraska
Sioux Falls, South Dakota	Toronto, Canada
Statesville, North Carolina	

Footprint project financials

US$'m	Inception to date	2018 Forecast	2019 Estimate	2020 Estimate
P&L charge[1]	17.3	3.0	2.0	1.5
Operational expenditure[2]	10.7	5.5	7.5	1.0
Capital expenditure	12.7	1.5	1.5	—
Cash receipts[3]	(2.1)	(1.4)	—	—
Total cash costs	**21.3**	**5.6**	**9.0**	**1.0**
Total cumulative cash costs	**21.3**	**26.9**	**35.9**	**36.9**
Incremental P&L saving	**—**	**2.0**	**3.0**	**5.0**
Cumulative annual P&L saving	**—**	**2.0**	**5.0**	**10.0**

1 P&L charge comprises exceptional items incurred and to be incurred in connection with the footprint project.

2 Operational expenditure comprises gross cash costs incurred and expected to be incurred in connection with the footprint project in respect of items that are not capitalised.

3 The Division expects to realise gross cash receipts of up to US$5.0 million from disposals of capital assets/exits from lease obligations as part of the footprint project. Only proceeds from completed disposals and exits are included in the table above and in net project cost estimates.

Cash costs incurred during 2017 in connection with the footprint project were US$13.1 million, in line with expectations coming into the year. The overall net project cost is now estimated at c. US$37.0 million (2016: US$34.0 million) with the increase year on year principally due to firmer estimates of the cost to close the Rochester site.

Following the announcement of the decision to close the Amesbury and Rochester sites, agreements have been reached with the relevant trade unions covering severance and exit arrangements. These agreements include the closure of the Rochester post-retirement medical benefit scheme at the end of 2018 with no future obligations to AmesburyTruth in respect of the scheme from that date (see page 32). The closure of the scheme has reduced AmesburyTruth's actuarial liability by US$4.2 million. As AmesburyTruth has now entered into a firm commitment in respect of these sites; the estimated costs to close of US$10.2 million have been provided for in the 2017 financial statements.

At the start of the year incremental P&L savings of US$2.0 million were expected to be realised in 2017; however, scrap, product rework and increased levels of expedited freight meant that there were no net benefits realised in 2017. 2018 should see c. US$2.0 million of incremental P&L savings realised as the Division starts to progress towards its cumulative target of US$10.0 million savings per annum from 2020.

Bilco

A new senior management team was appointed for Bilco during the year and has made good progress in improving the focus of the business. A more structured approach to pricing has been adopted and savings were secured in the areas of freight, procurement, personnel and warehousing.

In 2017 Bilco, including the contribution from Bilco UK, increased Revenue by 3.1 per cent to US$59.9 million (2016 Full Year: US$58.1 million) and Underlying Operating Profit by 69.3 per cent to US$9.4 million (2016 Full Year: US$5.6 million). Installations of Bilco products in the year included the LA Metro, the San Francisco Bay Area Rapid Transit and the Blue Origin Exploration Park in Florida.

The increase in Bilco's Underlying Operating Profit was principally due to improved trading, particularly in the second half of the year, as well as delivery of US$2.8 million of cost and revenue synergies during the year. The run rate of synergies at 31 December 2017 was US$3.0 million, some 20.0 per cent ahead of the target set out at the date of acquisition and twelve months ahead of schedule. Bilco is on track to meet the Group target run rate ROAI of 15.0 per cent within two years of ownership. Bilco has a promising order book for 2018.

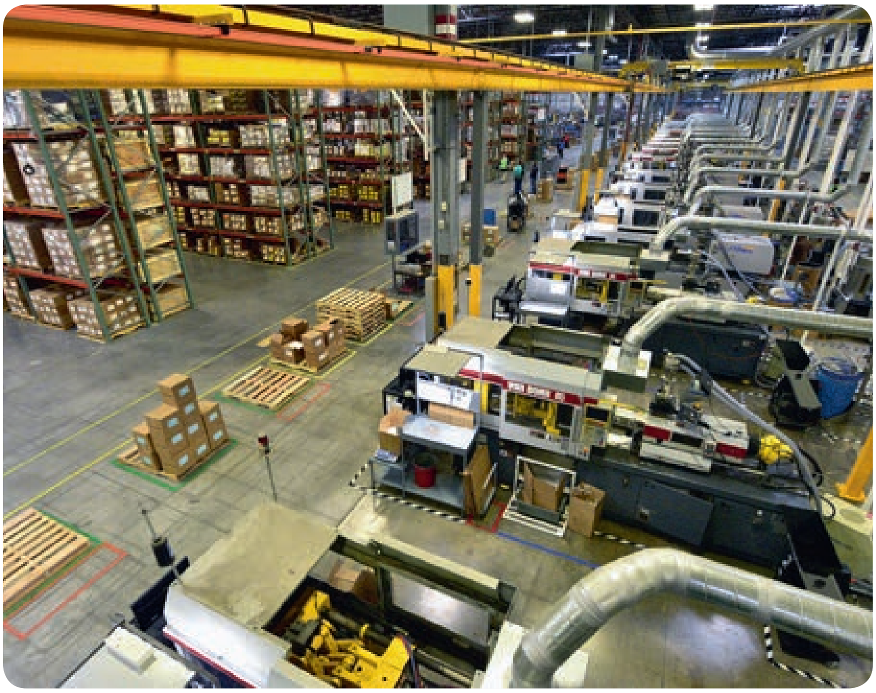
NPD and investment

In 2017 customers started the transition to the new proprietary Elon foam seal from the legacy Qlon foam seal. A new constant force balance, Stasis, which offers superior features and benefits compared with the industry standard products, will be launched in the second half of 2018. The Division expects to bring to market its electronic patio door and multipoint locks during 2018. Additional investments in manufacturing capability and automation in connection with the footprint project are expected in 2018 with a focus on operational and quality improvements.

Outlook

AmesburyTruth expects US residential and commercial markets will show growth in 2018, possibly assisted by increasing real wages as the changes to the US tax code become established. The Canadian market for the Division's products is expected to show further growth, although at a slower rate than was seen in 2017.

AmesburyTruth is well placed to capture the opportunities that exist in 2018, and expects to see market share recovery among smaller customers, like for like sales growth and a return to margin expansion during the year.



Injection moulding in Juarez, Mexico.

Operating review continued

Credible performance

£'m except where stated	2017	2016[1]	Change	CC LFL
Revenue	**80.3**	73.0	+10%	+3%
Underlying Operating Profit	**10.2**	11.7	(13)%	(25)%
Underlying Operating Margin	**12.7%**	16.1%	(340) bps	(440) bps

1 2016 restated for transfer of Bilco UK from AmesburyTruth to ERA.

Darren Waters
Chief Executive Officer – ERA

Summary

- Share gains in OEM and distribution despite subdued markets.
- New West Midlands facility occupied in second half of year.
- Higher raw material input costs through 2017 to be recovered in 2018 by November 2017 price increase.
- New trade alarm and door intercom range launched into the market.

Market

The UK market was challenging in 2017. New build residential construction continued to grow; however, the RMI sector of the market, which comprises the substantial majority of UK residential construction activity, contracted as consumers elected to defer significant items of expenditure.

ERA estimates that the window and door market volumes contracted by between 6.0 and 8.0 per cent in 2017, although there were certain subsectors that showed encouraging growth, most notably bifold doors.

Business performance and developments

ERA performed credibly in 2017 against a difficult market backdrop. ERA's like for like Revenue for the year increased by 2.8 per cent with the increase reflecting the 2016 pricing and surcharge actions which more than offset small aggregate volume decreases. On a reported basis, Revenue increased by 10.0 per cent, principally due to the incremental contributions from Bilco UK and Howe Green.

Underlying raw material prices continued to increase through 2017 and consequently the Division implemented a price increase in November 2017, the benefits of which will largely flow through in 2018. Overheads in the Division increased in part due to the higher property costs of the new facility.

Underlying Operating Margins in the Division were impacted by increased raw material costs and overheads, although benefited from the inclusion of the higher margin business at Bilco UK and Howe Green. The 2016 comparator margin benefited from currency hedges put in place at a time when Sterling was significantly stronger against international currencies. ERA continues to target an Underlying Operating Margin in the mid-teens in the medium term.

OEM and distribution

Despite the challenging market conditions, OEM volumes decreased by only 2.9 per cent, reflecting the continued growth in bifold hardware products and door cylinders together with encouraging take-up from new product introductions.

The Division made further progress in distribution with incremental listings secured at both existing and new customers. As a result, distribution volumes increased by 6.8 per cent across the year.

ERA Home

Smartware sales in the year were broadly in line with 2016. During 2017 a new range of trade alarms and door intercoms was launched into the market with an encouraging level of listings secured with retailers and specialist distributors.

The TouchKey night latch is in beta testing phase and is expected to be launched commercially during 2018 with the TouchKey multipoint lock offering to follow.

The Division has branded its smartware product family "ERA Home", which includes the full range of cloud-based home alarms and video intercoms as well as the TouchKey electronic access products.

UK commercial

From 1 January 2017, responsibility for Bilco UK was transferred from AmesburyTruth to ERA and in March the Group acquired Howe Green. Accordingly, ERA's results for the year ended 31 December 2017 include the post-acquisition contribution from Howe Green and a full twelve month contribution from Bilco UK.

The combination performed well during the year, contributing £7.2 million to the Division's Revenue in 2017 at a promising margin, with installations including the new Crossrail stations, Heathrow Terminal Five and Battersea Power Station. The two businesses provide ERA with a platform to develop a meaningful commercial and light infrastructure access business for the UK market.

The Division has appointed a dedicated product manager to support the promotion of Giesse products to the UK commercial market and expects this initiative will start to yield benefits in 2018.

Ventrolla

Ventrolla moved to a new facility in the first quarter of the year which allows the business to manufacture larger timber windows for commercial projects as well as its core residential joinery offering. Revenue in the year for Ventrolla increased by 7.0 per cent to £5.3 million (2016: £5.0 million); however, profitability was impacted by capacity constraints prior to the facility move, lower installer productivity and a small (£0.1 million) exposure to Carillion, which has been fully provided.

Ventrolla has a promising order book for 2018, has secured a number of commercial contract wins and, since the half year, has seen installer productivity improve.

Showroom at Wolverhampton, West Midlands.

Tyman Sourcing Asia

TSA reports through ERA and is responsible for the Group's Far Eastern sourcing operations. TSA manages the supply chain for the majority of the Division's UK sales. In 2017 purchases made by TSA on behalf of all Group companies totalled US$75.1 million across 47 active suppliers. The management team was strengthened during 2017 and investments were made in the areas of product quality, logistics and supplier assessments.

New facility

ERA occupied its new facility at Wolverhampton in the West Midlands during the second half of the year, with the final warehouse moves taking place in the first two months of 2018. The purpose built 136,000 sq. ft. facility has allowed the consolidation of three distribution warehouses onto a single site and incorporates the Divisional head office, test centre and showroom as well as light manufacturing and assembly operations.

The facility has significant room for expansion as ERA grows. The Division is now able to offer customers improved service levels with later dispatch cut off times, same or next day delivery of products, and consolidated shipments of multiple SKUs.

Outlook

ERA expects that UK residential RMI demand will continue to be weak in 2018 and, as a consequence, expects that the market will contract to a similar extent to 2017. Given the subdued market backdrop the focus of the Division will be on further share gains, leveraging the opportunities offered by the new facility, new product introductions and management of costs and overheads.

The outlook for ERA's commercial and light infrastructure products remains promising in 2018.

"The new facility enables the Division to offer customers improved service levels and later dispatch cut off times."

Darren Waters
Chief Executive Officer – ERA

Operating review continued

Integration complete

SchlegelGiesse

£'m except where stated	2017	2016	Change	CC LFL
Revenue	**109.7**	94.6	+16%	—
Underlying Operating Profit	**12.8**	9.4	+36%	+19%
Underlying Operating Margin	**11.6%**	10.0%	+160 bps	+190 bps

€'m except where stated	2017	2016	Change	CC LFL
Revenue	**125.2**	115.8	+8%	—
Underlying Operating Profit	**14.6**	11.5	+27%	+19%
Underlying Operating Margin	**11.6%**	10.0%	+160 bps	+190 bps

Peter Santo
Chief Executive Officer – SchlegelGiesse

Summary

- New SchlegelGiesse brand launched in March 2018.
- Strong 2017 performance with enlarged hardware and seals product offering gaining traction in core markets.
- Growth in EMEAI offset by more challenging markets in UK, China, Australia and Latin America.
- Delivery of synergy benefits improved profitability.

Market

Markets in Europe continued to recover in 2017 with most countries showing year on year market growth. Middle Eastern markets saw variable demand patterns through the year and Indian markets remained positive.

China and Asia Pacific markets continued to grow, albeit at lower levels than in recent years. Latin American markets remained subdued in the first half of the year however recovered promisingly in the second half of the year.

Business performance and developments

SchlegelGiesse had another strong year during 2017 as the enlarged hardware and seals product proposition continued to gain traction in the Division's core markets.

Revenue of €125.2 million for the year was broadly flat on a like for like basis with further growth in EMEAI offset by more challenging markets in the UK, China, Australia and Latin America. Encouragingly, the Division's second half performance improved compared with the first half, reflecting good sales growth in Latin America and the Middle East and sustained improvements in Continental Europe.

Price increases were achieved by the Division during the year, principally in Continental Europe, which offset small aggregate volume decreases elsewhere in the Group. On a reported basis, Revenue increased by 16.0 per cent, assisted by the full year contribution from Giesse.

Reported Underlying Operating Profit increased by 27.0 per cent to €14.6 million (2016: €11.5 million) and by 19.0 per cent on a constant currency like for like basis. The largest contributor to the improved profitability was the delivery of increased synergy benefits during the year.

Underlying Operating Margins in the Division increased to 11.6 per cent (2016: 10.0 per cent) as SchlegelGiesse made further progress towards its medium term target of a 15.0 per cent Underlying Operating Margin.

EMEAI

Performance in Continental Europe was encouraging with Revenue increasing by 5.0 per cent across the region and most end markets showing meaningful year on year improvement. Spain, Russia and Turkey saw significant growth with good performance recorded in Benelux, Southern Europe and the Nordics. The UK was relatively subdued with sealing Revenue down 3.4 per cent, reflecting general market conditions.

In the Middle East the second half was notably stronger than the first half leading to Revenue for the year 3.2 per cent ahead of 2016. The Division entered 2018 with an encouraging order book in the region. The business in India continues to grow rapidly from a low base with Revenue increasing by 28.0 per cent in the year.

China and Asia Pacific

China and Asia Pacific markets were more challenging for the Division in 2017. In China, Revenue decreased by 16.2 per cent due to project postponements and cancellations, particularly in Southern China. During 2018 SchlegelGiesse intends to review the Division's route to market in China.

Australasian Revenue was slightly lower in 2017 with improved performance in New Zealand more than offset by weaker trading in the Australian market which slowed incrementally in the second half. Profitability in the region was enhanced by the mix of product sales.

As expected, Revenue in the Pacific Rim was lower than last year following changes to the route to market made at the end of 2016. There were some pockets of growth in the region, most notably in Vietnam and Indonesia. Further penetration of Pacific Rim markets remains an opportunity for the Division.

Latin America

Revenue in Latin America decreased by 10.0 per cent across the year, following a very subdued first half. The second half of the year was much improved in the region, with market recovery evident in both Argentina and Brazil.

Despite lower sales, profitability in Latin America remained in line with the previous year due to the savings made from the consolidation of the Brazilian sites that took place towards the end of 2016. The Latin American region remains profitable and cash generative and makes an operating margin in line with the rest of the Division.

Giesse integration

The integration of Giesse completed with the launch of the new Divisional brand "SchlegelGiesse" at the start of March 2018. The Division now operates through a functional reporting structure under a unified executive team and with a greatly simplified legal and financial structure.

The Division has a single salesforce in each key market selling the complete range of hardware, seals and extrusions, supported by dedicated product managers. Cross selling initiatives within the Division delivered €4.0 million of incremental revenue during the year and intercompany sales to other Group Divisions increased to c. €4.0 million.

In 2017 the two Giesse facilities in Bologna, Italy, were consolidated onto the larger manufacturing site, with an offsite logistics warehouse retained for the storage and dispatch of finished goods. New general managers were appointed during the year in Australasia, Brazil, China and the Middle East and a new Divisional CFO was recruited.

As at 31 December 2017, in aggregate €7.6 million of synergy benefits have been recorded from the Giesse acquisition, €0.7 million of which have been recorded below Underlying Operating Profit and €2.2 million of which relate to incremental cross selling of products within the Division and the Group. The delivered synergies represent an increase of approximately 90.0 per cent over the original targets put in place at the date of the acquisition. Total costs of the integration of Schlegel and Giesse incurred since acquisition were €2.7 million.

NPD and investment

The Division has continued to invest in the seals and hardware ranges with extensions to the Giesse hardware range due to be launched in 2018 and new sealing technology in advanced testing. The Henlow facility moved onto the Divisional SAP platform during the year and plans are in process to move further facilities onto SAP during 2018. Additional investments in manufacturing capability and automation are expected in 2018.

Outlook

2018 has started promisingly for SchlegelGiesse in most geographies. SchlegelGiesse expects that Continental European markets will show broad-based incremental growth in 2018 and is well placed to take further market share. The second half momentum established in the Middle East and Latin America is expected to continue, with key Brazilian and Argentine markets recovering. China and Asia Pacific markets are likely to remain variable with opportunities for growth in certain countries.

> "Giesse synergy benefits of €7.6 million have been recorded in 2017, representing an increase of approximately 90.0 per cent over original targets."
>
> **Peter Santo**
> Chief Executive Officer – SchlegelGiesse

Warehousing in Budrio, Italy.

Financial review

A solid set of results

Income statement

Revenue and profit

Reported Group Revenue increased by 14.2 per cent to £522.7 million (2016: £457.6 million) assisted by favourable exchange movements and the enlarged size of the Group. On a constant currency, like for like basis, Group Revenue was 1.7 per cent ahead of last year, with 2.2 per cent of the increase relating to pricing and surcharge actions, offset in part by a 0.5 per cent decrease in sales volumes.

Reported Gross Margin was 36.5 per cent (2016: 36.5 per cent). Underlying Administrative Expenses increased to £114.1 million (2016: £97.5 million), with £4.0 million of the increase attributable to the impact of foreign exchange and the balance principally due to the inclusion of Bilco for a full twelve months. Centrally incurred costs in the year were well controlled at £5.9 million (2016: £6.0 million).

Underlying Operating Profit increased by 10.0 per cent to £76.8 million (2016: £69.8 million), and decreased by 1.5 per cent on a constant currency like for like basis. The favourable impact on the full year Underlying Operating Profit from acquisitions, exchange movements and pricing actions was partially offset by higher input costs and other inflationary increases. The Group's Underlying Operating Margin decreased by 60 bps to 14.7 per cent (2016: 15.3 per cent).

Underlying Profit before Taxation increased by 10.0 per cent to £68.3 million (2016: £62.1 million), and decreased by 1.4 per cent on a constant currency like for like basis. Reported Profit before Taxation increased by 17.6 per cent to £34.5 million (2016: £29.4 million).

Materials and input costs

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

Four principal categories of raw material are monitored by reference to the Division with the highest usage: steel, oil derivatives, zinc and aluminium. Tyman's largest raw material and component purchase is steel across many different types and grades. Oil derivatives are used in the manufacture of seal, extrusion and injection-moulded products. Zinc, aluminium and associated alloys are used in the manufacture of a number of hardware products.

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 is influenced by local labour and overhead rates, raw material price variations and exchange rates.

At a Group level, the pricing of US stainless steel is monitored as a proxy for the steel category.

James Brotherton
Chief Financial Officer

Overall category	2017 Materials[1]	Average[2]	Spot[3]
Aluminium (Euro)	**18.7**	+10.6%	+5.4%
Polypropylene (Euro)	**28.7**	+11.5%	+11.1%
Stainless steel (US)	**41.6**	(2.4)%	(16.5)%
Zinc (US)	**34.0**	+40.4%	+57.0%
Far East components (UK)	**42.2**	+10.0%	(2.9)%

1 FY 2017 materials cost of sales for raw materials, components and hardware for overall category in £'million.

2 Average 2017 tracker price compared with average 2016 tracker price.

3 Spot tracker price as at 31 December 2017 compared with spot tracker price at 31 December 2016.

Raw material costs increased in the year with average prices across most commodity categories being higher than 2016. On a spot basis at the year end, commodities were significantly more expensive compared with 31 December 2016, with the exception of US stainless steel. This confirms the Group's view that commodity cycles have turned, with input costs mainly trending upwards.

The Group will manage the impact of input cost inflation in 2018 through a combination of effective purchasing, pricing actions, surcharging and cost reduction programmes.

Exceptional items

£'m	2017	2016
Footprint restructuring – costs	**16.4**	3.5
Footprint restructuring – credits	**(5.7)**	(0.8)
Footprint restructuring – net	**10.7**	2.7
M&A and integration – costs	**2.2**	3.0
M&A and integration – credits	**(2.9)**	—
M&A and integration – net	**(0.7)**	3.0
Write-off of inventory fair value adjustments	**—**	5.7
Profit on disposal of business	**—**	(0.3)
Property provision releases and disposals	**—**	(0.2)
Total exceptional items	**10.0**	10.9

Exceptional items comprise £10.2 million of net costs cash settled in the year (2016: £5.3 million) and net non-cash credits of £0.2 million (2016: net non-cash costs of £5.6 million). These items are regarded by the Group as exceptional as they are significant and non-recurring in nature.

Footprint restructuring

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. Gross costs attributable to footprint restructuring in the year amounted to £16.4 million, of which £15.2 million (2016: £2.6 million) relates to the North American project.

Credits relating to footprint restructuring include £1.8 million relating to the respective disposal and exit from the Canton, South Dakota, and Sioux Falls, South Dakota, facilities, and a reduction of £3.3 million in past service costs relating to the expected closure of the Rochester post-retirement benefit medical plans on 31 December 2018. The North American footprint project is expected to conclude by 2020.

The remaining £0.6 million of exceptional costs relates to footprint projects in ERA and SchlegelGiesse.

"Tyman expects a reduction in the Underlying effective tax rate in 2018 of approximately 400 bps to between 26.0 and 27.0 per cent."

James Brotherton
Chief Financial Officer

Financial review continued

Income statement continued

Exceptional items continued

M&A and integration

M&A and integration credit of £0.7 million comprises gross costs of £2.2 million offset by credits of £2.9 million. The gross costs relate to the net legal, financial, taxation and consultancy costs associated with the Howe Green acquisition, intellectual property defence costs relating to pre-acquisition periods as well as the integration of businesses acquired in prior years. The credits principally comprise £2.3 million associated with the pension liability recoverable from and indemnified by the previous owners of Bilco (see page 32) together with £0.6 million of surplus provisions created an acquisition no longer required.

Prior year exceptional items

Write-off of inventory fair value adjustments in 2016 are non-cash adjustments relating to the IFRS 3 requirement that finished goods held in inventory must be revalued to their market value on acquisition. The equivalent revaluation of Howe Green inventory acquired in March 2017 was immaterial.

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

Property provision releases and disposals relate to surplus onerous lease provisions released in 2016.

Finance costs

Net finance costs increased to £9.4 million (2016: £7.8 million). Interest payable on bank loans, private placement notes and overdrafts increased to £8.2 million (2016: £7.8 million) reflecting the rise in the Group's average cost of funds in the second half of 2017.

Non-cash movements charged to net finance costs in the year include amortisation of borrowing costs of £0.4 million (2016: £0.4 million), pension interest of £0.6 million (2016: £0.5 million) and a loss on the revaluation of fair value currency hedges of £0.4 million (2016: gain of £0.3 million).

Income from short term bank deposits decreased to £0.2 million (2016: £0.5 million).

Underlying net finance costs increased by £0.8 million to £8.5 million (2016: £7.7 million).

Interest rates on borrowings

The Group's average cost of funds and margin payable over the year increased by 10 bps to 3.4 per cent (2016: 3.3 per cent) reflecting the increases in margins payable on facility borrowings in the second half of the year as well as increased base rates.

Interest rate swap contracts

A portion of the Group's floating rate 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 14.0 per cent (2016: 14.2 per cent). The weighted average fixed rate of the swap contracts was 1.7 per cent (2016: 1.7 per cent).

In addition, the Group has issued US$100.0 million in aggregate under its US Private Placement programme, all of which is held at fixed rates. In total, 35.9 per cent (2016: 37.2 per cent) of the Group's Underlying Gross Indebtedness is effectively held at fixed rates of interest. At 31 December 2017, the Group held interest swap contracts amounting to a fair value liability of £0.3 million (2016: £0.3 million). During the year, the movement in fair value was immaterial (2016: fair value loss of £0.2 million).

Forward exchange contracts

At 31 December 2017, the Group's portfolio of forward exchange contracts at fair value amounted to a net asset of £0.1 million (2016: £0.5 million). The notional value of the portfolio amounted to £10.9 million, comprising US$ and Chinese Renminbi forward exchange contracts with notional values of US$8.5 million and RMB40.0 million respectively. These contracts have a range of maturities up to 22 May 2018.

During the year, a fair value loss of £0.4 million (2016: fair value gain of £0.3 million) was recognised directly in the income statement.

Taxation

The Group reported an income tax charge of £3.3 million (2016: £8.6 million), comprising a current tax charge of £15.0 million (2016: £11.4 million) and a deferred tax credit of £11.7 million (2016: £2.8 million). The deferred tax credit includes a £6.9 million credit in respect of the revaluation of the Group's net deferred tax liabilities following the reduction in the US Federal tax rate. As this credit is exceptional in nature it has been excluded from the Group's Underlying tax charge.

The Underlying tax charge was £20.6 million (2016: £18.1 million), representing an Underlying effective tax rate for the year of 30.1 per cent (2016: 29.2 per cent).

During 2016 the Group paid corporation tax of £15.1 million (2016: £12.7 million) which equates to a cash tax rate on Underlying Profit before Taxation of 22.1 per cent (2016: 20.4 per cent).

US tax legislation and impact on the future Group's Underlying effective tax rate

As the majority of the Group's operations are in the US there will be a significant impact on the Underlying effective tax rate from the US tax legislation which came into force on 1 January 2018. The most significant change is to the US Federal tax rate, which has reduced from 35.0 per cent to 21.0 per cent.

The reduced rate applies to a broader tax base under the new legislation as certain credits and deductions are removed, most notably the s199 domestic production activities deduction.

In 2018 Tyman will benefit from the lower tax rate applied to its US taxable profits; however will lose the benefit of the s199 deduction. Exports from the US account for approximately 10.0 per cent of AmesburyTruth's US sales so the Group can expect to gain a small benefit from changes to the taxation of foreign sourced income.

In aggregate, Tyman expects a reduction in the Underlying effective tax rate in 2018, compared with 2017, of approximately 400 bps to between 26.0 and 27.0 per cent.

It is not yet clear what incremental tax laws or regulations may be introduced in the US and Tyman's Underlying effective tax rate will be sensitive to further changes to tax legislation or changes to US state tax rates. The final Underlying effective tax rate for the year will also depend on the Group's geographical mix of taxable profits.

Earnings per share

Basic Earnings Per Share increased by 47.0 per cent to 17.61 pence (2016: 11.98 pence). Diluted Earnings Per Share increased to 17.49 pence (2016: 11.93 pence).

Underlying Earnings Per Share increased by 5.9 per cent to 26.91 pence (2016: 25.41 pence). Underlying Diluted Earnings Per Share increased to 26.73 pence (2016: 25.31 pence).

The increase in Earnings Per Share measures reflects the improvement in Underlying Operating Profit, offset by higher finance costs in the year and the higher Underlying effective tax rate for the Group.

Intellectual property defence

The Group incurred higher than normal intellectual property defence costs in 2017 of £1.5 million (2016: £0.9 million).

£1.2 million of these costs related to the successful litigation defence of a significant intellectual property claim made against AmesburyTruth concerning the Truth casement operator product line. The claim looked back to 2005 and accordingly £0.8 million of the defence costs have been accounted for through the utilisation of specific provisions created on the acquisition of Truth to cover pre-existing intellectual property and warranty claims. The balance of the defence costs was taken to exceptionals.

Tyman has a portfolio of 1,148 patents, trademarks and designs. Where intellectual property is threatened or compromised by third parties the Group will seek to defend its position in order to protect the interests of both customers and shareholders.

Taxation policy

The Group's tax affairs are managed in accordance with relevant laws and regulations in each jurisdiction in which the Group operates. The policy ensures 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 to ensure that the Group's tax affairs are clearly communicated.

Tyman aims to maintain straightforward legal and commercial structures 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.

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

- The international nature of the Group's operations. In 2017, 72.0 per cent of Tyman's Underlying operating profits before central cost allocations were generated in North America, 12.3 per cent in the UK and 15.7 per cent in SchlegelGiesse'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.
- The footprint rationalisation project taking place in North America. The Group will not receive tax relief for a large portion of the exceptional costs accrued for in 2017 until a later period. As the costs are largely incurred in the US the delay in relief represents a tax cost to the Group as tax will be relieved at the reduced Federal rate of 21.0 per cent.
- Taxable losses generated by Group companies. Where these losses can be relieved or carried forward to be relieved in future periods, Tyman 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 expenses which cannot be relieved against taxable profits. Such expenses 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.
- The changing attitude of tax authorities under the OECD BEPS Project. Under Action 2 of the OECD BEPS Project the UK government introduced new rules, the consequence of which is that more financing income is brought into the Group's UK taxable income.
- Pricing on intercompany sales within SchlegelGiesse, inherited on the acquisition of Giesse, require a transfer pricing adjustment that will increase the taxable profits in Italy.
- 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.

Financial review continued

Cash generation, investment, funding and liquidity

Cash and cash conversion

£'m	2017	2016
Net cash generated from operations	**51.9**	67.3
Add: Pension contributions	**1.2**	0.9
Add: Income tax paid	**15.1**	12.6
Less: Purchases of property, plant and equipment	**(15.4)**	(12.6)
Less: Purchases of intangible assets	**(1.1)**	(2.8)
Add: Proceeds on disposal of PPE	**3.8**	0.2
Operational Cash Flow after exceptional cash costs	**55.5**	65.6
Exceptional cash costs	**10.2**	8.3
Operational Cash Flow	**65.7**	73.9
Less: Pension contributions	**(1.2)**	(0.9)
Less: Income tax paid	**(15.1)**	(12.6)
Less: Net interest paid	**(7.5)**	(7.0)
Less: Exceptional cash costs	**(10.2)**	(8.3)
Free Cash Flow	**31.7**	45.1

Operational Cash Flow decreased by 11.1 per cent to £65.7 million (2016: £73.9 million). The decrease is principally driven by the year on year investment in trade working capital. Exceptional cash costs settled in the year were £10.2 million (2016: £8.3 million).

Free Cash Flow in the year decreased by £13.4 million to £31.7 million (2016: £45.1 million), due to the £8.2 million decrease in Operational Cash Flow, £2.5 million higher level of taxation payments on account (see Taxation on page 28) and the increase in exceptional cash costs (see Exceptional items on page 27).

The Group's Operating Cash Conversion in 2017 decreased to 85.6 per cent (2016: 105.9 per cent). Over the past five years, a period which has seen significant capital investment made in the Group, Operating Cash Conversion has averaged 92.9 per cent and each Division remains targeted on delivery of 100.0 per cent cash conversion of Underlying Operating Profit.

Bank facilities and US private placement notes

Total facilities available to the Group, as at 7 March 2018, were as follows:

Facility	Maturity	Currency	Committed	Uncommitted
2018 Facility	Feb 2023	Multicurrency	£240.0m	£70.0m
4.97% USPP	Nov 2021	US$	US$55.0m	—
5.37% USPP	Nov 2024	US$	US$45.0m	—
Other facilities	Various	€	€2.2m	—

On 19 February 2018, the Group entered into the 2018 Facility and incurred upfront financing costs of £2.1 million. The 2018 Facility gives the Group access to up to £310.0 million of borrowings with seven relationship banks and comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility. The 2018 Facility expires in February 2023 although has provision for an extension to February 2024. On signing the 2018 Facility, the 2014 Facility was repaid in full and cancelled.

Liquidity

At 31 December 2017, the Group had gross outstanding borrowings of £206.2 million (2016: £217.7 million), cash balances of £42.6 million (2016: £40.9 million) and committed but undrawn facilities of £50.0 million (2016: £46.5 million). The 2018 Facility increases the Group's committed but undrawn facilities to £111.4 million as at 7 March 2018 together with potential access to the uncommitted £70.0 million accordion facility.

Underlying Net Debt at the year end was £163.7 million (2016: £176.7 million). Under IFRS, which reduces gross debt by the unamortised portion of finance arrangement fees, net debt was £162.9 million (2016: £175.6 million).

Covenant performance

At 31 December 2017	Test ratio	Covenant performance[1]	Headroom[2] £'m	Headroom[2] %
Leverage	<3.0x	1.83x	35.5	39.0
Interest Cover	>4.0x	11.38x	58.9	64.9

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

2 The approximate amount by which EBITDA would need to decline before the relevant covenant is breached.

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

Leverage, which is measured on an average exchange rate basis across the trailing twelve months, decreased slightly over the year to 1.83x (2016: 1.89x). Leverage at the year end was comfortably within the Group's core target range of 1.50x to 2.00x.

Interest Cover decreased to 11.38x from 11.41x in 2016, driven by the marginally higher average cost of funds in the second half of 2017.

Balance sheet – assets and liabilities

Goodwill and intangible assets

At 31 December 2017, the carrying value of Group goodwill and intangible assets was £427.2 million (2016 restated: £475.6 million). Amortisation of intangible assets through the income statement during the year was £24.2 million (2016: £22.7 million). Of the movement in carrying values, £6.0 million related to the acquisition of Howe Green and £31.0 million to exchange movements. The exchange movement reflects the average appreciation of Sterling against the US Dollar over the year impacting the translation of the underlying US$-denominated carrying values of intangible assets into the Group's functional currency at the year end.

Cash Generating Units

The Group's CGUs are defined as 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 2016.

During the year, ERA acquired Howe Green and assumed responsibility for the Bilco UK business. These businesses have been substantially integrated with the existing ERA business and are now included in the ERA reporting segment. The 2016 comparatives have been restated for the AmesburyTruth and ERA segments in respect of the Bilco UK reallocation.

Capital expenditure

Gross capital expenditure increased by £1.0 million to £16.4 million (2016: £15.4 million) or 1.27x Depreciation (2016: 1.32x).

Property, plant and equipment gross expenditure increased by £2.8 million to £15.4 million (2016: £12.6 million) reflecting the Group's continued programme of targeted capital development across the Divisions, most notably expenditures on the construction and fit out of new facilities in the ERA and AmesburyTruth Divisions.

Intangible assets gross expenditure decreased by £1.7 million to £1.1 million reflecting the conclusion of the AmesburyTruth ERP project at the end of Q4 2016.

Net capital expenditure decreased in the year to £12.6 million (2016: £15.3 million) or 0.98x Depreciation (2016: 1.31x).

Property

As part of the footprint projects taking place across the Group, a number of property transactions took place during the year. The significant transactions are detailed below.

Significant new properties

Date	Location	Sq. ft.	Tenure	Expiry
Jan 2017	Sioux Falls, US	167,000	Leasehold	Jan 2037
Mar 2017	Harrogate, UK	21,000	Leasehold	Mar 2032
Aug 2017	Statesville, US	242,000	Leasehold	Aug 2037
Oct 2017	Wolverhampton, UK	136,000	Leasehold	Oct 2042

Exited properties

Date	Location	Sq. ft.	Tenure	Expiry	Proceeds
Feb 2017	Gistel, Belgium	158,000	Freehold	n/a	€0.9m
Mar 2017	Harrogate, UK	9,000	Leasehold	Dec 2021	n/a
Mar 2017	Sioux Falls, US	112,000	Leasehold	Dec 2021	US$0.9m[1]
May 2017	Canton, US	78,000	Freehold	n/a	US$1.2m
Oct 2017	Coventry, UK	25,000	Leasehold	Mar 2018	n/a
Dec 2017	Silver End, UK	348,000	Leasehold	Dec 2017	n/a
Dec 2017	Statesville, US	113,000	Leasehold	Dec 2017	n/a
Dec 2017	Statesville, US	32,000	Leasehold	Jul 2018	n/a
Dec 2017	Wolverhampton, UK	20,000	Leasehold	Rolling	n/a

1 Cash incentive received for early termination of the lease.

Financial review continued

Properties marketed for sale

At the year end, the following freehold properties were being marketed for sale by the Group. The Statesville freehold property was sold in February 2018 for a consideration of US$1.4 million and so has been classified in the 2017 financial statements as an asset held for sale at the year end.

Location	Sq. ft.	Tenure	Proceeds
Amesbury, US	83,000	Freehold	tba
Fossatone, IT	145,000	Freehold	tba
Statesville, US	53,000	Freehold	US$1.4m
Willenhall, UK	64,000	Freehold	tba

Working capital

At the year end trade working capital, net of provisions, was £94.6 million (2016 restated: £88.6 million). Of the increase, £0.7 million relates to working capital assumed on the acquisition of Howe Green and £10.4 million relates to the net cash outflow of trade working capital across the year, offset by £5.1 million exchange movements.

Inventories increased by £4.2 million to £75.3 million (2016 restated: £71.1 million). The majority of the movement relates to temporary investment in inventory at AmesburyTruth to support service levels, offset by exchange rate movements of £4.0 million.

Trade receivables increased by £1.8 million to £57.1 million (2016: £55.3 million). There was a cash benefit of £0.6 million following the full settlement with interest of a long outstanding Italian trade receivable, which had previously been fully provided for. As with the 2016 year, bad debts written off in the year as a percentage of Revenue were negligible.

Trade payables remained flat at £37.8 million with all movements in the year being offset by the impact of foreign exchange.

£'m	2016 (restated)	Mvt	Acqns[1]	Fx	**2017**
Inventories	71.1	8.1	0.1	(4.0)	**75.3**
Trade receivables	55.3	3.0	0.7	(1.9)	**57.1**
Trade payables	(37.8)	(0.7)	(0.1)	0.8	**(37.8)**
Trade working capital	88.6	10.4	0.7	(5.1)	**94.6**

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

Pension and post-retirement medical benefit obligations

At 31 December 2017, the Group had four post-retirement pension schemes and one post-retirement medical benefit scheme in operation. Apart from the Italian pension scheme, all schemes originate from the US. Excluding the Bilco scheme, there was a 32.9 per cent reduction in the Group's net effective post-retirement benefit obligation in the year.

At 31 December 2017, the Group's gross pension and post-retirement medical benefit obligations under IAS 19 were £42.8 million (2016: £52.7 million). Net obligations at 31 December 2017 were £12.4 million (2016: £17.1 million).

The AmesburyTruth schemes are closed to new entrants. Gross obligations under the AmesburyTruth schemes at the year end were US$35.4 million (2016: US$39.3 million) with US$4.2 million of the reduction due to the expected closure of the Rochester, New York, post-retirement medical benefit plan at the end of 2018.

The Italian scheme relates to TFR termination obligations payable to employees of the Group's Italian operations. As at 31 December 2017, the Group's TFR termination obligations amounted to €3.4 million (2016: €3.7 million). TFR payments made to former Italian employees in the year were €0.2 million (2016: €0.2 million). TFR termination obligations are unfunded.

Cash contributions made to the schemes during the year were £1.2 million (2016: £0.9 million). Favourable exchange movements of £4.2 million were mostly offset by interest expense of £1.9 million and remeasurement losses of £2.1 million.

£'m	2017 Total Group	Bilco[1]	**2017 Group (ex Bilco)**	2016 Group (ex Bilco)
Post-retirement pension/TFR	(12.1)	(1.6)	**(10.5)**	(11.9)
Post-retirement medical	(0.3)	—	**(0.3)**	(4.2)
Net post-retirement benefit obligation	(12.4)	(1.6)	**(10.8)**	(16.1)

1 The Bilco retirement benefit plan is fully recoverable and indemnified by the previous owners of Bilco, with a proportion held in escrow. The Bilco post-retirement pension plan is expected to terminate in 2018.

Provisions

£'m	2016 (restated)	Charge/ release to P&L	Utilised	Other mvt	**2017**	Expected utilisation date
Property	(3.8)	—	0.7	(0.4)	**(3.5)**	2042
Restructuring	(1.1)	(7.7)	0.4	0.4	**(8.0)**	2021
Warranty	(1.9)	0.1	0.9	—	**(0.9)**	2025
Other	(5.9)	0.2	0.2	0.5	**(5.0)**	2021
Total	(12.7)	(7.4)	2.2	0.5	**(17.4)**	

Property related

Property provisions include provisions for onerous leases of £2.1 million (2016: £2.8 million) and leasehold dilapidations of £1.4 million (2016: £1.0 million). The utilisation in the year principally relates to costs associated with the Silver End, Essex, property.

Restructuring

Restructuring provisions include provisions for ongoing employee redundancy costs at certain restructured European business units as well as restructuring provisions raised in the year relating to the closures of the Rochester, New York, and Amesbury, Massachusetts, properties. The utilisation in the year principally relates to the ongoing costs associated with business unit closures.

Warranty

Warranty provisions include provisions for the ultimate cost of settling product warranty claims which arose from the Group's M&A activities. The utilisation in the year primarily relates to the costs associated with US product litigation applied against provisions recognised on the acquisition of Truth Hardware (see Intellectual property defence on page 28).

Balance sheet – equity

Shares in issue

At 31 December 2017, the total number of shares in issue was 178.6 million (2016: 178.6 million). In addition, the Group held 0.5 million shares in Treasury (2016: 0.5 million).

The basic weighted average number of shares at the year end was 177.2 million (2016: 173.0 million). The diluted weighted average number of shares was 178.4 million (2016: 173.8 million).

Employee Benefit Trust purchases

At the year end, the Tyman Employees Benefit Trust held 0.8 million shares (2016: 1.0 million). On 9 March 2017, the Trust purchased 267,752 shares in Tyman plc at a total cost of £0.8 million to satisfy certain share awards vested in March 2017 as well as future obligations under the Group's various share plans.

Dividends

Dividend policy

Tyman plc, the Parent Company of the Group, is a non-trading investment holding company that derives its distributable reserves principally from dividends received from subsidiary companies.

The Group's dividend policy targets a dividend cover of between 2.00x to 2.50x underlying earnings per share while being mindful of the Group's near term capital requirements.

The objective of this policy is to:

- align shareholder returns with 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, 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 near term capital priorities are considered to be 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 16) as the Group's Underlying Earnings Per Share has 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 38 and 41 for the Group's principal risks and uncertainties which may have a negative impact on the performance of the Group and may influence how the dividend policy is implemented.

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 7.75 pence per share (2016: 7.50 pence), equivalent to £13.7 million based on the shares in issue as at 31 December 2017, will be proposed at the Annual General Meeting (2016: £13.3 million). The total dividend declared for the 2017 financial year is therefore 11.25 pence per share (2016: 10.50 pence), an increase of 7.1 per cent. This equates to a Dividend Cover of 2.40x, towards the upper end of the Group's target range of 2.00x to 2.50x.

The ex-dividend date will be 19 April 2018 and the final dividend will be paid on 18 May 2018 to shareholders on the register at 20 April 2018.

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 page 30, as well as details on its continuing viability and going concern on pages 42 and 43.

Only dividends paid in the year have been charged against equity in the 2017 financial statements. In aggregate £19.5 million (2016: £15.6 million) of dividend payments, representing 61.4 per cent of 2017 Free Cash Flow, were made to shareholders during 2017.

At 31 December 2016, the Company's reserves available for distribution to shareholders were £199.9 million. Total dividends paid during 2017 utilised approximately 9.8 per cent of the estimated reserves available for distribution at the beginning of the year.

Financial review continued

Other financial matters

Returns on Capital

ROCE decreased by 20 bps to 13.6 per cent (2016: 13.8 per cent) and ROCCE decreased by 60 bps to 49.6 per cent (2016: 50.2 per cent). The fall in both measures is principally due to increases in the average capital and controllable capital employed following the 2016 acquisitions. The Group continues to target a ROCE of 15.0 per cent over the medium term.

At 31 December 2017, average capital employed was £563.6 million (2016: £505.8 million) and average controllable capital employed was £154.8 million (2016: £139.0 million). The Group continues to target a ROCE of 15.0 per cent over the medium term.

Returns on Acquisition Investment

Acquisition	Acquisition date	Original Acquisition Investment	**2017 run rate ROAI**	Annualised ROAI since acquisition
Giesse	Mar 2016	€56.7m	**28.0%**	22.6%
Bilco	Jul 2016	US$64.9m	**14.0%**	12.7%
Howe Green	Mar 2017	£6.2m	**19.2%**	23.5%

See Alternative Performance Measures on page 146.

The Group targets a run rate ROAI in excess of 15.0 per cent two years post-completion of an acquisition. The ROAI takes account of all the costs of an acquisition, together with the costs of integration and any material capital investment required. The target ROAI is designed to ensure that each acquisition delivers a return significantly in excess of the Group's Acquisition Enterprise Value (see Alternative Performance Measures on page 146).

Giesse has made a significant contribution to the Group since its acquisition in March 2016 and has materially exceeded the Group's minimum target return threshold on both a run rate and annualised basis.

The ROAI for Bilco has increased as synergy benefits have started to be realised in the year. Bilco is expected to exceed the minimum run rate target return threshold within two years of acquisition.

Howe Green has been owned by the Group for ten months at the year-end and has performed encouragingly since acquisition.

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 2017, each of these currencies were materially stronger than Sterling.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Other[1]	Total
% movement[2]	(4.9)%	(6.8)%	(7.9)%	(6.9)%		
£'m Revenue impact	15.9	4.4	0.7	0.5	(1.0)	20.5
£'m Profit impact[3]	2.9	0.6	0.1	0.1	(0.2)	3.5
1c decrease impact[4]	£448k	£82k	£8k	£7k		

1 Impact of other currencies is immaterial.

2 Percentage movement in average exchange rate Dec 2017 to Dec 2016.

3 Underlying Operating Profit impact.

4 Defined as the approximate favourable translation impact on the Group's Underlying Operating Profit of a 1c decrease in the Sterling exchange rate of the respective currency.

The net effect of currency translation caused Revenue and Underlying Operating Profit from ongoing operations to increase by £21.5 million and £3.7 million respectively compared with 2016. This result is driven by a combination of the increase in the proportion of the Group reporting in currencies other than Sterling as well as average Sterling exchange rates compared with major currencies being lower than in 2016.

Transactional exposure

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

The 2017 transactional impact of weakness in Sterling against the US Dollar and Chinese Renminbi on the Operating Profit of ERA was approximately a cost of £3.2 million (2016: £1.5 million). In the year ERA benefited from surcharge recoveries of £3.7 million (2016: £0.7 million) and gains on hedges of £0.2 million (2016: £0.8 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. Tyman's banking facility allows for funds to be drawn in many different currencies.

The Group's gross borrowings are denominated in the following currencies:

	2017		2016	
£'m	Gross borrowings	%	Gross borrowings	%
Sterling	**(38.0)**	**18.4**	(9.8)	4.5
US Dollars	**(104.9)**	**50.9**	(146.3)	67.2
Euros	**(63.3)**	**30.7**	(61.6)	28.3
Gross borrowings	**(206.2)**		(217.7)	

New IFRS (unaudited)

The following IFRS, which have not been adopted in the 2017 financial statements, were in issue but not yet effective:

Standard	Name	Effective date	Likely impact
IFRS 9	financial instruments	1 Jan 2018	Immaterial
IFRS 15	Revenue from contracts with customers	1 Jan 2018	Immaterial
IFRS 16	Leases	1 Jan 2019	Relatively significant

IFRS 9 Financial instruments

IFRS 9 provides revised guidance on the classification, impairment and measurement of financial assets and hedge accounting.

Tyman is in the process of assessing the impact of adopting IFRS 9 with the main areas of consideration being hedge accounting, impairment of accounts receivable and refinancing transactions. Based on the work undertaken to date, the adoption of IFRS 9 is not expected to have a material impact on the Group financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 provides revised guidance on revenue recognition and establishes principles for the reporting of information about the nature, timing, amount and uncertainty of revenue and cash flows from contracts with customers. Tyman is in the process of assessing the impact of adopting IFRS 15 and notes that Revenue of the Group is transactional in nature with limited judgement applied in recognising the amounts recorded. In addition, contracts with customers are predominantly based on standard terms and conditions. Based on the work undertaken to date, the adoption of IFRS 15 is not expected to have a material impact on the Group financial statements.

IFRS 16 Leases

IFRS 16 requires lessees to recognise almost all lease contracts on the balance sheet, with optional exemptions for certain leases of a short term or low-value nature. Instead of operating lease costs being recognised in the income statement, a "right of use asset" depreciation charge will be recognised within operating profit and a lease interest expense will be recognised within finance costs. The adoption of IFRS 16 is expected to be relatively significant to the Group's financial statements and the Group's assessment of the likely impact is ongoing.

2018 summary guidance

Exceptional costs are expected to be c. £4.0–£5.0 million reflecting M&A and integration costs associated with Ashland Hardware and footprint projects. The IFRS 3 change in respect of the proposed Ashland acquisition has yet to be estimated. Exceptional costs cash paid in 2018 are expected to be c. £9.0–£10.0 million.

Interest payable on borrowings for the full year is expected to be c. £10.0–£11.0 million. The actual amount payable will be dependent on Leverage and the currency of borrowing. The non-cash amortisation and accelerated amortisation of capitalised borrowing costs is expected to be c. £1.1 million.

The Underlying effective tax rate for Tyman in 2018 is expected to be c. 26.0 to 27.0 per cent reflecting the reduced US Federal tax rate that will apply to the Group's US profits. 2018 cash taxation rates are expected to be broadly in line with the Group's 2018 Underlying effective tax rate.

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

Maintenance and investment capital expenditure for the year for the Group is expected to be c. £18.0–£20.0 million.

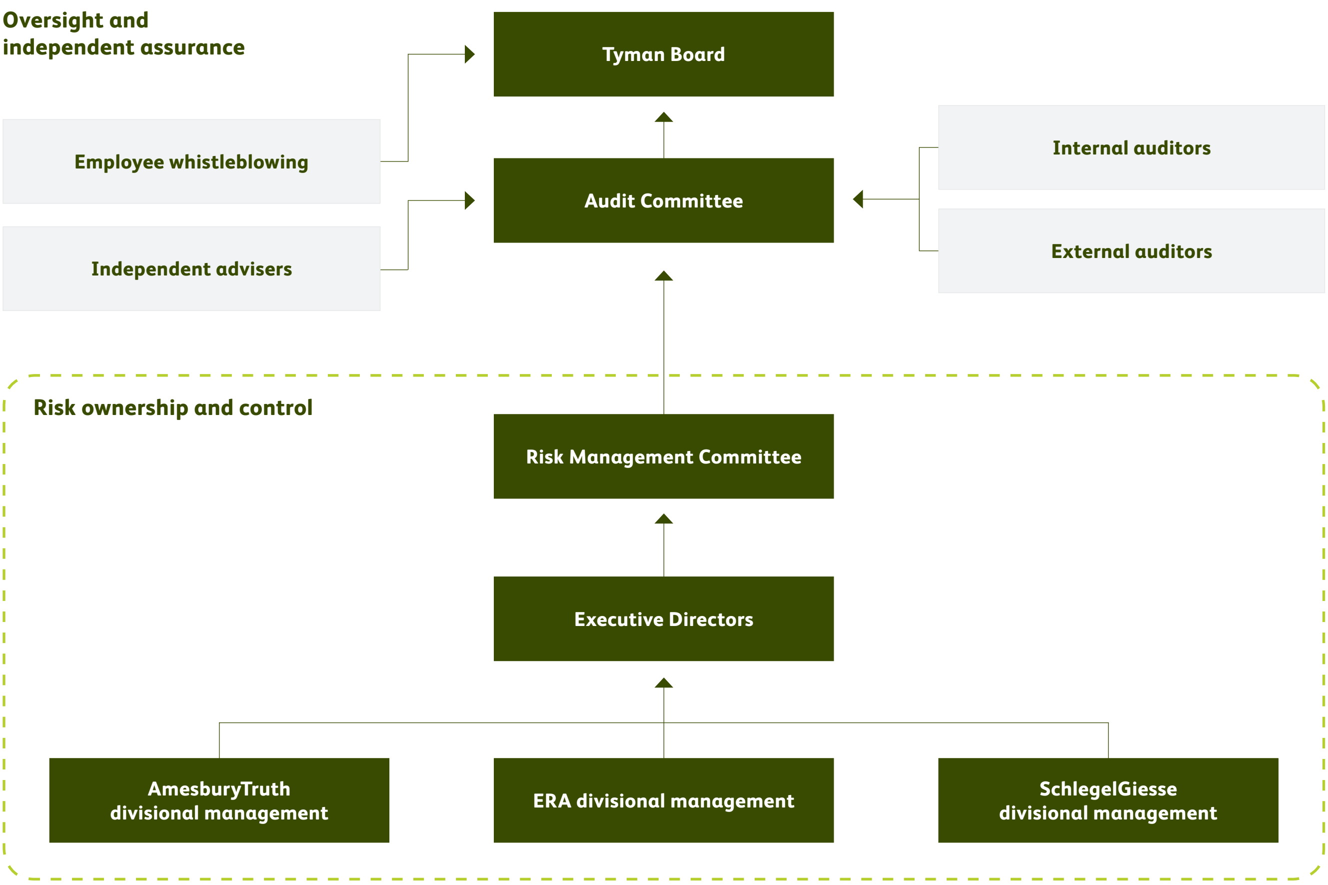
Share purchases by the Employee Benefit Trust to satisfy LTIP and other share plan awards are expected to be c. £2.0–£3.0 million. The share-based payments charge will be c. £1.1 million.

Managing risk

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.

Risk management structure



Responsibilities for and structure of risk management

Responsible body	Areas of responsibility
Board	Overall responsibility for risk management. Defines the Group's risk appetite and culture. Reviews principal risks and uncertainties every six months 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.

Each Division maintains a comprehensive risk register which assesses all pertinent risks relevant to that Division, including operational, financial, compliance and strategic risks. These risk 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 and the financial effect of the relevant risks. Against this an assessment is made of the controls that are in place to mitigate the relevant risk. The Risk Management Committee formally reviews each Division's risk register four times 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. These principal risks and uncertainties are reported in the Annual Report.

The Board has overall responsibility for reviewing the effectiveness of the risk management and internal control systems in the Group. The Audit Committee, on behalf of the Board, reviews the overall system of risk management, details of which are described below.

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 Audit 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 systems:	Tyman response:
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.
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.	The Group has a detailed risk management process, which identifies the key risks faced by each Division and the Group as a whole and the actions and controls required to manage and mitigate these risks. Divisional risk registers are reviewed each quarter by the Risk Management Committee, which reports back to the Audit Committee.
The Board approves the annual financial budget.	Performance against these targets is monitored monthly and reported on at Board meetings and reasons for divergences are discussed.
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 with each Division every month by senior management.
An annual review is performed on the effectiveness of the system of internal control.	The Committee receives regular reports throughout the year to assure itself that the Group's internal control systems comply with the requirements of the Code. Divisional management is required to implement base financial and other controls in line with a clear set of detailed Group policies relating to financial reporting and other accounting matters and to act in accordance with the Group Code of Conduct. Each Division completes a bi-annual self-certification of compliance and implementation of internal controls by its businesses which is submitted to the Committee for review. The internal and external audits test various aspects of internal controls, including their adequacy and effectiveness. The findings of internal and external audits, together with improvement recommendations and management responses, are shared with the 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. All reports are received by the Group Company Secretary. A full investigation is carried out following the receipt of each report, with the results of the investigation being reported directly to the Board.

Principal risks and uncertainties

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 39 and 41 sets out the principal risks and uncertainties facing the 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 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 43 and the Viability statement can be found on page 42 of the Strategic report.

Main developments in risk

The Group has recognised information security as a new principal risk, reflecting the increased level, frequency and sophistication of IT threats that the Group currently faces.

Business integration is no longer considered to be a principal risk as at 31 December 2017. The integrations of the three businesses acquired in 2016, Bilco, Giesse and Response, have substantially been completed. Howe Green, acquired in March 2017, continues to be integrated according to plan and is immaterial in the context of the Group.

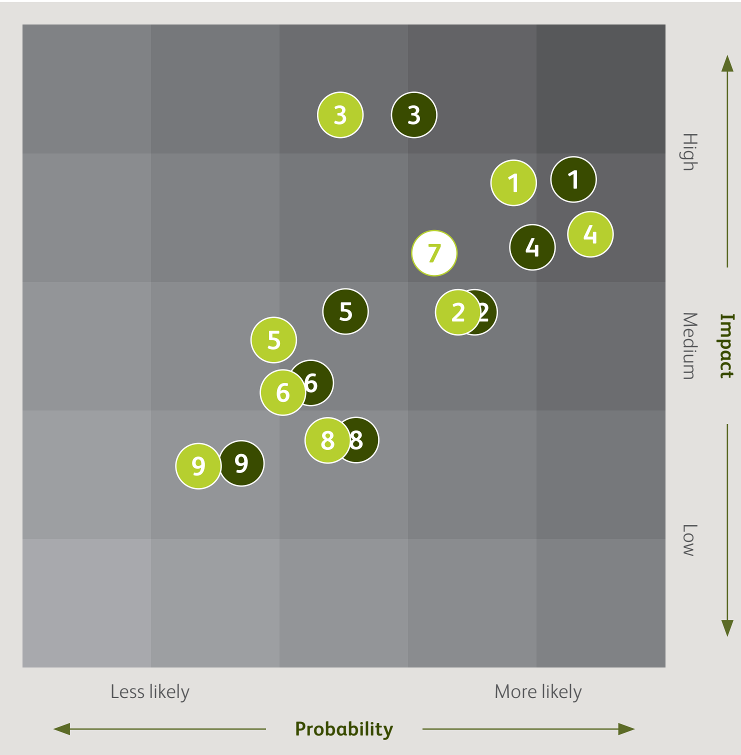
Should the Group acquire further material business during the course of 2018 then business integration will be reinstated as a principal risk.

While the UK's vote to leave the European Union continues to create uncertainty in the UK economy, this is not expected to have a material impact on the Group.

Heat map

The heat map below shows the relative positioning of the Group's principal risks by the severity of their impact and the probability of occurrence. The heat map shows the Board's assessment of the principal risks before any mitigating controls and actions. The Group has adopted strategies to reduce these inherent risks to an acceptable level and more details of this are set out in the table on pages 39 to 41.

Principal risks before mitigation



Principal risks:
1 Market conditions
2 Competitors
3 Loss of major customers
4 Raw material costs and supply chain failures
5 Footprint rationalisation
6 Financial risks
7 Information security (new)
8 Key executives and personnel
9 Liquidity and credit risks

2017
2016
New risk in 2017

Market conditions

Description

Demand in the building products sector is dependent on levels of activity in new construction and residential and commercial RMI markets. This demand is cyclical and can be unpredictable and the Group has a low visibility of future orders from its customers.

Mitigation

In previous cyclical downturns Tyman has proved effective in responding to events:

- maintaining appropriate headroom and tenor in the Group's available borrowing facilities;
- the geographic spread of the Group's business;
- the ability to flex the Group's cost base;
- pricing and gross margin management;
- planning, budgeting and forecasting processes; and
- offering industry-leading customer service.

As part of its process for assessing the ongoing viability of the Group, the Board regularly stress tests the Group's financial and cash flow forecasts.

Impact on strategy

A B C D E

Risk assessment

High

Trend

▼

Competitors

Description

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. Demand may also be impacted by competitor disruptive behaviour.

Mitigation

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, new product development, strategic focus and reputation.

The Group aims to minimise the impact of aggressive pricing by competitors through a low-cost manufacturing strategy supported by its programmes of new product development, continual process improvements and building long term relationships with its customers based on value, quality, service and added value technical support.

Impact on strategy

A B C D E

Risk assessment

Medium

Trend

▶

Loss of major customers

Description

The success of the Group is dependent on the continuation of satisfactory commercial relationships with its major customers.

In 2017 the top five customers accounted for 22.1 per cent of total Group Revenue.

Mitigation

Each Division develops strategic customer plans which include high level engagement through business review meetings to identify service issues and product development opportunities on a timely basis.

Management continues to invest in training for its sales teams. The Divisions aim to provide a speedy response to sub-standard OTIF performance or product quality. Where a Division identifies a broader category of customer that may be at risk, specific mitigation plans are put in place such as the changes made in 2017 to the AmesburyTruth route to market for smaller customers.

Impact on strategy

A B C D E

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

Raw material costs and supply chain failures

Description
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. Product or raw material may become unavailable from a supplier due to events beyond our control.

Mitigation
The Group continues to invest in and improve its sourcing and procurement capability with dedicated supply chain resources. The Group manages supply chain risk through strong long term relationships with suppliers, risk assessment and audit of key suppliers, review of make or buy policies, economies of purchasing, dual sourcing, adequate safety stock and inventory management. The Group maintains product quality by ongoing testing up to and beyond the industry standards. Commodity price inflation continues to be a risk for the Group. In response, the Group will increase selling prices or apply surcharges to recover unavoidable input cost increases.

Impact on strategy
A B C D E

Risk assessment
Medium

Trend

Footprint rationalisation

Description
Rationalisation of the Group footprint is expected to produce 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.

Mitigation
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.

During 2017 ERA has completed the substantial part of its move to i54, a consolidated distribution site in the West Midlands. AmesburyTruth completed moves to new greenfield sites in Sioux Falls and Statesville and has completed a substantial expansion of its Juarez plant. Schlegel has completed the footprint consolidation resulting from the Giesse acquisition.

Impact on strategy
A B C D E

Risk assessment
Medium

Trend

Financial risks

Description
The Group operates internationally and is therefore exposed to transactional and translational foreign exchange movements in currencies other than Sterling. In particular the Group's translated Underlying Operating Profit is impacted by the Sterling exchange rate with the US Dollar and the Euro. The Group is also exposed to interest rate risks on its external translated borrowings. In 2017, 77.7 per cent of the Group's Underlying Operating Profit was derived from North American operations.

Mitigation
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. Where possible the Group will recover the impact of adverse exchange movements on the cost of imported products and materials from customers.

Impact on strategy
A B C D E

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

Information security
New risk

Description

Information and data systems are fundamental to the successful operation of Tyman's businesses. The Group's digital assets are under increasing risk from hacking, viruses and "phishing" threats. Sensitive employee, customer, banking and other data may be stolen and distributed or used illegally. The new GDPR could increase the cost of failures to protect the Group's digital assets.

Mitigation

The Group continues to develop and test regularly disaster recovery plans for all sites. The Group undertakes regular penetration testing of data systems and maintains up to date versions of software and firewalls. The Group periodically reviews IT system controls, with the help of tailored internal audit programmes developed by BDO. The Group engages specialist resources to review its plans for GDPR.

Impact on strategy

A B C D E

Risk assessment

Medium

Trend

Key executives and personnel

Description

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 throughout the Divisions.

Mitigation

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. Each Division maintains talent development and succession plans, supported by adequately funded training.

Impact on strategy

A B C D E

Risk assessment

Low

Trend

Liquidity and credit risks

Description

The Group must maintain sufficient capital and financial resources to finance its current financial obligations and fund the future needs of its growth strategy.

Mitigation

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. The Group aims to operate within its target leverage range of 1.50x to 2.00x EBITDA at the year end throughout the cycle.

Since the year end the Group has increased and extended its banking facilities to at least February 2023.

Impact on strategy

A B C D E

Risk assessment

Low

Trend

Assessment of prospects

Strategy and appetite for risk

The Group's strategy, details of which are set out on pages 12 to 13, 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 10 and 11, 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 regular 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. 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 process includes a review of Divisional three-year rolling strategic plans by the Executive Directors in conjunction with the Tyman Management Committee and functional leaders within each Division. The Board participates in the process through regular meetings with the Divisional senior management, visits to Divisional facilities and strategic updates, including strategy away days.

The output of this assessment is a consolidated set of financial projections for the Group that takes account of Tyman's principal risks (see pages 39 and 41), and explicitly covers the period of the next three years. A central review of forecast debt covenant compliance and debt headroom is also completed.

The annual Group budget is compiled in the autumn of each year and generates a detailed forecast for the year ahead. As part of this process the strategic plan financial projections are refreshed. The strategic plan reviewed as part of the assessment of prospects in this report therefore covers the three-year period ending 31 December 2020.

Since the year end the Group has renewed, extended and increased its committed banking facilities to at least February 2023 which provides Tyman with significant financial headroom to achieve its objectives and extends beyond the life of the strategic plan.

Key assumptions

The key assumptions underpinning the 2017 to 2020 strategic plan include:

- average market growth forecasts in line with local consensus;
- no loss of significant customers;
- conservative forecasts of market share growth, selling price increases and the impact of new product development;
- conservative forecasts of the benefits from existing major rationalisation projects; and
- no impact from future acquisitions or disposals.

Assessment of viability

In accordance with provision C.2.2 of the Code, the Directors have assessed the viability of the Group over a three-year period. This assessment takes account of the Group's current trading position and the potential impact of the principal risks and the mitigating actions documented on pages 39 to 41 of the Annual Report.

Consistent with 2016, 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 downside scenarios applied to the strategic plan are summarised below:
Severe but plausible scenarios:

Strategic plan flexed for combinations of the following scenarios:	Link to principal risks and uncertainties:	Level of severity tested:	Conclusion:
Severe downturn in market conditions **Aggressive competitor actions resulting in a severe loss of market share** **The loss of major customers**	Market conditions Competitors Loss of major customers	• 22.0 per cent fall in Revenue in year one followed by flat revenues in the following two years • £15.0 million one-off exceptional cash cost in year one	This cumulative scenario is significantly worse than the reductions experienced by the Group during the last downturn in 2007 to 2009. Tyman, after undertaking mitigating actions, should be able to withstand the impact of these severe but plausible scenarios.

Reverse stress test scenarios:

Strategic plan flexed for combinations of the following scenarios:	Link to principal risks and uncertainties:	Level of severity tested:	Conclusion:
Extreme downturn in market conditions **Aggressive competitor actions resulting in extreme loss of market share** **The loss of major customers**	Market conditions Competitors Loss of major customers	• 27.0 per cent fall in Revenue in year one followed by 8.0 per cent fall in revenues in each of the following two years • £15.0 million one-off exceptional cash cost in year one	This level of performance deterioration is considered extreme and highly implausible and would make the future viability of the Group less certain.

The flexed models take 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.

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 2020.

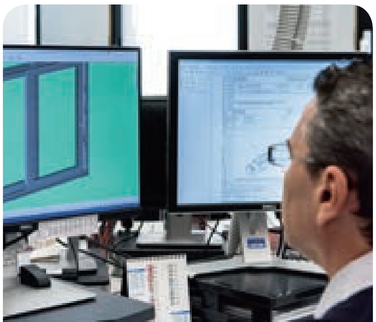
Going concern
As a consequence of the work undertaken to support the Viability statement above, the Directors have continued to adopt the going concern basis in preparing the financial statements (see note 2.2 Going concern in the notes to the financial statements).

Focusing on our responsibilities

The Group understands the critical role that environmental, ethical, legal and social dimensions play in its long term sustainability.

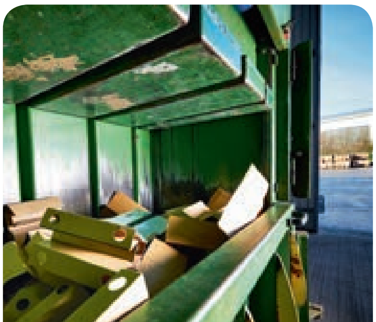
People

Health and safety



Ethics and compliance

Community



Environment

People

The Group employs nearly 4,000 people, and through their expertise, experience and contribution Tyman is able to deliver operational excellence.

The sustainability of the Group's business is dependent upon attracting people of the right quality, skills and behaviours that match with the Tyman Code of Conduct and in developing each individual by recognising the contribution they make through ongoing development and appropriate reward.

The Code of Conduct was developed to provide common principles and best practice standards to an increasingly large and geographically diverse organisation. The Code of Conduct covers the overarching principles by which every employee working in the Group is expected to behave and how Tyman expects its customers, suppliers and other stakeholders to operate to an equivalent standard. The Code of Conduct is now included in each Division's handbook which ensures every new recruit is fully aware of the standards expected of them.

Each of the Group's Divisions operates in accordance with its own policies and procedures, which are consistent with the principles and values set out in this Code.

Employees

The Board recognises delivery of the Group strategy is dependent on providing operational efficiencies, through process scrutiny, delivered by talented and skilled employees. Please see page 12 for more information on this aspect of Group strategy.

The loss of key personnel is a recognised risk (see page 41) and therefore, to mitigate this, each Division has policies on recruitment processes, talent development and succession plans, supported by adequately funded training and long term management incentives and retention initiatives.

Each Division seeks to develop every member of its workforce by providing them with the right level of ongoing training, whether this is product knowledge, manufacturing process development or policy and management training.

During the year the Group invested in a wide variety of training programmes to support both stated strategy and risk mitigation.

AmesburyTruth engaged external providers to provide focused OGSM 4.3 management level training and development programmes for selected employees together with an online training platform for all areas of the business, providing wide coverage on a variety of training areas via a training portal. As part of succession planning and talent management a number of high potential individuals have been selected to participate in team building exercises and tailored development training programmes. An internship programme selected seven interns who participated in job training during 2017. Participants were recruited from universities across the Midwest of America and gained experience in engineering, sales, supply chain and operations. AmesburyTruth continued its tuition reimbursement programme where employees can pursue a degree course which is directly related to their employment.

SchlegelGiesse focused on NVQ training in a number of product and production related areas, including direct product training, creativity in innovation and marketing and communications. As part of its apprenticeship schemes, SchlegelGiesse renewed its collaboration with the University of Bologna Engineering Department and hosted students for research programmes within the business.

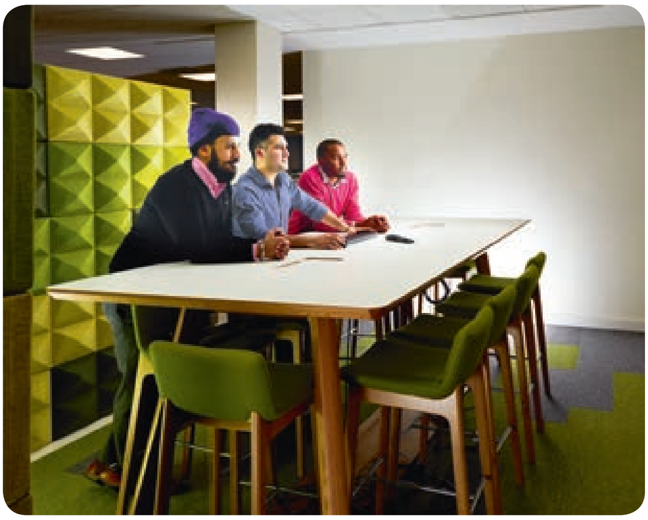
ERA supported skills training through the UK Apprenticeship Schemes for customer services and business administration. Management development programmes were completed for senior managers in project management. Apprentices were also recruited for the Howe Green business.

More informal training is carried out via individual product training, tool box talks and notice boards, populated when necessary to provide news and information.

Employees are reviewed annually to assess performance against established goals and as part of this process development opportunities are considered.

The importance of frequent and consistent communications to everyone within the Group is recognised and therefore each Division participates in frequent staff engagement on a number of levels, in different mediums and on a variety of topics.

> "Each Division seeks to develop every member of its workforce by providing them with the right level of ongoing training."



Sustainability continued

People continued

Employees continued

The aim of these communications is to ensure everyone is kept informed of progress being made by their own unit and the Division as a whole. The frequency of communications ranges from monthly newsletters and site meetings with all employees to quarterly team meetings and staff group representations. Topics include information of recent personnel changes, health and safety updates, and community activities. During the year AmesburyTruth conducted an employee engagement survey throughout the US facilities, the results of which will be shared with all employees, including the actions and responses to the results.

Diversity

Tyman's 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.

Within the Group local diversity and unconscious bias training has been conducted during the year. All salaries are linked to job evaluations to promote equality of opportunity. As at 31 December 2017 the Board had female representation of 33.0 per cent. Female representation at senior management level was 21.0 per cent (2016: 29.0 per cent). Across the global workforce there was 41.0 per cent female representation (2016: 40.0 per cent). The change in female representation at senior management level reflects a slightly enlarged management structure, with those moving into these positions being primarily male. These figures reflect the challenges faced by the Group operating in a manufacturing environment. As part of the work of the Nominations Committee on succession planning, together with the Remuneration Committee's continued review of the gender pay gap analysis, this topic will receive further scrutiny during 2018.

Gender pay gap reporting

Under UK legislation, all organisations with 250 employees or more are required to publish data which demonstrates the pay differential between male and female employees.

In the UK, Tyman has two operational divisions, ERA and SchlegelGiesse, and a small Group head office. None of these entities have a payroll that exceeds 250 employees. At present, there is no legal requirement for any one of these employing companies to publish their pay differential data. However, it is recognised there are benefits to Tyman in compiling and publishing this information. In addition, Tyman expects that in future years it may have a legal requirement to report this data; this will in part be determined by the size of the payrolls within any one Division.

The results show the mean difference between male and female pay is 21.0 per cent and the median difference is 11.0 per cent. This data demonstrates that despite the high number of males in each pay quartile in comparison to the number of female employees, both results compare favourably to the national gender pay gap median of gross hourly earnings which is 21.9 per cent for all employees in manufacturing industry.

The data highlights the challenges Tyman faces when looking to attract females into a traditionally male manufacturing organisation. The proportion of female employees in the Tyman workforce in the UK is 26.0 per cent, with the majority of females employed by the Group working in support, light assembly or warehousing activities.

The full statement on gender pay reporting can be found on the Group's website.

Health and safety

The Board recognises its responsibility for the health and wellbeing of everyone employed by the Group, part of which is providing a safe environment in which to work, free from accident or incident.

As can be seen by the performance of the Group's overall health and safety statistics for 2017, there has been a deterioration in the injury and lost time rates, including in the severity rates of accidents that have occurred.

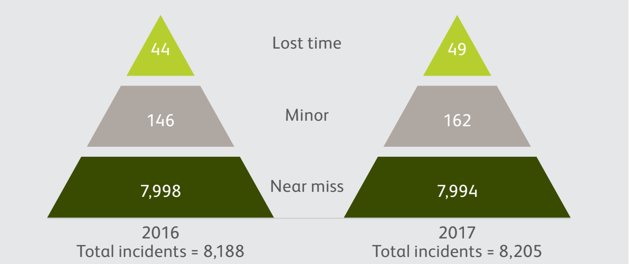
This is highly disappointing to everyone concerned in all aspects of health and safety, throughout the Group, as there has been considerable time, effort and focus on this topic during the year. This result is primarily caused by a deteriorating rate in Mexico, in part caused by the rapid expansion of the Juarez workforce. A number of initiatives are underway, including engagement with all employees to develop an improved health and safety culture in this facility.

As part of the continued focus on health and safety during the year, each Division has engaged with every member of staff to further embed the Tyman health and safety culture.

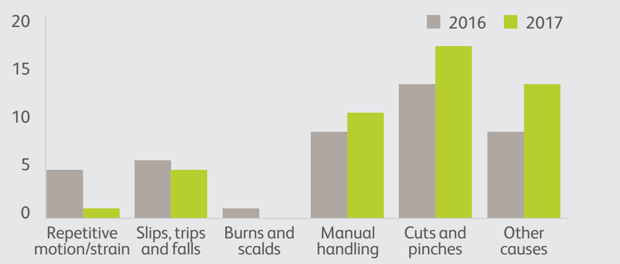
ERA supported regular health and safety training for all staff, including managers, in areas such as manual handling, DSE assessments and driver awareness training for all mobile workers. ERA also conducted a Division wide staff health and safety culture questionnaire with the results being communicated with the staff at specific team briefings. The move to the new i54 site in Wolverhampton has provided management the opportunity of combining three locations into one site and bringing health and safety focus into one dedicated role for all UK staff. All ERA sites are ISO 9001 accredited.

SchlegelGiesse has embarked on a three-year programme, "Creating a Safer Working Environment" of safety initiatives, which aims to establish and embed a new organisational structure, with roles and responsibilities aligned with health and

Incidents



Lost time incidents by reason



safety, with a newly appointed Divisional Health and Safety Manager.

AmesburyTruth is well advanced with safety programmes and used the US National Safety Week to reinforce the safety message, with a video communication to all employees. Follow-up facility audits have been carried out by an external third party at five sites, with recommended actions being taken. Ad-hoc site audits are also carried out by the Divisional Health and Safety Manager to ensure ongoing compliance with safety systems. Further initiatives carried out during the year included the identification of health and safety champions for each site to keep health and safety at the forefront of all operations. Should an incident occur, a four-person panel, independent of the operations, carries out an internal review of the causes of the accident, actions required to prevent a repeat occurrence and lessons learnt to assist with an improved safety culture. The Health and Safety Manual was also updated, distributed and signed by all employees, including new employees as part of the onboarding process. A number of other initiatives are also underway, including occupational athletics, a programme designed to help staff get fit for their roles and reduce repetitive strain injuries.

One of the Group's key performance indicators is the health and safety performance statistics, the results of which may be seen on page 17. This measurement is used to provide focus on one of the Group's key performance measures, process scrutiny. The target is to reduce the overall lost time injuries year on year. As a result of the disappointing health and safety performance during 2017 all Divisions will be looking at alternative ways in which to further engage with employees to continue the development of the health and safety culture at all levels.

Stakeholders

Engagement with all our stakeholders is important and ensures there is a sound basis upon which our business is conducted. Each Division has a relationship management programme with their customers and suppliers which provides the appropriate forum for open and transparent discussions.

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.

Chief Executive Officer

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

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

Risk Management Committee

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.

Tyman Management Committee

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

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

Local management

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.

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

Health and safety management systems

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.

Sustainability continued

Tyman Sourcing Asia

In October 2017 the Risk Management Committee visited the Tyman Sourcing Asia office in Ningbo, China. As part of this visit the Committee received a briefing on the work of TSA and visited the TSA offices, which included logistics, projects, engineering and quality management, which includes a testing laboratory, CMM and training rooms.

The Committee also visited a number of suppliers in the region, which provided the opportunity to meet local management teams and see production facilities and processes first hand. The Committee was particularly interested in seeing the facilities afforded the production staff including health and safety measures provided.

This visit coincided with the first supplier conference, which was attended by TSA's leading suppliers and provided the opportunity for the Risk Management Committee to meet with local manufacturers and to provide them with some further background to the work of each of the Tyman Divisions.

Ethics 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. Employees and persons acting on behalf of the Group are expected to implement the Group's policies and procedures such that the legitimate interests of the Group are advanced, having regard to the Group's values and standards. All employees are expected to engage in ethical conduct.

As part of the work of the Risk Management Committee, a number of other Group policies have been developed during the year and these are now in full operation throughout the Divisions. These policies include anti-bribery and anti-corruption, Supplier Code of Conduct and the prevention of the facilitation of tax evasion.

> "The Group is committed to conducting its business with integrity."

These policies are clearly communicated to all staff. Training programmes in these areas, in some cases provided by external providers, continued during the year with key members of staff from each Division completing relevant modules.

Internal review of systems and internal audits provide assurance there is no significant risk in these areas. The Risk Management Committee manages the programme of work which supports the implementation and compliance with these policies, reporting regularly to the Audit Committee on these issues.

Product 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 Tyman's quality management standards. Operating units are encouraged to gain and maintain accreditation to specific standards required by the markets they serve, with 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 delivering high quality products to their customers.

Modern slavery

The Group is committed to respecting human rights across all its operations and 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 seeks to ensure the Group's activities and activities within its supply chain do not infringe or encourage abuses of any human rights.

The UK Modern Slavery Act 2015 requires Tyman plc and its subsidiaries to make an annual statement on the steps taken to identify and prevent modern slavery throughout its supply chain.

Each of the Divisions manufactures products, primarily in North America and Western Europe, distributing and selling products to markets globally. A proportion of the Group's products are sourced from third party suppliers, primarily in China. Responsibility for the management of the supply chain in Asia rests with the TSA.

Through the Divisions' sourcing arrangements, it is recognised there is a risk of the occurrence of modern slavery practices. Each Division is therefore committed to ensuring any indication of such practices is investigated immediately with the appropriate actions being taken, if necessary.

During the year a number of actions have been carried out to minimise the possibility of modern slavery within the Group's supply chain. Each of the Divisions has carried out training for all relevant staff, in the appropriate language, to educate them to be vigilant for any signs of malpractice. Audit and site visits of suppliers, particularly in low cost regions, have been completed and revised supplier agreements have been implemented.

A revised Modern Slavery Statement for the financial year ended 31 December 2017 can be found on the Group's website.

Each Division is responsible for the ethical sourcing of all products used in the production of finished goods. As part of the work of the sourcing teams, there is a strong emphasis on ensuring the integrity of the supply chain, including verification of their suppliers. Supply chain teams seek to re-engineer products, reworking them to reduce the materials used, or to take advantage of improved production methods, using more environmentally sound materials.

The Group operates a confidential whistleblowing telephone help line, which is available for all employees and any external person associated with providing goods or services to any of the Divisions. During the year eight calls were received by the Group Company Secretary. Each call was fully investigated, by an appropriate person, independent of the claim being made. Each of these claims was fully resolved, with the necessary actions being taken. These claims were reported to the Board, which was kept apprised of all actions being taken and the final outcomes. There is nothing material to report in respect of any of these claims.

Community

The Divisions do not have policies on the social and community activities in which their employees participate, on behalf of the Division. In keeping with the decentralised nature of the Tyman Group, each operating unit participated in a number of local initiatives and charitable causes either associated with the unit or to which an employee has a personal connection.

AmesburyTruth

As in previous years AmesburyTruth has taken pride in being actively involved in local and national charitable initiatives through monetary donations as well as providing hours of community service. Big Brothers & Big Sisters, Make A Wish, United Way and Junior Achievement are all national programmes with which the Company has partnered financially and through volunteer hours. Several of the sites support employee fundraising campaigns with United Way which helps raises additional funds outside of the Company.

AmesburyTruth participates financially and with physical involvement at the local Chambers of Commerce in Cannon Falls, Owatonna, Sioux Falls and Statesville. During the holiday season and winter months, AmesburyTruth runs collection campaigns at the sites collecting winter wear, clothing and supplies for the needy. Many employees are active with the local school districts and support sport teams. Each site has a WAVE Committee (**W**ellness, **A**ctivity, **V**olunteerism, **E**vents) which plans, co-ordinates and interacts with the community on programmes and opportunities.

Monetary value of donations made during the 2017 year totalled US$77,908.

ERA

In 2017 ERA supported a charity voted for by their employees and were delighted to raise over £14,000 for Birmingham Children's Hospital. Birmingham Children's Hospital is a leading UK specialist paediatric centre, offering expert care to over 90,000 children and young people from across the country every year. Delivering some of the most advanced treatments, complex surgical procedures and cutting-edge research and development, the hospital treats one in five children from Birmingham and one in eight from the wider West Midlands.

SchlegelGiesse

Reflecting the international nature of this Division, the community activities in which each unit is involved ranges from hosting Macmillan coffee mornings and participation in the Muddy Race for breast cancer to sponsorship of the local Budrio theatre.

As in prior years, as part of the Group Management Conference, funds were raised for a local charity. This year, the conference was held in Budrio, home of the SchlegelGiesse Group head office, and the nominated charity was in support of the first Wheelchair Tennis Tournament at the Budrio Tennis Club. The SchlegelGiesse contribution was aimed at the removal of architectural barriers in the club, to help people of all abilities participate in this sport. With matching contributions from Tyman plc, the charitable giving raised €5,200.

"Each operating unit participated in a number of local initiatives and charitable causes."

Sustainability continued

Environment

Each Division has policies in place for managing the environment, including compliance with local regulations. The policies cover areas such as the use of materials, including the principles of use, re-use and recycle. These policies support the ongoing energy efficiency programmes carried out during the year, as part of the continued drive for increasing efficient methods of production including the minimisation of waste materials.

All Divisions have programmes for the ongoing maintenance of plants and investment in new processes, including the improvement of recycling facilities in all locations.

The Divisions actively promote the reduction of materials used in all aspects of production.

The actions taken in compliance with these policies support the efficient use of natural resources for both operational efficiencies and the sound use of natural resources.

As part of the footprint rationalisation the move to energy efficient buildings is part of the Group's drive for operational excellence in all areas of its operations, for the benefit of everyone working in these premises and for production and energy efficiencies.

Some of the actions taken during the year, which support the Divisions' environmental policies, were:

AmesburyTruth completed a number of environmental audits with follow up actions, which have improved energy usage, including:

- the reduction of compressed air leakages and the replacement of old equipment with energy efficient units, for the reduction of energy and air consumption;
- the replacement of lighting systems, including fluorescent lighting, with LED for reduced energy usage;
- installation of water conditioning equipment to the process water systems, reducing the frequency of filter replacement and the reduction of landfill products by 90 per cent;
- installation of movement sensors, for lighting systems, to reduce energy use;
- installation of new energy efficient electric injection moulding machines, reducing energy consumption by 20 per cent;
- installation of new energy efficient heating, ventilation and air conditioning systems in new buildings; and
- construction of a storm water prevention system and settling pond to contain and filter water before discharge into the local ecosystem.

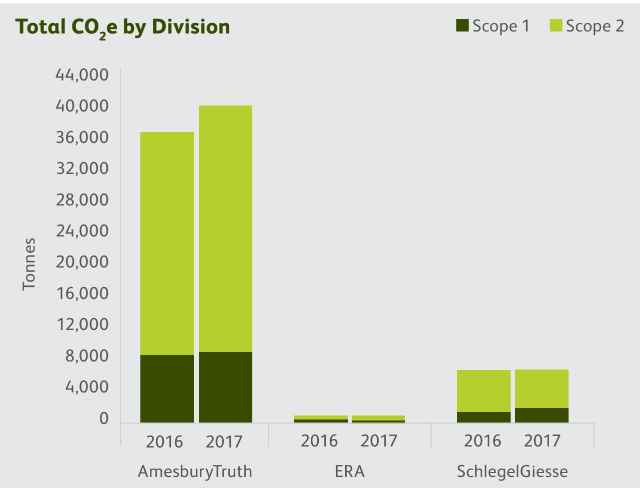
The focus on the new AmesburyTruth centres of excellence is on creating state-of-the-art facilities for employees which support efficient and environmentally aware production methods.

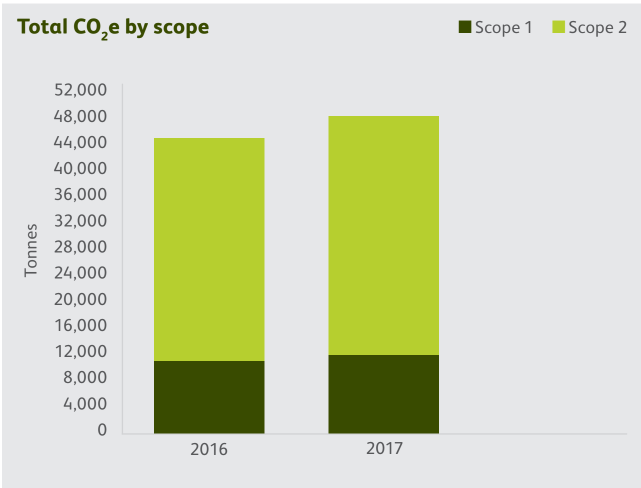
Following the amalgamation of the Italian sites, SchlegelGiesse completed an energy audit at the start of 2017 which mapped all energy consumption, to provide the basis on which energy reduction programmes can target key areas. Other actions taken during the year were:

- as part of an ongoing sustainable buildings initiative, 1,100m^2 of asbestos roof was replaced with energy efficient thermal insulation, which was restructured to provide additional light to this area of the building;
- improved waste separation, with follow up audits to ensure compliance;
- installation of energy efficient lighting in some older premises;
- turbocharged direct injection monitoring system was changed, replacing nylon mixing heads with steel units resulting in reduced water use and environmental disposal;
- initiated reel recycle system as part of the supply of polycarbonate inserts; and
- various production processes have moved to paperless systems, reducing paper use.

ERA's consolidation of three plants into a new purpose built facility has provided the Division the opportunity to operate in an energy efficient building, with features that include:

- a targeted air permeability of 3m^3/(h.m^2);
- improved U values (insulation levels);
- low G values on the windows and curtain walling scheme. This is a measure relating to the reduction in solar gain;
- louvres outside office windows to reduce solar gains;
- heat recovery ventilation units;
- air source heat pumps for heating and cooling of office space;
- low energy LED lighting;
- daylight dimming controls for lights close to the windows;
- present detection lighting; and
- storm water run-off swales have been installed for sound water treatment.





> “The Divisions actively promote the reduction of materials used in all aspects of production.”

The majority of greenhouse gas emissions used arise from the manufacturing processes throughout the Group, together with the running of the Group and divisional offices and an element of air travel. Where possible alternative technologies are used to minimise the use of travel between sites, with video conference calls used extensively by colleagues to communicate outside of scheduled meeting times.

Each Division seeks to reduce emissions wherever possible and to review and improve the recycling facilities in all locations. As part of the footprint rationalisation the move to purpose built facilities has provided a number of opportunities to operate more in energy efficient premises and to upgrade and improve production processes.

All facilities undertake energy efficiency programmes during the year, as part of a continual drive for increasing efficient methods of production including the minimisation of waste materials.

Greenhouse gas emissions

The Group applies the GHG Protocol as the basis for reporting its emissions. Emissions reporting includes the facilities over which the Group 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 the denominator for its intensity ratio as this is the most appropriate and relevant factor associated with the Group’s 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 2017 are presented in the table below.

The performance at the end of 2017 shows a positive trend over the past three years, helped by the Group’s footprint rationalisation and in particular the continued investment in new, built for purpose manufacturing and warehouse facilities.

Water usage

The Group started monitoring water usage in 2015, as an acknowledgement of the expansion of the Group and its use of natural resources and the wish to ensure the efficient use of this resource.

The increased production in both the AmesburyTruth and SchlegelGiesse Divisions during the year has caused the resultant increase in the use of water throughout their operations.

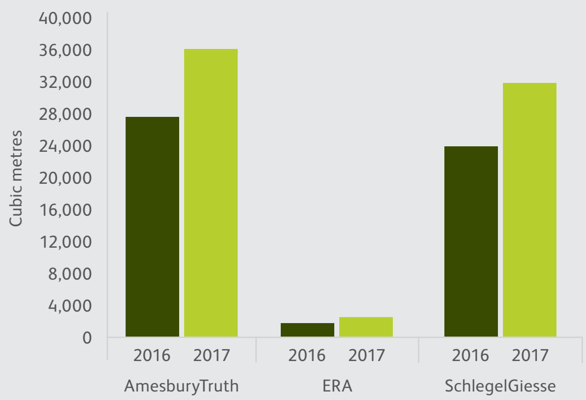
	Water consumption	
	2017	2016
Cubic metres	**71,402**	54,998
Intensity ratio: cubic metres	**136**	120

Water per £’m of Revenue.

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

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

Total water usage by Division



GHG emissions

Scope	GHG emissions tonnes CO_2e 2017	2016	2015
Scope 1[1]	**11,711**	11,157	11,423
Scope 2[2]	**34,931**	33,598	31,062
Total direct and indirect emissions	**46,642**	44,755	42,485
Intensity ratio: tonnes[3]	**89.23**	97.79	120.21

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

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

1 Emissions that arise directly from our operations and comprise the combustion of fuels and process emissions.

2 Indirect emissions that arise from our use of electricity.

3 CO_2e per £’m of Revenue.

Board of Directors

Martin Towers
Non-executive Chairman

Committee membership

A R N

Date of appointment
December 2009

Martin Towers became a Non-executive Director and Chairman of the Audit Committee in December 2009. On 12 May 2017, he was appointed Chairman of the Board and Chairman of the Nominations Committee.

Qualifications
Fellow of the Institute of Chartered Accountants in England and Wales and began his career with Coopers & Lybrand (now PwC).

Skills
Extensive financial and general management experience in the public markets at companies with significant overseas interests in manufacturing.

Relevant past experience
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. Martin was a non-executive director of Homestyle Group plc from 2004 to 2006 and of KCOM Group plc from 2009 to July 2015.

External appointments
Non-executive chairman of Restore plc and Norcros plc and the senior independent non-executive director of RPC Group plc. Martin will be stepping down from RPC during 2018.

Louis Eperjesi
Chief Executive Officer

Committee membership
Louis Eperjesi attends the Audit, Nominations and Remuneration Committees at the invitation of the Committee Chairs.

Date of appointment
February 2010

Skills
Louis has extensive knowledge and experience of the manufacture and supply of building products in international markets. He has a strong commercial, marketing and product background, through which he has successfully driven strategy development, change management programmes and M&A activity.

Relevant past experience
Prior to joining Tyman plc, Louis was divisional managing director of Kingspan Panels Ltd, the largest division within Kingspan Group Plc, where he was also a main board executive director.

He started his career within Caradon Plc and Redland Plc. Since 1999 Louis has held leadership roles in Lafarge SA, Baxi Group and Kingspan Group Plc.

External appointments
Trustee of The Cheltenham Trust.

James Brotherton
Chief Financial Officer

Committee membership
James Brotherton attends the Audit, Nominations and Remuneration Committees at the invitation of the Committee Chairs.

Date of appointment
May 2010

Qualifications
Graduate of Loughborough University and an ICAEW Chartered Accountant.

Skills
Financial experience as an accountant and CFO of a listed international manufacturing business. Extensive knowledge of M&A transactions and integrations, equity and debt capital markets, investor relations and business development.

Relevant past experience
Qualified as an accountant with EY and subsequently worked for HSBC and Citigroup in investment banking specialising in M&A, restructurings and capital raisings.

External appointments
Director of the Quoted Companies Alliance. He sits as the QCA's alternate member on the Takeover Panel.

Angelika Westerwelle
Non-executive Director

Committee membership

A R N

Date of appointment
November 2012

Qualifications
Graduated in business administration from the Aachen Institute of Technology and holds masters degrees from the University of Cambridge and Harvard University. Angelika received her doctorate in economics from the Aachen Institute of Technology.

Skills
Angelika has extensive operational experience in managing companies with wide international sales, procurement and manufacturing networks. Her consulting experience focused on strategy, M&A, post-merger integration and restructuring.

Relevant past experience
Chief executive officer of the Weidemann Group GmbH, RMG Regel-und Messtechnik GmbH and Karlie Group GmbH. Angelika has also worked as a management consultant for several years with The Boston Consulting Group and Alix Partners GmbH.

External appointments
Angelika is 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

Committee membership

A R N

Date of appointment
April 2015 as Non-executive Director and Remuneration Committee Chairman.

Mark Rollins became Senior Independent Director in November 2016.

Qualifications
Chartered Accountant and holds a degree in civil and structural engineering from the University of Bradford.

Skills
Mark has considerable financial, commercial and general management experience of mainly listed engineering/manufacturing companies both as an Executive and Non-executive Director.

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

External appointments
Non-executive director of Carclo plc and its non-executive chairman from July 2018, Non-executive director of The Vitec Group plc until 2 April 2018 and non-executive chairman of Sigma Components Limited, an aerospace business owned by private equity.

Helen Clatworthy
Non-executive Director

Committee membership

A R N

Date of appointment
January 2017

Helen Clatworthy was appointed Chair of the Audit Committee in May 2017.

Qualifications
Fellow of the Chartered Institute of Management Accountants.

Skills
Helen has significant operational and corporate experience particularly in cost management, acquisition integration and change management.

Relevant past experience
Helen 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.

External appointments
Chair of the Imperial Tobacco Pension Fund and a trustee and treasurer of Disability Snowsports UK.

Pamela Bingham
Non-executive Director

Committee membership

A R N

Date of appointment
January 2018

Qualifications
Formerly practised as a solicitor with a law degree from the University of Edinburgh and a MBA from Warwick Business School and is a Lean Six Sigma Black Belt.

Skills
Pamela has a broad range of skills including negotiation of complex international contracts, business development and operational management. Proven track record as a commercial leader, focusing on strategic direction and leading cross-cultural teams to deliver growth and business expansion.

Relevant past experience
Pamela started her career as a solicitor before moving into general management. Previous positions include group business development director and then divisional managing director at Rotork plc, previously having worked at David Brown Group Ltd, CSE-Servelec Ltd and English Welsh and Scottish Railways.

External appointments
Managing director of Weir Minerals Europe.

Carolyn Gibson
Group Company Secretary

Committee membership
None.

Date of appointment
September 2016

Qualifications
Fellow of ICSA with a Masters degree in business administration from Kingston Business School.

Skills
Carolyn 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.

Relevant past experience
Gained extensive experience in a number company secretarial roles, including with Thomas Cook Group plc, ICAP plc, esure Group plc and International Power plc.

External appointments
None.

Committee membership

A Audit Committee   R Remuneration Committee   N Nominations Committee   ● Chair of Committee

Tyman Management Committee

The Tyman Risk Management Committee comprises the members of the Tyman Management Committee.

Louis Eperjesi
Chief Executive Officer

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

James Brotherton
Chief Financial Officer

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

Kevin O'Connell
Group Financial Controller and Treasurer

Kevin 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 PwC.

Jeff Graby
President and Chief Executive Officer – AmesburyTruth

Jeff Graby was appointed President and Chief Executive Officer of AmesburyTruth in January 2014, following the acquisition and integration of Truth Hardware with Amesbury. He was appointed President and Chief Executive Officer of Truth Hardware in April 2012. Before joining Truth Hardware, he 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).

Darren Waters
Chief Executive Officer – ERA

Darren Waters joined ERA in March 2012. He 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 of ERA, he is responsible for developing the Group's brands within the UK and Irish markets.

Peter Santo
Chief Executive Officer – SchlegelGiesse

Peter Santo joined the Group in January 2012 as Chief Executive Officer of SchlegelGiesse. Previous roles include senior management positions with Pilkington plc, BP Chemicals, Sentrachem Ltd (South Africa) and Kingspan Group. Peter has a degree in chemical engineering.

Jeff Johnson
Vice President and Chief Financial Officer – AmesburyTruth

Jeff 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. He 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.

Mark Turner
Chief Financial Officer – ERA

Mark 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.

Mark Horobin
Chief Financial Officer – SchlegelGiesse

Mark Horobin joined SchlegelGiesse in April 2017. He was most recently Vice president finance for Total Safety, a leading global provider of safety services and equipment based in Dubai. Prior to that he held several finance director positions for SPX. He is a Chartered Accountant, having trained with KPMG.

Progressing governance

Martin Towers
Non-executive Chairman

Dear Shareholder

On behalf of the Board I am pleased to report to you on the progress made on the governance arrangements during the year.

The governance of an organisation starts with the tone at the top and so I took the opportunity of the Board's planned externally facilitated evaluation to extend this review process to take into account the views of senior management. Pleasingly the results of the evaluation were very positive and demonstrated the unity of the Board. However, there is always room for improvement and the results, which are noted in more detail in the following Statement of governance, showed as the Group continues to grow the Board's focus should move to more Group-based discussions including the wider influences upon Group performance such as competitor and customer developments. To address this the Board's agenda has been restructured to strengthen this aspect of the Board's work.

As the Group continues to grow it is essential that sound practices and behaviours are further embedded into the culture of the Group as a whole. The Board and Committees receive updates on all areas of governance, which provide the necessary assurance that the appropriate platforms are provided, from which everyone can operate.

One key area of focus which did not provide the outcome on which the Board has worked hard to deliver is health and safety performance across the Group. This result shows the continued investment in this area must be supported by alternative ways of embedding world class practices in every area of the business. This will be a continuing theme during the year ahead.

I am pleased with the smooth transition in the Audit Committee as Helen Clatworthy took over as Chair of this Committee. The results of the performance evaluation show this Committee is well run and provided with the necessary information. The Committee's work has developed with the focus on a number of key areas, including improvements in risk management systems and changes in forthcoming changes in accounting standards, and in light of the FRC's Lab project report on risk and viability reporting reviewed and approved the Group's Viability statement.

The Remuneration Committee is committed to aligning remuneration with the delivery of long term shareholder value and therefore spent time reviewing the roles of the Executive Directors and associated remuneration, both of which have been realigned to take into account the Executives' contribution to the Group and in the case of James Brotherton, the extension of his responsibilities.

The work of the Nominations Committee developed during the year as it commenced a full succession planning programme, which considered the skills and capabilities of all senior management and other high potential individuals. This process gave the Committee an in-depth view of the human talent within the Group and where there are development opportunities. This programme will continue into 2018, combined with a review of the diversity within the Group.

The Board also appointed a new Non-executive Director, Pamela Bingham, who has extensive experience in international manufacturing businesses, which includes business development and the implementation of strategies for business growth, through product development and M&A. Her current operational experience will provide an additional dimension to the work of the Board. Angelika Westerwelle will be stepping down from the Board at the conclusion of the 2018 AGM. I am pleased to report that following these changes in Board membership, the Board continues to have 33 per cent female representation, as recommended by the Hampton Alexander review for FTSE 350 companies by 2020.

The Board remains committed to developing operational excellence throughout the Group, which includes the governance arrangements for the Board and the Group as a whole, which will continue to be a focus for the Board for the year ahead.

More details on the membership of the Board and the Board Committees and the work carried out during the year can be found in the following pages. This Governance and Directors' report, together with the following Audit Committee report, Nominations Committee report and Remuneration report, sets out how the governance arrangements for the Group have been implemented during the year and I am pleased to confirm that Tyman has complied with the provisions of the Code.

As noted in my Chairman's statement, the Company's AGM will be held at the ERA Division's new facility in Wolverhampton on Thursday 10 May 2018, providing our shareholders with the opportunity to see one of Tyman's centres of excellence first hand. I do hope as many shareholders as possible will be able to attend.

Martin Towers
Non-executive Chairman
7 March 2018

Statement of governance

The Board

Statement of compliance with the UK Corporate Governance Code

In accordance with the Listing Rules this Governance and Directors' report, the Strategic report, the Sustainability report, and the Remuneration report, describes how the Company has applied the principles contained in the Code, 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. This statement details how, in practice, the Company has applied these principles and complied with the detailed provisions.

Role of the Board

The Board is responsible for the overall leadership, strategy, development and control of the Group in order to achieve its strategic objectives of continued earnings growth and to enhance shareholder value. The Board also ensures that there is an effective system of controls to safeguard the Company's assets and to enable risks to be properly assessed and managed.

The Board is the body responsible for making decisions on all significant matters, as detailed in the schedule of matters reserved for the Board, and is accountable to shareholders for creating the sustainable long term success of the business.

The areas for specific consideration by the Board include: setting the Group's values and standards; approval of the Group's strategic aims and objectives; ensuring maintenance of a sound system of internal control and risk management, including approval of the Group's risk appetite statements; responsibility for the review of the Group's corporate governance arrangements; and ensuring the Group has the necessary financial and human resources, processes and controls to deliver the long term strategy of the Group.

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

Governance framework

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 ensure relevant topics are given appropriate consideration the Board has delegated certain roles to three principal Committees: Audit, Remuneration and Nominations. Membership of these Committees is made up of the Non-executive Directors. The Chairman is also a member of the Nominations and Remuneration committees.

The work of these Committees in 2017 is explained in more detail on pages 61 to 82. Each of the Committees' terms of reference can be found on the Group's website.

All Directors have access to the services of the Group Company Secretary who is responsible for ensuring the Group's governance framework is observed and the Board and Committees receive the necessary support in fulfilling their responsibilities.

If thought appropriate, Directors may obtain independent professional advice in respect of their responsibilities, at the Company's expense. No such advice was sought in the year.

Board composition

The names and biographical details of all the current Directors, as at the date of this report, are set out on pages 52 and 53 and on the Group website.

The following Directors served during the year ended 31 December 2017:

Board member	Appointed
James Brotherton	May 2010
Helen Clatworthy	January 2017
Louis Eperjesi	February 2010
Jamie Pike[1]	November 2009
Mark Rollins	April 2015
Martin Towers[2]	December 2009
Angelika Westerwelle	November 2012

1 Stepped down as Chairman May 2017.

2 Appointed Chairman May 2017.

At 31 December 2017, the Board comprised one Non-executive Chairman, two Executive Directors and three independent Non-executive Directors. Pamela Bingham was appointed to the Board on 18 January 2018. At the date of this report, the Board now comprises a Non-executive Chairman, two Executive Directors and four Non-executive Directors. As previously announced, Angelika Westerwelle will be stepping down from the Board at the conclusion of the Annual General Meeting to be held in May 2018.

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 codes of practice. Group employment policies and practices must ensure that an individual's skills, experience and talent are the sole determinants in recruitment. Further information of the Group's diversity policies can be found on page 46 of the Strategic report. Adherence to Group employment policies, including diversity is seen as an effective way in which the composition of the Board can continue to be well balanced and appropriate for the needs of the Group as a whole.

Through the work of the Nominations Committee's succession planning programme the composition of the Board and its Committees is regularly reviewed to ensure there is an appropriate mix of skills, experience, industry background and diversity to enable the Board and Committees to fulfil their responsibilities.

As a result of this review the Nominations Committee carried out an external search to recruit a Non-executive Director, which resulted in the appointment of Pamela Bingham to the Board in January 2018. Further details of the work of the Nominations Committee can be found on pages 67 to 68.

At 31 December 2017, the percentage of female representation on the Board was 33 per cent, which will remain the case following the Annual General Meeting in May 2018.

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.

Board member	Board	Audit	Remuneration	Nominations
James Brotherton	8/8	—	—	—
Helen Clatworthy	8/8	4/4	5/5	4/4
Louis Eperjesi	8/8	—	—	—
Jamie Pike[1]	3/3	—	2/2	1/1
Martin Towers[2] (Chairman, from May 2017)	8/8	1/1	5/5	4/4
Mark Rollins	8/8	4/4	5/5	4/4
Angelika Westerwelle	8/8	4/4	5/5	4/4

1 Jamie Pike stepped down as Chairman of the Board on 12 May 2017. He attended all Board and Committee meetings during his tenure.

2 Martin Towers was Chairman of the Audit Committee until he was appointed Chairman of the Board on 12 May 2017, at which time he stepped down from the Audit Committee.

Chairman

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 the Board 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.

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. As announced in July 2017 the CFO's role has been extended to take Board responsibility for Group strategy, corporate development and M&A, supported by the CEO. The CFO role remains responsible for investor relations.

The Senior Independent Director

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, CEO 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.

Independence of Non-executive Directors

Through the work of the Nominations Committee, the Board has ensured that its members have an appropriate mix of skills and relevant industry experience and that each Non-executive has sufficient knowledge of the Company which has enabled them to discharge their duties and responsibilities during the year.

As part of the performance evaluation, the Board reviewed the independence of the Directors. Having reviewed the other positions held by the Non-executive Directors and the possibility of any potential conflicts of interest, the Board continues to consider that each of the Non-executive Directors is independent, as defined against the independence criteria as set out in the Code, believing each to be independent of character and judgement.

Director induction

Upon appointment, all new Directors receive a comprehensive and tailored induction programme, providing them the opportunity to learn about the operations, making specific site visits and meeting Divisional and local management.

Work of the Board during 2017

The Board's key activities and achievements during 2017 and in respect of the 2017 year end are summarised below.

Health and safety

- Received details of all health and safety events, which are discussed in full, including the remedial actions taken, lessons learnt and future preventative measures.
- Received updates from each of the Divisional CEOs on progress of health and safety programmes within their divisions, including results of staff surveys and feedback received.
- Received a presentation from the CEO of ERA, regarding the outcome of supplier audits.

Key achievement

Despite the disappointing results of the health and safety performance of the Divisions during the year, including the increased accident severity rate, the Board remains as committed as ever to developing a health and safety culture and environment which is world class.

Controls and governance

- Received reports from the Audit, Remuneration and Nominations Committees, providing updates on the work of these Committees.
- Received reports from the Company Secretary on general governance updates, Group policies and all reported whistleblowing events.

Statement of governance continued

Work of the Board during 2017 continued

Controls and governance continued

- Through the work of the Audit Committee, reviewed the divisional risk registers, the principal risks facing the Group and the Group Risk Register.
- Received an update on legal and governance matters from Pinsent Masons.

Key achievement
The development of an overall Group Risk Register has provided the Board with closer oversight of the Group's key and emerging risks, with particular emphasis on cyber security.

Strategy

- Received briefing from the CEO and CFO on proposed acquisitions, divestments and progress being made in respect of these projects.
- Received updates from the CEO on progress being made in respect of previous acquisition and the results of ongoing integration work.
- Received presentations from Divisional management on the development of their strategies and discussed the impact of these plans including the assessment of synergy with Group strategy.
- Received presentations from each of the Divisions on new product development.

Key achievement
The Board participated in a full strategy review and development session, which has helped inform the Board on the future direction and prospects of the Group.

People

- Received presentations from the Divisional CEOs on their senior management succession plans, including discussions on development plans and talent management.
- Considered the work of the Nominations Committee in developing the succession plans for the Board.

Key achievement
Furthered the Board's knowledge and understanding of the Group's talent pool. Progressed the Board's own succession plans with the appointment of a new Non-executive Director.

Financial

- Received and reviewed financial reports from the CFO, regularly assessing the Group's performance against budget and analysts' expectations.
- Reviewed and approved the 2018 Budget.
- Reviewed and approved the Group's dividend policy.
- Reviewed and approved the 2016 preliminary results, 2017 half year results and 2016 Annual Report and Accounts.
- Received and approved the 2017 preliminary results announcement and the 2017 Annual Report and Accounts.

Key achievement
Ensured the delivery of a sound financial performance, overcoming previously reported operational issues in the US.

Shareholder engagement

- Received reports on meetings held by the CEO and CFO with shareholders, analysts and potential investors, from the CFO, as well as general market updates.
- Reviewed detailed reports on feedback received from investor roadshows and capital markets presentations.
- The Board as a whole met with shareholders at the Company's Annual General Meeting.

Board visits to the operations

As part of the Board's work, the Directors visit operating units to meet with divisional management and to see these businesses first hand.

A Board and a Nominations Committee meeting were held in Bologna, Italy, in early October, where the Board in conjunction with the Nominations Committee received presentations from Divisional CEOs in respect of succession planning. At this time, the Board also participated in the Group Conference, where the Chairman, Martin Towers, addressed a delegation of the Group's 60 most senior managers and gave an update on the work of the Board.

During late October, the Board also visited two plants in Juarez, Mexico, where they met local management teams and were able to make first hand assessments of progress being made following recent expansion.

AmesburyTruth, Juarez, Mexico

The Board visited the AmesburyTruth plant in Juarez. This site opened in 2008 as a 40,000 sq. ft. facility specialising in intercompany supplies and balance sub-assembly (operating as a Maquiladora). In 2016 this site was expanded to the current 157,000 sq. ft. plant, fulfilling phase I of the footprint project. There are now 750 people employed at this site, compared with c. 200 at the start of 2015.

The expansion allowed space for the additional functions of die cast, injection moulding, small parts assembly and spring manufacturing, and is now operating as a full-service manufacturing unit.

The Board was keen to meet with local management and to see this extended facility and to understand what progress was being made in all aspects of production and supply chain management.

Bilco, Juarez, Mexico

The Board also took the opportunity to visit the Bilco manufacturing site in Juarez. Bilco opened a small plant in 1994, which contained two welding stations, one assembly station and one paint booth. The current facility was opened in 2007, and is a purpose built 41,000 sq. ft. plant.

This expansion provided additional space for stamping capabilities, which now produce the majority of the roof access hatches for the Bilco Division. There are 65 people employed in this plant, with the majority having over 20 years of experience with Bilco.

The Board was pleased to meet local management and to see these operations first hand.

Performance evaluation

During the year the Board participated in an externally facilitated Board evaluation, in conjunction with Independent Audit, a leading specialist governance consultancy specialising in Board performance evaluation, with which the Company has no other connection. The evaluation made use of an online questionnaire, followed up with interviews with all Board members. At the request of the Chairman these questionnaires and interviews were extended to the Group Financial Controller and the Divisional CEOs, to provide a broader perspective of the Board's performance and to encourage debate on the key recommendations for the work of the Board and Committees for the following year.

The report was generally complimentary about the Group, the Board and the way the Board is run. It was agreed there were certain areas upon which the Board should focus, which would provide an appropriate forum for further discussion on relevant topics.

The results of the review and actions taken are shown below:

Board evaluation commentary	Response	Actions
Tyman has a clear strategy and objectives of which all Board members are aware. However, it was felt that further discussion and understanding of how the respective Divisions implement the Group strategy in their differing markets would be beneficial	It was considered that the Group strategy, although well understood, was not sufficiently profiled when discussing Divisional performance at Board meetings.	Board papers have been restructured to provide the CEO additional opportunity to provide the Board with a greater overview of matters such as current trading, industry developments around customers, markets and competitors, and other topical matters of significance that could affect the implementation of Group strategy, including the impact upon M&A.
External understanding of customers, markets and competitors	It was agreed that the majority of information provided to the Board was internally sourced and that it would be useful to receive an external perspective of the Group.	The Board received a presentation from Rothschild, the Group's financial advisors, at the January 2018 meeting. Further presentations from external advisers are planned for later in the year.
Divisional CEOs to be available to answer questions at Board meetings	It was agreed further input from the Divisional CEOs would provide a greater understanding of the operational aspects of these Divisions.	Presentations were received from Jeff Graby and his senior management team during the Board visit to Juarez, Mexico. Further presentations have been received from the Divisional CEOs on a number of topics, including health and safety, succession planning, strategy and M&A. 2018 will see further presentations made by the Divisional CEOs to the Board.

As part of the Board evaluation process, the Chairman reviewed the performance of each Director; these reviews were followed up with one-to-one meetings. Following these reviews the Chairman has confirmed that each of the Directors has demonstrated their continued commitment to their roles by the time spent on Company business and through their full participation in Board and Committee meetings.

Led by the Senior Independent Director, Mark Rollins, the other Directors carried out a review of the Chairman's performance. Feedback from these personal reviews was discussed on a one-to-one basis with the Chairman. Taking these reviews into consideration the evaluation confirmed the Chairman continues to fully discharge his duties and demonstrates full commitment to the role as evidenced by the time spent on Company business.

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.

Shareholder engagement

The Company's Annual General Meeting is a key date for the Board, as it provides the Directors the opportunity to meet with all shareholders and private and institutional investors and the Board welcomes their participation.

At the 2017 Annual General Meeting, which was held in the London offices of Pinsent Masons, a number of members, representing smaller shareholdings, attended and used the occasion to discuss a variety of aspects of the business with both Executive and Non-executive Directors, in a very informal setting.

The 2018 Annual General Meeting will be held at the Group's new ERA premises in Wolverhampton. As noted in the Chairman's statement on page 7, shareholders are invited to attend and to see first hand one of the Group's centres of excellence.

Details of resolutions to be proposed at the Annual General Meeting can be found in the Directors' report. For those shareholders unable to attend the Company's Annual General Meetings, electronic proxy voting is available through the Company's registrar's, Link Asset Services, portal www.linkassetservices.com.

The Executive Directors engage 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 the full and half-year results presentations, as well as investor conferences in the UK and US. The Executive Directors also hosted a capital markets event which this year included presentations from the divisional executive management of AmesburyTruth. Feedback from these events, meetings with shareholders and analysts' reports are provided to the Board at each meeting.

The Chairman and Non-executive Directors make themselves available to attend meetings with major shareholders at their request.

Further to the changes to the CFO's role and responsibilities the Chairman of the Remuneration Committee, Mark Rollins, wrote to principal shareholders to keep them informed of the Board's decision. Responses received showed shareholders were fully supportive of the changes in responsibilities and salary.

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.

Statement of governance continued

Shareholder engagement continued

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.

A table setting out the Company's major shareholders may be found on page 69 of the other statutory information.

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 63.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 IFRS as adopted by the European Union and Company financial statements in accordance with UK GAAP. 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 Company's 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 Annual Report and Accounts, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK GAAP, 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, and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' 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 the Group faces.

By order of the Board

Martin Towers
Non-executive Chairman
7 March 2018

Monitoring the control environment

Helen Clatworthy
Chair, Audit Committee

Dear Shareholder

I am pleased to present to you the Committee's report for the financial year ended 31 December 2017, which is my first as Committee Chair.

This report covers the activities of the Committee during the year and how it has applied its oversight of the Group's control environment.

Key highlights

I would like to thank Martin Towers for his assistance in ensuring a smooth transition as I assumed responsibility for this Committee.

The work of the Risk Management Committee is gaining momentum and the reports received by the Audit Committee demonstrate improvements are being made across all aspects of risk management throughout the Divisions.

The Committee spent some time understanding the implications of the forthcoming changes to accounting standards, including the new revenue and financial instrument standards, to be implemented in 2018, and the new leasing standards to be implemented no later than 2019.

In light of the FRC's Lab project report on risk and viability reporting the Committee approved the three-year period for the Group's Viability statement.

The Committee ensured the mandatory rotation of the external audit partners in the UK and US did not compromise the effectiveness of the external audit function, and welcomed Richard Porter and Jonathan Friese to the Tyman audit.

The level of materiality for the full-year audit, agreed at five per cent of Underlying Operating Profit before Taxation, was reviewed and agreed with the external auditors.

Committee membership

The members of the Committee during the year ended 31 December 2017 were as follows:

Audit Committee member	Appointed
Helen Clatworthy[1]	January 2017
Mark Rollins	April 2015
Martin Towers[2]	December 2009
Angelika Westerwelle	November 2012

1 Helen Clatworthy was appointed Chair in May 2017.

2 Martin Towers stepped down from the Committee in May 2017.

All members are independent Non-executive Directors. During the year, Martin Towers served as Chairman of the Audit Committee until May 2017. At the 2017 Annual General Meeting, he was appointed Chairman of the Board and consequently stepped down from the Audit Committee. I joined the Committee in January 2017 and was appointed Chair in May 2017, taking over this role from Martin Towers. Pamela Bingham joined the Committee upon appointment to the Board on 18 January 2018.

Under provisions of the Code the Committee should have at least one member of the Committee with recent and relevant financial experience and competence in accounting and/or auditing, and that the Audit Committee as a whole should have competence relevant to the sector in which the Company operates. The Board considers that Mark Rollins and I have recent and relevant financial experience and that each member of the Committee is independent in accordance with the Code. Members of the Committee between them possess significant international, commercial, operational and financial skills which are relevant to an international manufacturer and distributor of building products.

How the Committee operates

During the year the Committee met four times, with meetings timed to coincide with key dates in the financial reporting and audit cycles of the Company. Meetings typically take place on the same day as a Board meeting to promote the efficient working of the Committee. An annual schedule of Committee activity is set out a year in advance, to provide the appropriate focus on key priorities.

Audit Committee report continued

How the Committee operates continued

In addition to the Committee members, the Chairman, the Chief Executive Officer and the Chief Financial Officer regularly attend Committee meetings at the invitation of the Committee Chair. Other attendees include the Group Financial Controller and members of the finance team, senior representatives from the external auditors, PwC, as well as the Head of Internal Audit, employed by BDO, with which company the internal audit function is co-sourced.

In advance of meetings, the Committee is provided with reports from the Chief Financial Officer, the Group finance function, PwC and BDO, as well as minutes of the Risk Management Committee. These minutes provide the Committee with detailed information on the progress the Divisions are making in respect of risk management activities.

The Committee's terms of reference were reviewed during the year, and updated to take into account revisions to the Code and the updated FRC Guidance on Audit Committees both published in April 2016 and follow the revised guidance from the ICSA. The Committee's terms of reference can be found on the Group website.

The Committee meets separately with the external auditors and the internal auditors during the course of the year, without Executive management being present. I have also met with PwC outside of Committee meetings to keep appraised of the year-end audit process and audit matters in general.

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

Work of the Committee in 2017

Below is a schedule of the work carried out by the Committee during 2017 and in respect of the financial year ended 31 December 2017.

Control

- Approve the external audit plan for the 2017 year end.
- Approve the annual plan for internal audit.
- Receive and review internal audit reports.
- Review the work of the Risk Management Committee including the Divisional and Group risk registers.

Financial results

- Review the 2016 results announcement and 2016 Annual Report and Accounts.
- Consider the PwC full year report to the Committee.
- Review the 2017 half year results and announcement.
- Approval of the Audit Committee report.
- Review the 2017 results announcement and 2017 Annual Report and Accounts.

Governance

- Review of PwC's fees and engagement letter.
- Consider the results of the Committee's external effectiveness evaluation.
- Consider the effectiveness of the external audit.
- Consider the effectiveness of the internal audit function.
- Review the Committee terms of reference and non-audit fee policy.

Viability

- Review and confirm the Group's going concern statements at the half year and full year results
- Approve the Group's Viability statement at the year end.

Committee effectiveness

During the year the Committee participated in an externally facilitated effectiveness evaluation, in conjunction with Independent Audit.

The results of the evaluation showed the Committee was well run and management was very responsive with regard to providing the Committee with information. One recommendation was that it was thought appropriate to carry out a full review of the co-sourced internal audit function which has been in place with BDO since 2013, to provide the Committee with a deeper understanding of how this function operates and assurance of the function's effectiveness. It was also recommended that representatives from BDO should attend the Committee meetings on a more frequent basis. Both of these recommendations have been agreed by the Committee and will be implemented during 2018.

External audit

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

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 2017 audit is PwC's sixth consecutive audit.

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. As previously reported, the Committee confirms that it would expect to implement a formal competitive audit tender process during the financial year ending December 2021, or sooner if felt necessary.

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

The Committee confirms there are no contractual restrictions on the Group with regard to PwC's appointment.

Accordingly the Committee has recommended to the Board that PwC should be reappointed as the Group's auditors at the 2018 Annual General Meeting.

Audit Committee priorities in 2017

The priorities for the Audit Committee in 2017 are summarised below together with the work carried out during the year in respect of these priorities:

2017	Work carried out	Outcome
Review the potential impact on the Group of the new accounting standards IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts with customers and IFRS 16 Leases	The Group carried out a provisional assessment of the impact of these standards on the consolidated financial statements.	The adoption of IFRS 9 and IFRS 15 is not expected to have a material impact on the financial statements of the Group in future periods. The adoption of IFRS 16 is expected to have a relatively significant impact on the Group's reported results and balance sheet and the Group's assessment of the likely impact is ongoing.
Keep under review the risks associated with the footprint rationalisation as it expands across more locations	The Committee was kept informed of the changes to the risk environment associated with the footprint rationalisation through regular updates to the Divisions' risk registers. Further detailed updates were discussed at Board meetings, in conjunction with Board visits to plants in Bologna and Juarez during the year.	A number of operational issues were highlighted regarding the ongoing work of the footprint rationalisation, with remedial actions implemented.
Keep under review the internal control function and subsidiary's plans to implement recommended improvements	The Committee received full reports from each internal audit conducted and reviewed the Divisional response to action recommendations.	The Committee was pleased with the progress made during the year by all Divisions, particularly the improved efficiency with which outstanding actions are being completed. A full effectiveness review of the internal audit function will be carried out during the year.
Assess the effectiveness of the risk management and internal controls during 2017	During the year the Committee reviewed improvements to the quality of the Group's internal control system made in response to internal audit recommendations and Divisional management self-assessment. The Committee reviewed the risk management structure, risk appetite and principal risks and uncertainties facing the Group including how those risks had evolved during the year.	The Committee confirms that they have carried out their annual review of the effectiveness of the system of internal control as operated throughout the year ended 31 December 2017 and up to the date of approval of the Annual Report and Accounts. The Committee also confirms that no significant failings or weaknesses have been identified from that review.
Review the impact on the Group of the changes in tax regulations in the US	In 2017, 72.0 per cent of the Group's operating profits before central cost allocations were generated in North America. Accordingly, the US tax rates have a material impact on the Group's effective tax rate. At the end of 2017, the US Federal tax rate was reduced from 35.0 per cent to 21.0 per cent as part of the Tax Cuts and Jobs Act. A detailed presentation was made by the Group tax function in January 2018 to members of the Committee and the rest of the Board concerning the likely impact of the reductions in the US Federal tax rate and associated changes to the US tax code on the Group.	Following discussion, the Committee is satisfied that the Group's effective tax rate has been appropriately calculated and that the disclosure of the impact of the reductions in the US Federal tax rate and associated changes to the US tax code on the Group in the 2017 Annual Report is appropriate.

Audit Committee report continued

External audit effectiveness

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

Following the completion of the Group audit, all Group finance teams are asked to participate in a questionnaire, which rates PwC's performance, with questions relating to audit approach and quality, including areas such as planning, resources, technical knowledge, scope of audit and understanding of the business. The results of this survey for the 2016 Annual Report were presented to the Committee, following which the Committee confirms it remains satisfied that PwC continues to provide an effective audit.

It has been decided to conduct an externally facilitated questionnaire in respect of the 2017 audit to gain a different perspective of the work of the external audit. The results of this review will be presented to the Committee during 2018 and will be used to assist the Committee in informing its view of the effectiveness of the external audit.

Auditor independence and objectivity

The Committee recognises the importance of auditor independence and receives reports from PwC during the year in respect of their compliance with the fundamental principles of objectivity, integrity and professional behaviour, including independence. PwC has provided their annual assurance independence letter to the Audit Committee in March 2018.

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, whilst taking into account that the provision of certain non-audit services can be most efficiently provided by the Group's external auditors. 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 Committee continues to be satisfied with the external auditors' independence and objectivity.

Audit and non-audit fees

The Committee regularly reviews the audit fees to ensure these are appropriate to enable an effective and high-quality audit to be conducted. The fee for the 2017 Group audit is £772,000 (2016: £775,000). Although there has been a slight increase in the base audit fee, this is mitigated by the reduction of the overall fee, reflecting the absence of acquisition and merger audit work, as required in previous years. Further information in respect of the audit fee can be found in note 4 to the Group financial statements.

In line with policy, the Committee also reviews any non-audit services provided by the external auditors and such fees and services are regularly reported to the Committee to ensure this work does not exceed 50 per cent of the audit fee for any one year.

Pre-approved audit and audit related services to a maximum of £100,000 are permitted without reference to the Audit Committee.

Any non-audit work performed by the external auditors with fees expected to be in excess of £100,000 in aggregate in any one year are subject to Audit Committee approval.

A schedule of prohibited work includes bookkeeping and accounting, internal audit services, design and implementation of financial information systems and payroll, and actuarial and recruitment services.

During 2017 non-audit fees paid to PwC were 3.9 per cent (2016: 11.4 per cent) of the annual Group audit fee. This work related mainly to the provision of assurance related audit services for the interim results.

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

The Group's policy on non-audit fees was reviewed during the year and can be found on the Group website.

Internal audit

Internal audit has been co-sourced with BDO since 2013, providing independent assurance and a level of resource that is not available in house.

An annual internal audit plan is reviewed by the Committee following discussions with management in consideration of the areas requiring review. During 2017 BDO completed all planned internal audits and reported to the Committee on the results of these audits and management response to the reported actions.

In light of the Group's growth and increasing footprint, a five-year internal audit strategic plan has been developed, covering all subsidiaries. The internal audit strategic plan for 2018–2022 and the 2018 annual plan have taken into consideration: the turnover of each subsidiary, risks reported in the Divisional risk registers, internal audit findings from previous reviews and any changes to the current risk environment. Planning meetings have taken place with Divisional CFOs and the Group Financial Controller. The plan for 2018 covers risk-based audits for larger entities whilst continuing to use the standard internal control programme where appropriate.

The Committee expects that each Group subsidiary will be visited at least once by internal audit over a five-year cycle with higher risk and more material subsidiaries potentially visited more than once.

The Committee is responsible for ensuring the continued effectiveness of the internal audit function. In 2017 and prior years, this overview has been completed through the receipt of internal audit plans, audit reports and discussions with management. In response to the recommendations made following the Committee's external effectiveness evaluation, a full effectiveness review will be carried out during the year as one of the Committee's key priorities.

This review will be carried out through an externally facilitated questionnaire and will be used to gain a deeper insight of the work of the internal audit function from a number of key stakeholders throughout the Group, including comments made by respondents, covering: the function's quality of planning, communication, understanding of the business, engagement and resourcing.

The results of this work will be reported to the Committee during 2018 and will be used as part of the internal audit effectiveness review.

Having reviewed the work of the internal audit function and results achieved during the year, the Committee considers that overall the internal audit programme has improved the way the Group operates, with the programme evolving positively over time. The Committee is satisfied the internal audit programme continues to be effective and this work is complementary to the work carried out by PwC.

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.

	Audit Committee review	Conclusions
Carrying value of goodwill and intangibles	The Committee reviewed the work carried out in respect of the carrying value of goodwill and intangible assets, including the assumptions used over which there is a high degree of judgement, and which significantly impact the calculated value in use. Further information can be found in note 10 to the Group financial statements.	The Committee was satisfied that the assumptions used by management's impairment testing were appropriate, and that there was sufficient impairment headroom on all CGUs and that no impairment charge was required.
Carrying value of provisions	The Group holds a number of provisions related to restructuring, properties, warranty claims and tax exposures. There is a high degree of judgement involved in assessing the level of provision required. Further information can be found in note 19 to the Group financial statements.	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.
Exceptional items	During the year the Group incurred exceptional items which primarily related to the North American footprint project, costs associated with M&A activity and integration costs associated with acquisitions. Separate presentation of these items as exceptional provides an improved understanding of the underlying trends in financial performance and a better comparison with prior periods. Further information can be found in note 6 to the Group financial statements.	The Committee reviewed management's plans for the related programmes and following discussions with PwC concluded that the items were material by their size and non-recurring in nature and consequently, in accordance with the Group's accounting policy, met the criteria for disclosure as exceptional. The Committee considered that the accounting treatment and disclosures in the financial statements were appropriate and consistent. The Committee noted that £8.6 million of exceptional credits had been booked during the year and was satisfied that there were no other credits that should be classified as exceptional.
Acquisition accounting	Depending on the level of M&A activity during the year, acquisition accounting can be considered a significant risk. Acquisitions during 2017 have been smaller and less complex than previous years so this is not considered to be significant. Further information can be found in note 24 to the Group financial statements.	The Committee reviewed the fair value exercise for the Howe Green acquisition and following discussion with PwC it concluded that the assumptions used were appropriate and the resultant fair values and the estimates of the economic useful lives of the intangible assets identified were reasonable.
Carrying value of accounts receivable	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. 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. Further information can be found in note 13 to the Group financial statements.	The Committee reviewed the ageing of accounts receivable and the basis of the provisions made by management. Following discussion with PwC on their review of trade receivables, 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	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. Further information can be found in note 12 to the Group financial statements.	The Committee considered the basis for the provisions made for obsolete and slow-moving inventory by management. The Committee also discussed with PwC the results of their 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.

Audit Committee report continued

2017 Annual Report and Accounts

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.

Throughout 2017 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 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 36 and 41. The key elements of risk management and internal controls are detailed on page 37 of the Risk management section of this Annual Report.

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 2018

Following the results of the Committee's effectiveness review, the priorities for the Committee for 2018 are set out below:

- continue to review and refine the assessment of the potential impact on the Group of the new accounting standard IFRS 16 Leases;
- continue to promote a process of continuous improvement in the Group's systems of internal control and risk management;
- provide sufficient time for extended risk-based discussions in the Committee's timetable;
- provide greater level of contact with the internal audit function, including more regular attendance of BDO at Committee meetings;
- establish focused training time into the Committee schedule; and
- conduct a full internal audit effectiveness review.

The results of the work on these priorities will be reported in the 2018 Annual Report.

On behalf of the Audit Committee

Helen Clatworthy
Chair, Audit Committee
7 March 2018

Evaluating skills and experience

Martin Towers
Chairman, Nominations Committee

Dear Shareholder

I am pleased to present to you my first Nominations Committee report and to report on the main activities of the Committee during the financial year ended 31 December 2017.

Role of the Committee

The Board has delegated responsibility to the Committee for reviewing and making recommendations to the Board on the size, structure and composition of the Board and that its succession plans are appropriate for both its current and future strategic needs of the Group.

In addition, the Committee must evaluate the balance of skills, diversity, knowledge and experience of the Board. In doing so the Committee is responsible for the identification and nomination of candidates to fill Board positions, recommending the reappointment of Non-executive Directors and the re-election of Directors.

The Committee ensures all Board appointments are made in line with the Group's stated employment policies and practices. These make provision for equal opportunities and non-discrimination and aim to ensure that an individual's skills, experience and talent are the sole determinants in recruitment and career development.

Committee membership

The members of the Nominations Committee during the year ended 31 December 2017 were as follows:

Nominations Committee members	Appointed
Helen Clatworthy	January 2017
Jamie Pike[1]	November 2009
Mark Rollins	April 2015
Martin Towers[2] (Chairman)	December 2009
Angelika Westerwelle	November 2012

1 Jamie Pike stepped down from the Board in May 2017.

2 Martin Towers was appointed Chairman of the Board in May 2017.

Pamela Bingham joined the Committee on her appointment to the Board in January 2018. All members are independent Non-executive Directors.

Activities of the Committee during 2017

During the year the Committee held four scheduled meetings to consider Board and senior management succession planning, the appointment and reappointment of Directors and the results and recommendations of the Committee performance evaluation.

The Committee also reviewed the induction programme of Helen Clatworthy, ensured the Directors received both formal and informal training updates and reviewed the Committee's terms of reference to ensure these remained relevant for the future needs of the Board. These may be found on the Group's website.

In 2017 the key focus of the Committee's work was to carry out a full succession planning review, looking at the Board, the Tyman Management Committee and senior management throughout the Group, with particular emphasis on the current skills and experience within the management teams and the potential each individual has to develop within the Group.

Succession planning

Non-executive Directors

Following my appointment as Chairman of the Board in May 2017, the Board had a total of four Non-executive Directors. As part of the Committee's annual review of the Board's composition, the Committee concluded that The Zygos Partnership, an external executive search agency, with which the Board has no other connection, should be appointed to recruit another Non-executive Director. As part of this recruitment process a longlist of candidates was prepared, which was reviewed by the Chairman and Senior Independent Director. Following this review, a shortlist of candidates was interviewed by the Committee and the Executive Directors.

Nominations Committee report continued

Succession planning continued

Non-executive Directors continued

The Committee was keen to ensure the Board was representative of as broad a base as possible and therefore paid particular attention to the level and type of experience of the candidates. All role specifications are drafted to ensure the best candidate for the role, whilst ensuring as diverse a Board as possible, including diversity of gender. The Committee was keen to ensure the candidate would fit with the cultural style of the Board. Having taken all these matters into consideration the Committee was able to formulate its recommendation to the Board, confirming the appointment of Pamela Bingham with effect from 18 January 2018. In line with policy, Pamela will offer herself for election at the forthcoming Annual General Meeting.

As announced in January 2018, Angelika Westerwelle, who joined the Board in 2012 will step down from the Board at the conclusion of the Company's AGM.

Executive Directors

As disclosed in the Group's half year results announcement in July 2017, as part of normal Board succession planning, the Committee decided that James Brotherton's role should be enhanced with exposure to additional areas of experience, particularly strategy.

Accordingly, it was agreed that James Brotherton would take Board responsibility for Group strategy, corporate development and M&A, in addition to his existing duties as Chief Financial Officer. This change was made with effect from 1 August 2017.

Senior management team

The Committee, in conjunction with the Board reviewed the senior management team, assisted by presentations and discussions with the Divisional CEOs, as part of senior talent management. The review covered the skills, experience and potential of each member of the team, to provide a sound evaluation of the current skills mix to ensure it remained appropriate for the future strategic needs of the Group.

This work is ongoing and a further review will be conducted during 2018 to assure the Committee these plans are being effectively managed and the appropriate development plans are in place.

Evaluation

Committee evaluation

During the year the Committee participated in an externally led performance evaluation, in conjunction with Independent Audit. The results of the report were very positive and found the Committee had made significant progress and gained considerable momentum in the past twelve months as its work had focused on its key priorities in taking forward succession planning for the Board and the review of the senior management team and talent management of the Group as a whole.

Director evaluation

As part of the evaluation process, each Director had one-to-one performance reviews with the Chairman, which included any development or training needs which may be required to support them in making further contributions to the work of the Board.

The Committee considers the results of these performance reviews prior the proposal for re-election to ensure the Director has demonstrated the required contribution and commitment to the role.

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.

The Committee is mindful of the Hampton-Alexander Review targets in respect of gender diversity and keeps this under review when considering appointments to the Board and is pleased to confirm continued adherence to these recommendations. Although Tyman is not a member of the FTSE 350. The Committee is also aware of the Parker Review recommendation that each Board should have at least one Director of colour on the Board by 2024. The Committee will ensure all aspects of diversity are considered in the years ahead.

Following the AGM held in May 2016, the Board had two female Non-executive Directors representing 33.0 per cent of the Board. On the appointment of Pamela Bingham, the female representation has increased to 42.0 per cent, but will reduce back to 33.0 per cent, after the 2018 AGM, when Angelika Westerwelle steps down from the Board.

Committee priorities for 2018

The priorities for the Committee for 2018 are set out below:

- continue with the review of succession planning and talent management for senior management throughout the divisions;
- consider the overall diversity of the Board, the Board Committees and senior management when reviewing succession planning within the business; and
- facilitate a full induction programme for the newly appointed Non-executive Director, including a training update for all Directors.

On behalf of the Nominations Committee

Martin Towers
Chairman, Nominations Committee
7 March 2018

Other statutory information

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 135 to 136.

Articles of Association
The Company's Articles of Association may be found on the Company's website and may only be amended by a special resolution put to shareholders at general meeting. The powers of the Directors are set out in the Company's Articles of Association.

Strategic report
Pages 2 to 88 inclusive of this Annual Report comprise the Strategic report, Governance and Directors' report and the Remuneration report and have been written and presented in accordance with English law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided accordingly.

The Directors are required under the Disclosure Guidance and Transparency Rules to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company. The management report disclosures can be found in the Strategic report on pages 2 to 51.

A description of the main features of the Group's internal control and risk management systems in relation to the process for preparing the consolidated accounts continues further on pages 36–38 of the Strategic report.

Pursuant to Section 414c of the Companies Act 2006 the Strategic report on pages 2 to 51 contains disclosures in relation to future developments, dividends, finance and financial risk management, the disclosures relating to the Group's greenhouse gas emissions and environmental policy and performance.

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 on pages 44 to 51 of the Strategic report.

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 59.

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 5 pence 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 issued share capital of the Company was unchanged with 178,582,513 ordinary shares of 5.00 pence each in issue at 31 December 2017.

Further information on the Company's share capital may be found in note 21.2 to the financial statements.

Financing
The Group finances its operations through a mixture of retained profits, equity and borrowings. The Group does not trade in financial instruments. Full details of the Group's borrowing facilities are set out in note 17 to the financial statements.

The main risks arising from the Group's borrowings are market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and the policies, which have been applied throughout the year, are set out in note 18 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 529,183 shares held in treasury as at 31 December 2017 and all but £0.01 of the total dividend to the Tyman Employee Benefit Trust which held 779,746 ordinary shares in Tyman plc. Further information on the Employee Benefit Trust may be found on page 33.

Substantial shareholders
The Company has been notified of, or has identified, the following direct or indirect interests comprising 3.0 per cent or more of its voting share capital (the issued share capital less shares held by the Company in Treasury) in accordance with DTR 5. The Company's substantial shareholders do not have different voting rights from those of other shareholders:

	Ordinary shares held as at 31 December 2017	**%**	Ordinary shares held as at 7 March 2018	%
Wellington Management Co	**21,528,467**	**12.09**	21,528,467	12.09
Alantra Asset Management	**13,563,118**	**7.62**	13,563,118	7.62
Aberdeen Standard Investments	**12,168,944**	**6.83**	12,168,944	6.83
GVQ Investment Management	**10,317,910**	**5.79**	10,317,910	5.79
Columbia Threadneedle Investments	**9,737,491**	**5.47**	9,737,491	5.47
Hargreave Hale	**7,402,557**	**4.16**	7,402,557	4.16
T Rowe Price International	**7,067,815**	**3.97**	7,067,815	3.97
Royal London Asset Management	**5,873,583**	**3.30**	5,873,583	3.30
Notz, Stucki Europe	**5,625,579**	**3.16**	5,625,579	3.16

Other statutory information continued

Financial reporting
The Annual Report and Accounts 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 60 and a statement by the auditors on their responsibilities is given on pages 89 to 95.

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 a 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
As a consequence of the work undertaken to support the Viability statement, which can be found on pages 42 to 43, the Directors have continued to adopt the going concern basis in preparing the financial statements (see note 2.2 in the financial statements).

Political donations
The Company did not make any political donations during the year (2016: £Nil).

Disclosure of information under Listing Rule 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 71 to 88. 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.

Events after the reporting year
Financing
On 19 February 2018, the Group entered into the 2018 Facility which comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility. Further details can be found in note 17 and 29 to the financial statements.

Share capital
As announced on 7 March 2018 Tyman entered into a conditional agreement to acquire Ashland Hardware, a North American manufacturer of hardware for residential windows and doors, for an Enterprise Value of US$101.0 million.

The Acquisition and associated expenses are to be funded through a drawdown of the Group's committed banking facilities, together with the net proceeds of a Placing of up to 10.0 per cent of the existing issued share capital of the Company utilising consents granted at the 2017 AGM to raise c. £50.0 million net of expenses. Details of the number of shares issued in respect of this Placing were not available at the time of this report, but can be found on the Company's website.

Directors
The names of the Directors who served during the year are on pages 52 to 53 along with the biographical details of the Directors serving at the date of signing of this report. Further information regarding the Directors who served during the year can be found on pages 71 to 82 in the Remuneration report.

Re-election of Directors
With the exception of Angelika Westerwelle, who will be stepping down from the Board, each Director will stand for election or re-election at the AGM. Accordingly, James Brotherton, Helen Clatworthy, Louis Eperjesi, Mark Rollins and Martin Towers will offer themselves for re-election at the 2017 AGM. As this is Pamela Bingham's first year of appointment, she will offer herself for election to the Board.

Annual General Meeting
At the Company's 2017 AGM the Directors were authorised to allot shares equal to approximately one-third of the issued share capital of the Company as at 12 May 2017 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 5.0 per cent of the Company's issued share capital as at 12 May 2017, 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 (other than in connection with an acquisition as contemplated by the Pre-Emption Group's Statement of Principles) without prior consultation with the relevant investor groups.

Shareholders also approved an additional authority for the Directors to issue ordinary shares, or sell treasury shares, for cash in connection with an acquisition or capital investment of the kind contemplated by the Pre-Emption Group's Statement of Principles up to an additional aggregate amount being approximately 5.0 per cent of the issued ordinary share capital as at 12 May 2017.

At the 2017 AGM the Company was also authorised to make market purchases of its own shares of up to approximately 14.99 per cent of the shares in issue as at 12 May 2017. 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 10 May 2018.

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 and to purchase its own shares, revisions to the LTIP Rules 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
7 March 2018

Company registration number: 02806007

Rewarding performance

Mark Rollins
Chairman, Remuneration Committee

Dear Shareholder

On behalf of the Board I am pleased to present our Remuneration report for the year ended 31 December 2017.

The Remuneration report, is split into three sections:

1. My annual statement, summarising the activities of, and decisions made by, the Remuneration Committee during the past twelve months (pages 71 to 73).
2. The Annual Report on Remuneration, which sets out the remuneration paid to Directors in 2017 and provides details on how the Committee intends to implement the Remuneration Policy in 2018. The Annual Report on Remuneration will be put to shareholders, for an advisory vote, at the 2018 AGM (pages 74 to 82).
3. A summary of the Remuneration Policy. The Remuneration Policy was approved by nearly 97.0 per cent of shareholders voting at the 2017 Annual General Meeting and sets out the Company's policy on Directors' remuneration for the three years from May 2017 to May 2020 (pages 83 to 86).

Group performance in 2017

Tyman delivered a sound financial performance for 2017, with reported Revenue and Underlying Operating Profit increasing by 14.2 and 10.0 per cent respectively. Growth was aided by the successful 2016 acquisitions of Bilco and Giesse and favourable exchange rates on the translation of overseas results. On a constant currency like for like basis, Revenue increased by 1.7 per cent whereas Underlying Operating Profit decreased by 1.5 per cent. Underlying earnings per share increased by 5.9 per cent in the year to 26.91 pence for 2017. Cash generation was healthy, but lower than operating profit due to targeted investment in working capital and continued investment in the balance sheet, including gross capital expenditure at 1.27x Depreciation. Leverage at the year end of 1.83x was again comfortably back within the Group's core year-end target range of 1.50x to 2.00x. ROCE decreased slightly in the year to 13.6 per cent, principally as a result of the 2016 acquisition activity. The Group continues to target achieving a ROCE of 15.0 per cent over the medium term.

Work of the Committee in 2017

The Committee dealt with the following matters during the past twelve months:

Policy

- Seeking, and receiving, approval from shareholders at the 2017 AGM for a new Remuneration Policy.

Salaries

- Consideration and approval of the salary increase for the CFO, which was made on 1 August 2017, following a broadening of his responsibilities.
- Conducting a review of the CEO's remuneration package.
- Approval of the level of base salaries to be paid to the Executive Directors and other senior managers from 1 January 2018.

Bonus

- Determining the level of bonus payable for 2017 to the Executive Directors and other senior managers.
- Establishing the basis of the 2018 bonus arrangements and bonus thresholds for the Executive Directors and other senior managers.

Share plans

- Confirming the earnings per share thresholds, nature of the ROCE underpin and comparator group of companies for the TSR underpin for Tyman's LTIP share award made on 14 March 2017. Approval of those participating and the number of shares awarded to each participant.
- Approval of the terms of the UK, US and international employee Sharesave Plans.

Remuneration report continued
Annual statement

Work of the Committee in 2017 continued

Share plans continued

- Reviewing and approving the extent to which the 2015 LTIP awards, whose performance period was the three years ended 31 December 2017, would vest.
- Considering and approving, in March 2018, the proposed list of participants for the forthcoming 2018 LTIP award and the approximate number of shares proposed to be awarded to each participant.

Compliance

- Ensuring the Group complied with its obligations under gender pay gap reporting.

Committee performance

- Participating in an externally led evaluation of the Committee's performance.
- Monitoring the progress of the Committee in achieving its 2017 objectives and setting new objectives for 2018.
- Reviewing, and updating as required, the terms of reference of the Committee.

Consultation

- Writing to shareholders regarding the change in the CFO's responsibilities and salary.

Governance and market

- Considering market trends and corporate governance developments in listed company remuneration. This exercise included presentations and input from Tyman's remuneration consultants, New Bridge Street.

Reporting

- Overseeing the preparation of this 2017 Remuneration report.

Performance and reward in 2017

Full details of the Directors' remuneration for 2017 are set out in the Annual Report on Remuneration on pages 74 to 82.

Annual bonus

The annual bonus scheme for the Executive Directors was based on stretching targets: 70.0 per cent on underlying profit targets and 30.0 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 during the year to ensure they remained appropriately stretching following the acquisition of Howe Green.

The specific targets and outcomes of each element of the bonus scheme for 2017 are set out in a table on page 75 of the Remuneration report. This shows the Executive Directors earned a total bonus of 51.3 per cent of salary (2016: 91.25 per cent) in respect of 2017, with strong year on year growth in profits and healthy cash conversion but lesser success in achieving the stretching profit and cash generation targets.

Long Term Incentive Plan

The LTIP awarded in 2015 was subject to a performance condition of cumulative three-year underlying earnings per share of between 69.60 pence (25.0 per cent vesting) and 78.45 pence (100.0 per cent vesting). In addition, the award was made subject to a discretionary TSR underpin. The actual cumulative underlying earnings per share outcome for the three years, 2015 to 2017, was 71.57 pence (a healthy compound annual growth of 13.1 per cent per annum over the three-year performance period). With the Remuneration Committee being satisfied that the discretionary TSR underpin had been met, it consequently approved a 2015 LTIP vesting of 41.69 per cent.

Changes in CFO responsibilities and salary

As set out in the Nominations Committee report, during the year the Board made the decision to assign executive responsibility for strategy, corporate development and M&A to James Brotherton with effect from 1 August 2017.

In light of these additional responsibilities his salary was increased from £251,200 to £297,500 from the same date. His salary will remain unchanged for at least 17 months, with his salary not being reviewed again until 1 January 2019. The Committee decided that to allow time for the impact of his additional responsibilities to feed through to performance and to mitigate any "ratchet effect" of the base salary increase on variable pay, his pre-1 August 2017 salary of £251,200 would be used in calculating his 2017 annual bonus and an intermediate amount of £275,000 would be used for 2018 LTIP and annual bonus purposes. His 2019 salary will then be used in 2019 for LTIP and annual bonus awards. At the increased level, his salary is around the median level for chief financial officers for companies of similar size and complexity to Tyman. The principal shareholders were kept informed of the Committee's decisions at the time and were fully supportive of the changes in responsibility and salary.

Remuneration in 2018

Salaries

The Committee completed a review in late 2017 in respect of the CEO's remuneration package, together with undertaking an assessment of Louis Eperjesi's performance during 2017 and his record of leading the Group over a number of years. The Group's performance during this time has been highly impressive, as can be seen in the chart of Tyman total shareholder return relative to that of the FTSE All Share Index set out on page 78. Whilst this assessment indicated that a more significant increase in Louis' salary might be justified, the Committee decided to award him an increase of 3.2 per cent, taking his salary from £407,000 to £420,000, having taken into account the more modest increases being awarded throughout the Group and the increase in variable pay opportunity he now had for 2018. As discussed above, James Brotherton's salary is to remain at £297,500 for 2018.

The salaries of the Group's senior management team were also reviewed in December 2017 and in general were awarded an increase to their base salaries of 2.0 per cent, these being in line with the average increases for all UK-based employees, excluding exceptional increases reflecting local operating or market conditions in the various geographies where Tyman operates.

Annual bonus

The overall structure of the annual bonus scheme for Executive Directors and other senior managers in 2018 remains unchanged from that operated in 2017. In line with the revised Remuneration Policy approved by shareholders, the maximum rewards available for the Executive Directors in 2018 increase to 125 per cent of salary.

As noted in the 2016 Annual Report, it was the Committee's intention to introduce at least one other performance measure, in addition to the challenging profit and cash flow measures already in place, at the time the maximum award was increased. Accordingly, 20.0 per cent of Louis Eperjesi's 2018 annual bonus (25.0 per cent of salary) is to be linked to the achievement of certain personal objectives related to progress made in the delivery of the Group's strategy.

More specifically, these personal objectives are to be set with regard to the Group's progress during 2018 in delivering and embedding the Group's plans in relation to strategy deployment (10.0 per cent of base salary), health and safety (7.5 per cent of base salary) and succession planning (7.5 per cent of base salary). The remaining

80.0 per cent (100.0 per cent of base salary) of Louis Eperjesi's annual bonus will continue to be determined by the performance against financial targets linked to profitability (70.0 per cent of base salary) and cash generation (30.0 per cent of base salary). James Brotherton's 2018 annual bonus, where the opportunity is also a maximum of 125.0 per cent of salary, will continue to be based entirely on financial measures, being the same measures as for Louis Eperjesi.

Consistent with prior years, the precise financial bonus targets (which the Committee considers to be commercially sensitive) will be disclosed in detail in the 2018 Annual Report, along with details on the personal objectives of the CEO.

Long Term Incentive Plan

In line with the revised Remuneration Policy approved by shareholders, the maximum rewards available for the Executive Directors in 2018 under the LTIP increases to 125.0 per cent of salary.

The Committee intends that LTIP awards made in 2018 will be subject to the same performance measures, underpins and holding periods as those awarded in 2017, namely: the financial performance measure will be cumulative underlying earnings per share over the three-year performance period subject to discretionary TSR and ROCE underpins. The Committee plans to determine the minimum EPS threshold performance (for 25.0 per cent vesting) for the period 2018 to 2020 and the maximum EPS threshold (full vesting) shortly after the announcement of the 2017 results.

It is intended these performance measures will be disclosed in advance of the 2018 AGM as these had not been determined at the time of completing this report.

Other matters

UK Corporate Governance Code

The Committee is cognisant of the proposed changes to the Code relating to Directors' remuneration, which are currently going through the final consultation stages with a view to coming into force for accounting periods beginning on or after 1 January 2019. Any new requirements necessary to comply with the provisions of the revised Code will be considered and actioned in the appropriate time-scale by the Committee.

Annual General Meeting

The Committee remains committed to ensuring executive remuneration is fully aligned with driving the right behaviours to deliver long term shareholder value through the setting of appropriate targets and individuals receiving rewards commensurate with performance. The Committee looks forward to your continued support at the 2018 AGM, where I, and the other members of the Committee, will be happy to answer questions or receive feedback on any aspect of the Group's remuneration.

Mark Rollins
Chairman, Remuneration Committee
7 March 2018

Remuneration report continued

Annual Report on Directors' Remuneration

The Annual Report on Remuneration set out below (together with the Remuneration Committee Chairman's Annual Statement) will be put to a single advisory shareholder vote at the 2018 AGM. The information below reports on the pay outcomes in respect of the 2017 financial year and explains how the Committee intends to operate the approved Remuneration Policy in 2018. The information from the single total remuneration figures for Directors on page 74 to the end of the section on loss of office payments on page 77 has been audited. The remainder of the Annual Report on Remuneration is unaudited.

Role of the Remuneration Committee

The Remuneration Committee is responsible for setting and implementing the remuneration policy for the Executive Directors and the Company's Chairman.

In addition, the Committee considers the remuneration arrangements for the Tyman Management Committee and for other senior managers. This ensures a consistent application of remuneration policy across the Group and aligns all senior managers' remuneration to the Group's strategic objectives. Remuneration received reflects the contribution made by 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 2017 were as follows:

Remuneration Committee member	Appointed
Helen Clatworthy	January 2017
Jamie Pike[1]	November 2009
Mark Rollins (Chairman)	April 2015
Martin Towers	December 2009
Angelika Westerwelle	November 2012

1 Jamie Pike stepped down from the Committee in May 2017.

All members of the Committee are independent Non-executive Directors. Pamela Bingham joined the Committee on her appointment to the Board in January 2018. Angelika Westerwelle will be stepping down from the Committee at the conclusion of the AGM to be held in May 2018. The meetings are often, but not always, attended by the Chief Executive and Chief Financial Officer at the invitation of the Committee Chairman. The Group Company Secretary is Secretary to the Committee. Other individuals such as external advisers may be invited to attend 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 during the year, at which there was full attendance, 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. A further meeting was held to consider the remuneration implications following the changes to Executive roles and responsibilities. The Committee's terms of reference were reviewed during the year to ensure these remained relevant for the aims of the Committee and continued to meet the requirements of the business, the Group's shareholders and other stakeholders. The terms of reference are available on the Group's website.

External advisers

The Committee is advised by NBS, part of Aon plc. 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. NBS did not provide any other service to the Group during the year. Total fees for advice provided to the Committee during the year were £50,706 (2016: £11,080).

The Committee also took advice from the Group's legal advisers, Pinsent Masons, 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 other employees under the Company's Sharesave Plans. Total fees for legal advice provided to the Committee during the year were £27,641 (2016: £5,500).

Remuneration outcomes for 2017

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 2016 and 2017:

	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	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Executive Directors														
Louis Eperjesi	**407**	397	**104**	181	**104**	181	**81**	79	**18**	17	**182**	197	**896**	1,052
James Brotherton	**270**	245	**64**	112	**64**	112	**41**	37	**18**	16	**111**	147	**568**	669
Non-executive Directors														
Helen Clatworthy[5]	**49**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**49**	—
Jamie Pike[6]	**48**	128	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**48**	128
Mark Rollins	**55**	51	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**55**	51
Martin Towers[7]	**99**	51	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**99**	51
Angelika Westerwelle	**47**	46	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**47**	46

1 With effect from 1 January 2017, Louis Eperjesi and James Brotherton each received a base salary increase of 2.5 per cent; these increases were broadly in line with those received by the wider workforce. Following a review of Executive Director roles, as announced in July 2017, James Brotherton's salary was increased from £251,200 to £297,500 with effect from 1 August 2017.

2 Louis Eperjesi and James Brotherton received cash in lieu of pension amounting to 20.0 per cent and 15.0 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 during the year.

4 The estimated value of the LTIP awards vesting by reference to performance in 2017 (granted in 2015), which vests on 9 March 2018, is based on the average share price over the three months ended 31 December 2017 of £3.3428, including the dividend equivalent shares. The comparative value of LTIP awards for 2016 has been restated using the actual share price at vesting on 9 March 2017 and so it is different to the value shown in the 2016 Remuneration report.

5 Helen Clatworthy was appointed to the Board in January 2017.

6 Jamie Pike stepped down from the Board and as Chairman in May 2017.

7 Martin Towers became Chairman of the Group in May 2017.

Determination of the 2017 Group Bonus Plan

The maximum bonus opportunity for both Executive Directors for the 2017 financial year was 100.0 per cent of annual salary, of which 50.0 per cent is to be paid in cash and 50.0 per cent in ordinary shares in Tyman plc whose vesting is deferred for three years. Relevant Divisional and Group bonus targets for both profit and cash were increased during the year to take into account the acquisition of Howe Green and to ensure an equivalent level of difficulty. The outcome of the 2017 bonus, alongside the performance targets set, is shown below:

Measure	Threshold 0%	Target 50%	Exceeds 100%	Performance achieved	Bonus as % of salary[1]
Profit growth over prior year (25% weighting)	£62.1m	£65.2m	£68.3m	£68.3m	25.0
Profit performance versus target (45% weighting)[2]	£64.3m	£71.4m	£78.6m	£68.3m	12.6
Cash conversion of operating profit (15% weighting)[3]	75%	85%	95%	91%	12.2
Cash generation versus target (15% weighting)[4]	£68.6m	£76.2m	£83.9m	£70.1m	1.5

1 Calculation is performed on the basis of targets and performance in £'000 rounded to one decimal percentage place.

2 Profit performance versus target is measured on a constant currency basis.

3 Cash conversion targets were increased by 500 bps at each level compared with 2016.

4 Cash generation targets for the Group exclude the investment impact of major projects. The Group recorded an Operational Cash Flow in the year of £65.7 million and the investment impact of major projects in the year was £4.3 million (£0.1 million rounding difference).

Straight-line vesting occurs between target and stretch performance.

In total, 51.30 per cent of salary was earned as a bonus by the Executive Directors (2016: 91.25 per cent). The monetary amounts are payable in cash and deferred shares as set out below:

Director	Bonusable salary £	Bonus maximum (% of bonusable salary)	Achievement (% of award)	Bonus awarded £	Cash bonus £	Deferred bonus £
Louis Eperjesi	407,000	100	51.3	208,791	104,395	104,395
James Brotherton	251,200	100	51.3	128,866	64,433	64,433

Bonuses in respect of 2017 performance are subject to recovery and withholding provisions covering the exceptional circumstances of a material misstatement of the accounts, a material miscalculation of the performance of the Company or gross misconduct before the vesting date.

DSBP awards granted during the year

The table below details the deferred shares granted in 2017 in respect of the 2016 annual bonus award:

Director	Number of shares[1]	Share price – five-day average	Face value[2]	Vesting date
Louis Eperjesi	58,581	£3.092	£181,132	March 2020
James Brotherton	36,152	£3.092	£111,782	March 2020

1 Shares are deferred for three years.

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

Remuneration report continued

Annual Report on Directors' Remuneration continued

LTIP awards vesting in respect of 2017

LTIP awards were made to Executive Directors on 14 June 2015, subject to performance measured over three years ending 31 December 2017. 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 2017[1]
Threshold – 25% award	69.60p
Maximum – 100% award	78.45p

1 Straight-line vesting between these points. No award is made if performance is below threshold.

Performance year	Earnings per share
2015[1]	19.25p
2016	25.41p
2017	26.91p
Underlying cumulative EPS	**71.57p**

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

In addition to the targets above, vesting is subject to financial underpins which consider relative TSR, actual EPS achieved in 2017 and whether the three-year cumulative EPS target has been achieved through increased and inappropriate gearing of the balance sheet.

The Remuneration Committee was satisfied that the Underlying Earnings Per Share performance in 2017 of 26.91 pence was a fair reflection of the performance of the Group and undue risk was not taken in its achievement. Further, with the Group's TSR being broadly in line with the TSR of a comparator group of UK listed companies, the Committee determined that the financial underpin was satisfied. Accordingly, with the level of award being calculated on a straight-line basis between the threshold and maximum targets, 41.69 per cent of the 2015 awards will vest on their three-year anniversary date in March 2018. Vested shares, after the sale of the necessary number of shares to cover tax and NI payments, are retained by the Executive Directors for a minimum of two years following the date of vesting.

Details of the Directors' awards which vested are shown below:

Director	Date of grant	Earliest date for vesting	Number of shares under award	Number of shares vesting[1]	Average share price (1 October –30 December 2017)	Estimated award value on vesting
Louis Eperjesi	22 June 2015	March 2018	121,131	50,499	£3.3428	£168,808
James Brotherton	22 June 2015	March 2018	74,181	30,926	£3.3428	£103,379

1 Calculated on a straight-line basis.

In accordance with the regulations, the estimated value of the award is based on the average share price over the last quarter of the financial year. The actual value at the vesting date, 9 March 2018, will also 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 14 March 2017 with a face value of 100 per cent of salary.

Director	Award scheme	Date of award	Normal vesting date[1]	Number of shares awarded	Face value of award '000	Share price – 30-day average	Number of shares receivable for threshold performance
Louis Eperjesi	LTIP	14 March 2017	14 March 2020	140,661	£407	£2.8934	35,165
James Brotherton	LTIP	14 March 2017	14 March 2020	86,816	£251	£2.8934	21,704

1 The award is subject to a two-year holding period after normal vesting.

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

EPS targets (100% weighting)	Cumulative EPS target over the three years ending December 2019	CAGR of EPS over 2016 EPS required to meet target
Threshold – 25% award	89.10p	8.0%
Maximum – 100% award	103.30p	16.0%

In 2017 the Remuneration Committee introduced a discretionary ROCE underpin as an additional measure to ensure the performance conditions remain suitably challenging and fully aligned with shareholder interests. The ROCE underpin operates in addition to the existing financial 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 2017, 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. ROCE for 2016, the base year for the performance period, was 13.6 per cent as set out on page 15.

Directors' interests in shares

The interests of each person who was a Director of the Company as at 31 December 2017 (together with interests held by his or her connected persons) were:

	Unrestricted shares	Restricted shares[1]	**Total ordinary shares held[2]**	% of salary[3] required (2017)	% of salary achieved[4]	2017 guidelines met?	Ordinary shares at 31 Dec 2016
James Brotherton	418,039	24,678	**442,717**	200%	540%	Yes	418,039
Helen Clatworthy	—	—	**15,000**	—	—	—	—
Louis Eperjesi	574,340	33,156	**607,496**	200%	542%	Yes	574,340
Mark Rollins	—	—	**25,000**	—	—	—	15,000
Martin Towers	—	—	**62,984**	—	—	—	62,984
Angelika Westerwelle	—	—	**131,318**	—	—	—	131,318

1 Shares held for two years post vesting of LTIP 2014 award.

2 From 31 December 2017 to 7 March 2018 there were no changes to the above stated holdings. Pamela Bingham did not hold Tyman plc shares on either date.

3 Base salary as at 31 December 2017.

4 Based on the closing price of a Tyman plc ordinary share of £3.63 on 29 December 2017.

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

		Shares over which awards						
Award scheme	Award date	held at 1 Jan 2017	granted during the year	vested during the year[1]	lapsed during the year	**held at 31 Dec 2017**	Exercise price	Earliest vesting date[2]
Louis Eperjesi								
DSBP	11/03/14	44,736	—	44,736	—	**—**		Mar 2017
LTIP	26/06/14	118,912	—	58,648	60,264	**—**		Mar 2017
DSBP	10/03/15	16,057	—	—	—	**16,057**		Mar 2018
LTIP	22/06/15	121,131	—	—	—	**121,131**		Mar 2018
DSBP	08/03/16	40,099	—	—	—	**40,099**		Mar 2019
LTIP	09/03/16	151,442	—	—	—	**151,442**		Mar 2019
DSBP	23/03/17	—	58,581	—	—	**58,581**		Mar 2020
LTIP	14/03/17	—	140,661	—	—	**140,661**		Mar 2020
James Brotherton								
DSBP	11/03/14	34,001	—	34,001	—	**—**		Mar 2017
LTIP	26/06/14	88,508	—	43,653	44,855	**—**		Mar 2017
DSBP	10/03/15	10,865	—	—	—	**10,865**		Mar 2018
LTIP	22/06/15	74,181	—	—	—	**74,181**		Mar 2018
UK ESSP	24/09/15	2,608	—	—	—	**2,608**	£2.7612	Nov 2018
DSBP	08/03/16	24,557	—	—	—	**24,557**		Mar 2019
LTIP	09/03/16	93,459	—	—	—	**93,459**		Mar 2019
UK ESSP	22/09/16	2,750	—	—	—	**2,750**	£2.6177	Nov 2019
DSBP	23/03/17	—	36,152	—	—	**36,152**		Mar 2020
LTIP	14/03/17	—	86,816	—	—	**86,816**		Mar 2020
UK ESSP	29/09/17	—	1,101	—	—	**1,101**	£3.2685	Nov 2020

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

2 All awards lapse 10 years from the date of grant.

Payments to past Directors

There were no payments to past Directors during the year.

Loss of office

No payments in respect to loss of office were made to Directors during the year.

Remuneration report continued

Annual Report on Directors' Remuneration continued

Service contracts

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

	Commencement date	Notice period
Louis Eperjesi	07 March 2014	12 months
James Brotherton	07 March 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 in months
Pamela Bingham	18 January 2018	18 January 2018	18 January 2021	One
Helen Clatworthy	9 January 2017	9 January 2017	9 January 2020	One
Mark Rollins	1 April 2015	1 April 2018[3]	1 April 2021	One
Martin Towers[1]	17 December 2009	12 May 2017	—	One
Angelika Westerwelle[2]	30 November 2012	8 November 2016	30 November 2018	One

1 Martin Towers succeeded Jamie Pike as Chairman, following the AGM held on 12 May 2017.

2 Angelika Westerwelle intends to step down from the Board at the Company's forthcoming AGM to be held on 10 May 2018.

3 Approved by the Nominations Committee on 2 March 2018.

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

External appointments of Executive Directors

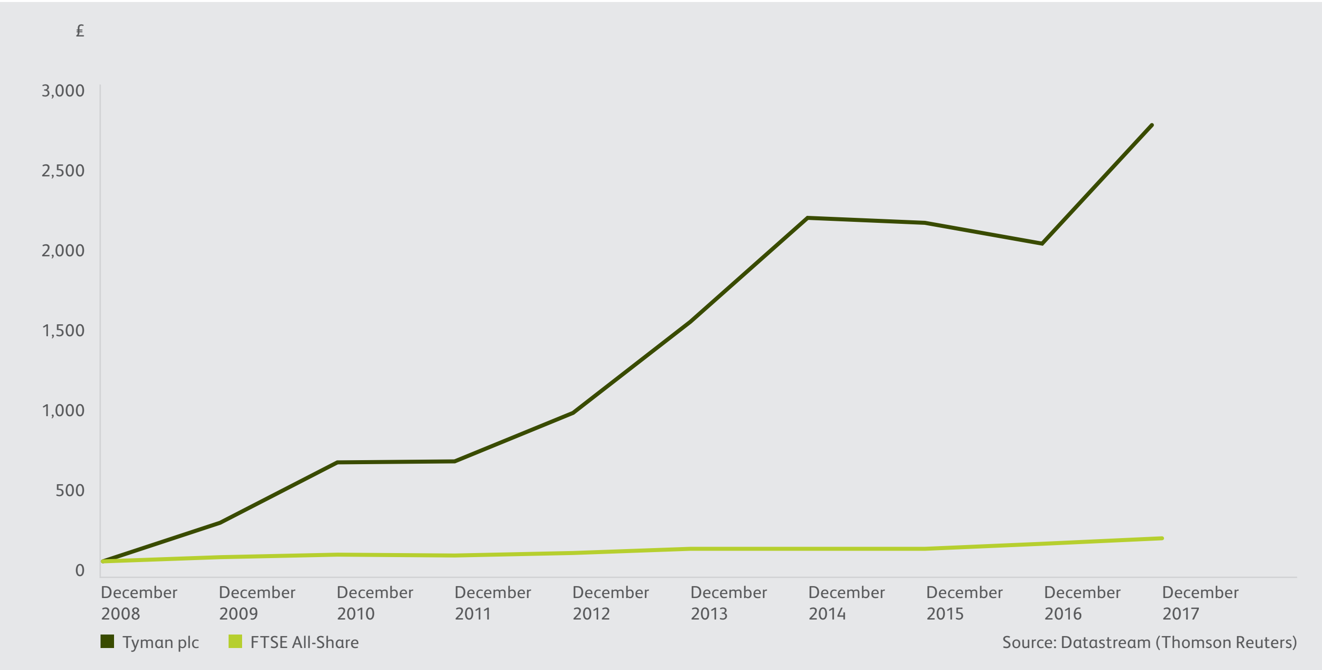
James Brotherton became a director of the Quoted Companies Alliance on 17 January 2017; this is an unpaid position. Louis Eperjesi was appointed a trustee of the Cheltenham Trust on 2 February 2018; this is an unpaid position.

Performance graph and table

The graph below shows the total shareholder return for Tyman plc and the FTSE All-Share Index over the past nine 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. Points are plotted at each year end.

Total shareholder return



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) and the LTIP payout (expressed as a percentage of the maximum opportunity), for the current year and previous eight years.

Year	CEO	Single figure of total remuneration £'000	Annual bonus payout %	LTIP payout %
2017	Louis Eperjesi	896	51%	42%
2016	Louis Eperjesi	1,052[1]	91%	49%
2015	Louis Eperjesi	1,026	58%	100%
2014	Louis Eperjesi	1,137	31%	94%
2013	Louis Eperjesi	1,821	90%	100%
2012	Louis Eperjesi	493	68%	Nil
2011	Louis Eperjesi	338	22%	Nil
2010	Louis Eperjesi	394	100%	Nil
	Denis Mulhall	438	—	Nil
	Keith Taylor	73	n/e	n/e
2009	Keith Taylor	572	100%	n/e
	Greg Hutchings[2]	713	—	Nil

1 The LTIP awards for 2016 have been recalculated using the actual exercise share price.

2 Executive Chairman.

"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 2017 and 31 December 2016, 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)	**2017**	2016	Year on year % change
Total employee remuneration for the Group (excluding share-based payments)	**136,965**	127,655	6.8%
Dividends paid in the financial year	**19,497**	15,578	20.11%

The increase in employee remuneration paid in the year reflects the increased size of the Group at the end of 2017 compared with the start of 2016, along with promotion and inflation related salary increases.

Remuneration report continued

Annual Report on Directors' Remuneration continued

Statement of implementation for the 2018 financial year

Statement of implementation of remuneration for the 2018 financial year

In line with the Remuneration Policy report, approved by shareholders at the 2017 AGM, a number of amendments to the Directors' Remuneration Policy were approved, to be implemented from 2018 onwards. Details of the Directors' remuneration for the 2018 financial year are set out in the table below:

Salary	CEO – £420,000 (2017: £407,000 – 3.2 per cent increase) CFO – £297,500 (2017: received £270,400 – 7.64 per cent increase, 18.43 per cent change over 1 January 2017 salary of £251,200)
Pension allowance	CEO – 20 per cent of base salary CFO – 15 per cent of base salary
Benefits	Life assurance cover, critical illness cover, private medical and dental cover, car allowance and professional tax and financial advice. The Directors to receive a car allowance of £16,500 per annum with effect from 1 January 2018.
Annual bonus	125 per cent of base salary, with half in cash and half in shares deferred for three years. The CEO bonus will be calculated 80 per cent (100 per cent of base salary) on financial measures and 20 per cent (25 per cent of base salary) on personal objectives linked to delivery of the Group's strategy. The personal objectives are to be set in relation to the Group's progress during 2018 in delivering and embedding the Group's plans in relation to strategy deployment (10 per cent of base salary), health and safety (7.5 per cent of base salary) and succession planning (7.5 per cent of base salary). The CFO bonus will be based entirely on financial measures, being the same measures as for the CEO. The financial measures for both Executive Directors will remain, 70 per cent linked to profitability ("PBTA") and 30 per cent linked to cash generation. Consistent with prior years, the precise bonus targets will be disclosed in detail in the 2018 Annual Report and Accounts, together with further details concerning the personal objectives of the CEO.
LTIP	Nil-cost options of 125 per cent of base salary. Performance metrics based on cumulative underlying EPS measured over a three-year period, and subject to discretionary relative total shareholder return and absolute ROCE underpins. 25 per cent vests for threshold performance, with 0 per cent below threshold, increasing pro rata to full vesting for stretch performance. LTIP awards to be retained for two years after vesting. The performance targets will be based on cumulative EPS over the three-year period, with the threshold and maximum targets for the period 2018–2020 to be set shortly after the results for the 2017 year are announced, and when the effect of the recent changes in US tax legislation are fully understood.

The salaries of the Group's senior management team were reviewed in December 2017 and in general were awarded an increase to their base salaries of 2.0 per cent, these being in line with the average increases for all UK-based employees, excluding exceptional increases reflecting local operating or market conditions in the various geographies where Tyman operates. The average increase for the general worldwide workforce was 2.5 per cent.

Salary

CEO remuneration

In light of the Group's progress, including its increase in size and complexity, the Committee undertook a review of the CEO's remuneration package in December 2017. As part of the review, the Committee considered Louis Eperjesi's level of experience, individual performance and impact on the continuing success of the Group. Subsequently, it was determined that an increase of 3.2 per cent to Louis Eperjesi's base salary effective from 1 January 2018 was warranted.

CFO remuneration

As reported in the Group's half-year results announcement in July 2017 the Board reviewed the Executive Directors' roles and with effect from 1 August 2017 James Brotherton took up responsibility for Group strategy, corporate development and M&A, in addition to his existing duties as CFO. In light of these additional responsibilities it was agreed to increase his salary to £297,500 from 1 August 2017, with no further review to his salary until 1 January 2019. In addition, and being fully cognisant of shareholder opinions, the Remuneration Committee mitigated the effect of the ratchet of the salary increase on variable pay by setting the base salary for the purposes of bonus and LTIP awards at £251,200 for 2017 and £275,000 for 2018.

LTIP awards

In line with the approved Remuneration Policy it is expected that an award of shares will be made under Tyman's Long Term Incentive Plan in mid-March 2018, shortly after the release of the Group's financial results for 2017 (the "2018 Awards"), with the two Executive Directors being awarded shares to the value of 125 per cent of their respective base salaries in line with the Policy approved at the 2017 AGM. The measurement period for the 2018 Awards will be from 1 January 2018 to 31 December 2020. These awards will be subject to two years' post vesting holding period and three years', post vesting, recovery provisions.

The 2018 Awards will be made under the rules of the 2010 Long Term Incentive Plan (the "2010 LTIP") under which awards with a face value of up to 100 per cent of salary may be granted in normal circumstances. To enable the awards to be granted in advance of the 2018 AGM, where shareholders will be asked to confirm a change to the existing normal limit to bring it into line with the approved Policy, the exceptional circumstances provision of the current Rules, which permit awards with a fair value of up to 150 per cent of salary to be granted in circumstances which the Committee deems to be sufficiently exceptional, will be used. Revised LTIP Plan Rules, including the already approved increased maximum award level, will be put to shareholders for approval at the 2018 AGM.

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 outstanding as at 31 December 2017
2015	2015–2017	March 2018	69.60–78.45p	638,256
2016	2016–2018	March 2019	67.00–78.50p	702,262
2017	2017–2019	March 2020	89.10–103.30p	764,977
2018[1]	2018–2020	March 2021	—	803,933[2]

1 It is anticipated that awards under the LTIP will be awarded in mid-March 2018. At the time of completing this report targets had not been determined. It is intended these will be disclosed in advance of the 2018 AGM.

2 The estimated number of shares to be awarded using an average share price of £3.30.

Non-executive Director fees

The Chairman is paid a fee of £132,600 per annum, with no additional fee for chairing the Nominations Committee.

Non-executive Directors are paid an annual basic fee, plus an additional fee for chairing a Board Committee.

Position	Annual fee 2018 £	**Annual fee 2017 £**
Chairman	132,600	**130,000**
Non-executive Director	47,750	**46,800**
Annual fee for the Chair of the Audit or Remuneration Committees	7,000	**5,200**
Annual fee for the Senior Independent Director	6,000	**5,200**

Non-executive Director basic fees together with the fee for the Chairman were reviewed in December 2017 and increased by 2.0 per cent from January 2018, in line with the general UK pay award for 2018.

The Board reviewed the fees paid to the Chairs of the Audit and Remuneration Committees in December 2017 and considered these were not commensurate with the amount of time required and responsibility taken for these roles and awarded an increase to £7,000 per annum with effect from 1 January 2018.

An incremental fee was paid to the Senior Independent Director for the first time in 2017, to reflect the increasing size of the Group and the contribution this role makes to the Board. It was initially felt appropriate that this fee should be set at broadly the same level as that of a Committee Chair or at 50 per cent of the fee for a Committee Chair where the Senior Independent Director is also Chair of a Committee and in receipt of a Committee Chair fee. This fee was reviewed in December 2017 and it was agreed the full fee for this role should be £6,000 for the 2018 financial year. Mark Rollins, who is Chair of the Remuneration Committee, will therefore receive an additional fee of £3,000 as Senior Independent Director.

During 2018, the Committee intends to carry out a full review of the Chairman's and Divisional Directors' remuneration packages. In conjunction with this work, the Board will also review the Non-executive and Committee Chairmanship fees.

Remuneration report continued
Annual Report on Directors' Remuneration continued

Other items
Details of share plans
During the year awards were made under the following plans:

- Tyman Sharesave Plans in the form of options totalling 115,450 shares at a price of £3.2685 to £3.0794, vesting over a one or three-year period, depending on jurisdiction. The total number of awards outstanding as at 31 December 2017 is 288,524.
- Deferred Share Bonus Plan in the form of deferred share awards totalling 194,214 shares. Awarded as a nil-cost option in respect of deferred bonus. Vesting over a three-year period. The total number of share awards outstanding as at 31 December 2017 is 384,901.
- Tyman Long Term Incentive Plan awards totalling 792,477 shares. Awarded with performance conditions, vesting over a three-year period, with a further two-year holding period. The total number of share awards outstanding as at 31 December 2017 is 2,107,191.
- The total number of shares outstanding under all share plans as at 31 December 2017 is 2,780,616 shares.

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 Employee Benefit Trust.

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

As at 31 December 2017, 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.

Statement of voting at Annual General Meetings
The table below sets out the results of the 2017 AGM in respect of the Remuneration Policy and Directors' remuneration report respectively:

	Votes for	Votes at discretion	Votes against	Total number of votes cast	Total number of votes withheld
Remuneration Policy (2017 AGM)	138,245,599 (96.79%)	48,673 (0.03%)	4,546,304 (3.18%)	142,840,576 (100%)	1,436,928
Directors' remuneration report (2017 AGM)	144,004,446 (99.87%)	48,673 (0.03%)	144,035 (0.10%)	144,197,154 (100%)	80,350

During the year the Committee wrote to major shareholders, representing over 50 per cent of the Group's shareholder base, following the changes to James Brotherton's responsibilities and resultant increase in base salary, as announced in July 2017. These changes were received positively, acknowledging James Brotherton's contribution to the continued success of the Group and his further development within the Company.

The Committee is grateful to the Group's shareholders for their support as shown in the voting levels at the 2017 AGM and looks forward to receiving their continued support in 2018.

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

Mark Rollins
Chairman, Remuneration Committee
7 March 2018

Remuneration report continued

Policy report

Remuneration Policy table

This section of the Directors' remuneration report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and sets out the Remuneration Policy which was approved by shareholders at the AGM on 12 May 2017. The policy took formal effect from the date of approval and is intended to apply until the 2020 AGM. Please note that some of the information shown has been updated to take account of the fact that the policy is now approved and enacted rather than proposed. A full version of the original shareholder approved policy can be found in the Annual Report for the year ended 31 December 2016 available on the Group website.

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.

Remuneration report continued

Policy report continued

Remuneration policy table continued

Link to strategy	Operation	Maximum opportunity	Metrics
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.
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 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			
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.

Link to strategy	Operation	Maximum opportunity	Metrics
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.	—	—

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 or 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 the Company's Articles of Association.	No performance metrics.

Remuneration report continued

Policy report continued

Remuneration policy table continued

Notes to the Remuneration 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 the Committee 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 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 retains 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 per cent 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 Remuneration 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 Closed period).

Where individuals are promoted to the Board from within the Group, their existing share grants or awards will be allowed to pay out 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 historical 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 Louis Eperjesi or for the promotion of James 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, US and other international employees eligible to participate in one or more share schemes. Employees in certain other jurisdictions are also eligible to participate in all-employee share plans. 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 wrote to shareholders representing over 50 per cent of the Group's issued shares and a number of governance bodies advising them of the changes to the CFO role and resultant increase in base salary, at the time of the announcement. Overall, the responses received were positive and acknowledged the Committee's restraint in the phasing impact on variable pay of the base salary increase together with the fact that the base salary would not be reviewed again until 1 January 2019.

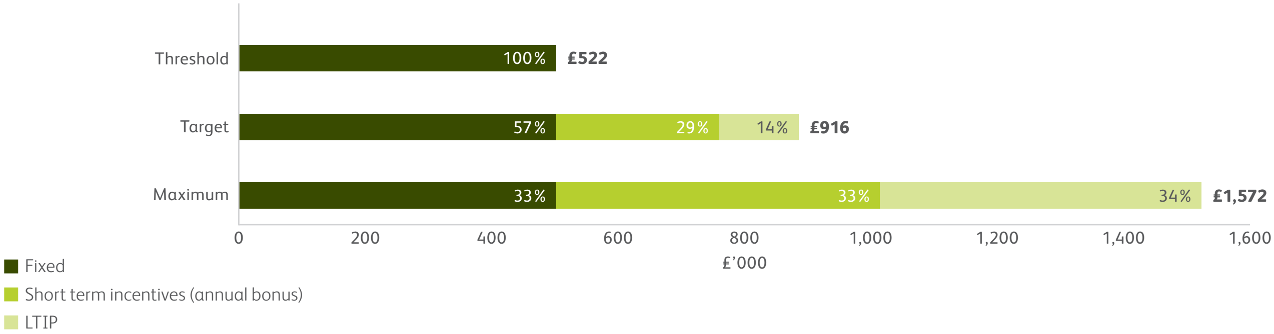
In advance of implementing any material future changes to the Executive Directors' remuneration the Committee would normally engage in consultation with shareholders.

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.

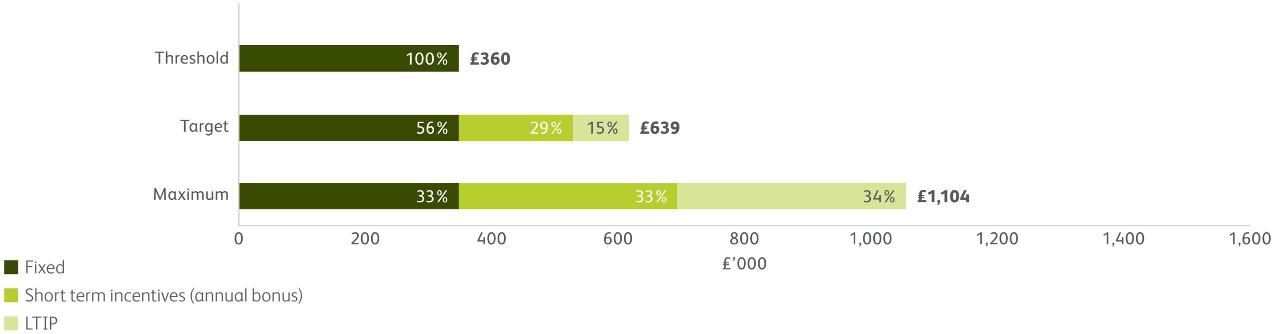
Remuneration report continued
Policy report continued

Illustrative performance scenarios
The table below sets out performance scenarios for each Executive Director, for the financial year 2018, showing an indication of the level of remuneration that would be received following the implementation of the revised Policy, which is the first full year to which the new policy will apply.

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:	2018
Threshold performance	• Fixed remuneration • No annual bonus • No vesting of LTIP awards
On-target	• Fixed remuneration • 50 per cent annual bonus payout (62.50 per cent of salary) • 25 per cent of LTIP awards vest (31.25 per cent of salary)
Maximum	• Fixed remuneration • 100 per cent annual bonus payout (125 per cent of salary) • 100 per cent of LTIP awards vest (125 per cent 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 2018, as set out on page 80.
- Benefits are the value of benefits paid in the year ended 31 December 2017, as set out in the table of Directors' remuneration on page 74.
- Cash contribution in lieu of pension of 20 per cent of base salary for the CEO and 15 per cent of base salary for the CFO.

Independent auditors' report

To the members of Tyman plc

Report on the audit of 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated balance sheet as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Directors' report, we have provided no non-audit services to the group in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

- Overall group materiality: £3.8 million (2016: £3.3 million), based on 5% of underlying operating profit before tax.

- 9 operating units subject to full scope audits on the basis of financial significance.
- Specific procedures over certain classes of transactions and balances at 1 further operating units where the particular balances were financially significant.
- Rotational procedures performed at 1 further operating unit which was in a remote location.
- 73% of Group revenue accounted for by reporting units where full scope audit work or specific audit procedures performed over revenue. 84% 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.

- Goodwill and intangible assets impairment assessment.
- Carrying value of provisions
- Exceptional items

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and parent company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements.

Independent auditors' report continued

To the members of Tyman plc

Report on the audit of the group financial statements continued

Our audit approach continued

The scope of our audit continued

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment Refer to page 65 (Audit Committee Report), page 111 (notes). There is £324 million of goodwill and £103 million of intangible assets recognised 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). 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 Group's other CGU ERA operates in the United Kingdom and has significant headroom relative to the CGU carrying value. 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.	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 are not independently generated and therefore the allocation to CGUs was appropriate. For all CGUs, namely AmesburyTruth, ERA 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 to determine 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.

Key audit matter	How our audit addressed the key audit matter
Carrying value of provisions Refer to page 65 (Audit Committee Report), page 125 (notes). The Group holds a number of provisions which are inherently judgemental, including: *Property related provisions (£2.9 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. *Restructuring provisions (£8.0 million)* Restructuring provisions are comprised mainly of provisions for the closure of the Rochester and Amesbury plants, (£7.6 million). *Warranty provisions (£0.9 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 (£6.0 million)* Other provisions are comprised mainly of provisions for potential tax exposures (£3.3 million) and onerous contracts (£0.8 million). 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. Where applicable we read available external valuation reports, assessed the competence and objectivity of the valuation expert 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. *Restructuring provisions* The provision for the closure of the Rochester and Amesbury plants is predominantly for severance costs to employees and clean-up costs of the plants to get them into a saleable condition. We examined the communication to employees of the plant closure and tested a sample of severance payments, and assessed the reasonableness of the valuation of the clean-up costs performed by an independent external valuation expert. *Warranty provisions* We tested the accuracy of management's calculation of forecast claims, which contain an 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.

Independent auditors' report continued

To the members of Tyman plc

Report on the audit of the group financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Exceptional items Refer to page 65 (Audit Committee Report), page 105 (notes). The Group has recognised £10.0 million net exceptional costs in the year, the classification of which is subject to judgement. The exceptional items relate to: *Footprint restructuring (£16.4 million charge and £5.7 million credit)* These costs relate to the footprint rationalisation programme across the Group, predominantly in North America. £15.2 million of the £16.4 million costs relate to the North American project where the costs relate to plant closures (severance and clean-up costs), other employee expenses and other cash expenses. The remaining £0.8 million relates to footprint projects in ERA and SchlegelGiesse. The credit predominantly relates to: • £1.8 million relating to the disposal and exit from the Canton, South Dakota and Sioux Falls facilities, and • £3.3 million past service costs relating to the closure of the Rochester post-retirement benefit medical plans. The North American footprint project is expected to conclude by 2020. *M&A and integration (£2.2 million charge and £2.9 million credit)* There are integration costs of £2.2 million that relate to: • Legal, financial, taxation and consultancy costs associated with the acquisition of Howe Green in the year; • IP defence costs relating to pre-acquisition periods; and • Integration of businesses acquired in prior years. This is offset by a credit of £2.9 million, of which £2.3 million relates to the pension liability recoverable from and indemnified by the previous owners of Bilco. The remaining £0.6 million relates to the release of surplus non-trading provisions no longer required. There is also a small amount recognised in relation to the write off of inventory fair value adjustments.	We have evaluated the appropriateness of recognising the income and charges as exceptional items and considered the impact of them on the underlying results. Specifically, we have understood the criteria for and governance over the footprint restructuring and M&A and integration projects and the costs associated with them that management deem to be exceptional items. Accordingly, we have tested the costs associated with such projects to underlying evidence to support the amounts recognised and challenged management on the rationale of classifying these amounts as exceptional. We have also assessed the adequacy of the disclosure of the exceptional items within the financial statements and we are satisfied that the accounting treatment and disclosure is appropriate.

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 structure of the group, the accounting processes and controls, and the industry in which it operates.

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 65 reporting units for the Group's operating businesses, which map into the three business lines and centralised functions.

Of the Group's 65 reporting units, we identified 9 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 1 reporting unit, as while overall the units were not financially significant, certain classes of transactions and balances were material or considered to be higher risk, including cash, borrowings and interest expense. The UK engagement team also undertook specific procedures on 1 small reporting unit in Dubai, 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.

Report on the audit of the group financial statements continued

Our audit approach continued

How we tailored the audit scope continued

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 or Italy operating under our instruction.

Where work was performed by the US and Italian component auditors, the UK engagement leader and senior manager visited the US (engagement leader only) 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.

73% 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. 84% of the Group's underlying operating profit before taxation is accounted for by the 9 reporting units where we performed full scope audit work on the complete financial information. Audit procedures were performed at a further 1 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 in aggregate 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	£3.8 million (2016: £3.3 million).
How we determined it	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.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £11,000 and £3.7 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £200,000 (2016: £165,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent auditors' report continued

To the members of Tyman plc

Report on the audit of the group financial statements continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 38 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 42 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 66, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report on page 61 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Report on the audit of the group financial statements continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members in May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2012 to 31 December 2017.

Other matter

We have reported separately on the parent company financial statements of Tyman plc for the year ended 31 December 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2018

Consolidated income statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	3	**522,700**	457,644
Cost of sales	3	**(331,831)**	(290,385)
Gross profit		**190,869**	167,259
Administrative expenses		**(146,962)**	(130,069)
Operating profit	4	**43,907**	37,190
Analysed as:			
Underlying[1] operating profit	3	**76,817**	69,803
Exceptional items	6	**(9,976)**	(10,900)
Amortisation of acquired intangible assets	10.3	**(22,934)**	(21,713)
Operating profit	4	**43,907**	37,190
Finance income	7	**224**	853
Finance costs	7	**(9,597)**	(8,667)
Net finance costs	7	**(9,373)**	(7,814)
Profit before taxation	3	**34,534**	29,376
Income tax charge	8	**(3,334)**	(8,641)
Profit for the year		**31,200**	20,735
Basic earnings per share	9	**17.61p**	11.98p
Diluted earnings per share	9	**17.49p**	11.93p
Non-GAAP Alternative Performance Measures[1]			
Underlying[1] operating profit	3	**76,817**	69,803
Underlying[1] profit before taxation	9	**68,284**	62,079
Basic underlying earnings per share	9	**26.91p**	25.41p
Diluted underlying earnings per share	9	**26.73p**	25.31p

1 Before amortisation of acquired intangible assets, deferred taxation on amortisation of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect. See definitions on page 146 for non-GAAP Alternative Performance Measures.

The notes on pages 100 to 136 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000 (restated)
Profit for the year		**31,200**	20,735
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	20	**(1,366)**	(489)
Total items that will not be reclassified to profit or loss		**(1,366)**	(489)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(24,069)**	48,751
Effective portion of changes in value of cash flow hedges	16	**16**	(206)
Total items that may be reclassified to profit or loss		**(24,053)**	48,545
Other comprehensive (expense)/income for the year, net of tax		**(25,419)**	48,056
Total comprehensive income for the year		**5,781**	68,791

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 100 to 136 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	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 2016	8,505	63,256	8,920	(4,321)	(85)	31,384	198,572	306,231
Total comprehensive (expense)/income (restated)	—	—	—	—	(206)	48,751	20,246	68,791
Profit for the year	—	—	—	—	—	—	20,735	20,735
Other comprehensive (expense)/income (restated)	—	—	—	—	(206)	48,751	(489)	48,056
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[3]	424	18,151	—	—	—	—	—	18,575
Issue of own shares from Employee Benefit Trust	—	—	—	2,843	—	—	(2,843)	—
Purchase of own shares for Employee Benefit Trust	—	—	—	(1,860)	—	—	—	(1,860)
At 31 December 2016 (restated)	8,929	81,407	8,920	(3,338)	(291)	80,135	201,329	377,091
Total comprehensive income/(expense)	—	—	—	—	16	(24,069)	29,834	5,781
Profit for the year	—	—	—	—	—	—	31,200	31,200
Other comprehensive income/(expense)	—	—	—	—	16	(24,069)	(1,366)	(25,419)
Transactions with owners	—	—	—	562	—	—	(18,919)	(18,357)
Share-based payments[2]	—	—	—	—	—	—	1,987	1,987
Dividends paid	—	—	—	—	—	—	(19,497)	(19,497)
Issue of own shares from Employee Benefit Trust	—	—	—	1,409	—	—	(1,409)	—
Purchase of own shares for Employee Benefit Trust	—	—	—	(847)	—	—	—	(847)
At 31 December 2017	**8,929**	**81,407**	**8,920**	**(2,776)**	**(275)**	**56,066**	**212,244**	**364,515**

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

2 Share-based payments include a tax credit of £0.5 million (2016: deferred tax debit £0.3 million) and a release of the deferred share-based payment bonus accrual of £0.4 million (2016: £0.2 million).

3 On 21 June 2016, the Group issued 8,478,128 shares by way of a placing with institutional investors.

The notes on pages 100 to 136 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000 (restated)
ASSETS			
Non-current assets			
Goodwill	10.2	**323,799**	344,873
Intangible assets	10.3	**103,393**	130,684
Property, plant and equipment	11	**68,424**	71,459
Other receivable	13	**1,112**	—
Deferred tax assets	8	**11,851**	15,933
		508,579	562,949
Non-current assets held for sale	25	**1,275**	—
		509,854	562,949
Current assets			
Inventories	12	**75,341**	71,091
Trade and other receivables	13	**70,062**	67,254
Cash and cash equivalents	14	**42,563**	40,917
Derivative financial instruments	16	**94**	506
		188,060	179,768
TOTAL ASSETS		**697,914**	742,717
LIABILITIES			
Current liabilities			
Trade and other payables	15	**(65,916)**	(71,197)
Derivative financial instruments	16	**(29)**	—
Borrowings	17	**(1,108)**	—
Current tax liabilities		**(3,964)**	(4,337)
Provisions	19	**(11,024)**	(4,544)
		(82,041)	(80,078)
Non-current liabilities			
Borrowings	17	**(204,309)**	(216,470)
Derivative financial instruments	16	**(275)**	(291)
Deferred tax liabilities	8	**(24,949)**	(42,658)
Retirement benefit obligations	20	**(12,407)**	(17,108)
Provisions	19	**(6,435)**	(8,124)
Other payables	15	**(2,983)**	(897)
		(251,358)	(285,548)
TOTAL LIABILITIES		**(333,399)**	(365,626)
NET ASSETS		**364,515**	377,091
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	21	**8,929**	8,929
Share premium	21	**81,407**	81,407
Other reserves		**8,920**	8,920
Treasury reserve		**(2,776)**	(3,338)
Hedging reserve		**(275)**	(291)
Translation reserve		**56,066**	80,135
Retained earnings		**212,244**	201,329
TOTAL EQUITY		**364,515**	377,091

The notes on pages 100 to 136 are an integral part of these consolidated financial statements.

The financial statements on pages 96 to 136 were approved by the Board on 7 March 2018 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 2017

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Profit before taxation	3	**34,534**	29,376
Adjustments	26	**50,443**	47,994
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Inventories		**(8,104)**	(2,368)
Trade and other receivables		**(3,884)**	16,647
Trade and other payables		**(2,668)**	(8,230)
Provisions utilised	19	**(2,184)**	(2,543)
Pension contributions	20	**(1,171)**	(940)
Income tax paid		**(15,078)**	(12,651)
Net cash generated from operations		**51,888**	67,285
Cash flow from investing activities			
Purchases of property, plant and equipment	11	**(15,353)**	(12,615)
Purchases of intangible assets	10.3	**(1,076)**	(2,818)
Proceeds on disposal of property, plant and equipment		**3,803**	172
Acquisitions of subsidiary undertakings, net of cash acquired	24	**(5,136)**	(96,383)
Proceeds on disposal of subsidiary undertakings		**—**	250
Purchase of other investment		**(1,164)**	—
Interest received		**416**	330
Net cash used in investing activities		**(18,510)**	(111,064)
Cash flow from financing activities			
Interest paid		**(7,973)**	(7,339)
Dividends paid	23	**(19,497)**	(15,578)
Net proceeds on issue of shares	21	**—**	18,575
Purchase of own shares for Employee Benefit Trust		**(847)**	(1,860)
Refinancing costs paid		**—**	(12)
Proceeds from drawdown of revolving credit facility		**48,623**	132,630
Repayments of revolving credit facility		**(51,531)**	(72,740)
Net cash (used in)/generated from financing activities		**(31,225)**	53,676
Net increase in cash and cash equivalents		**2,153**	9,897
Exchange (losses)/gains on cash and cash equivalents		**(507)**	1,045
Cash and cash equivalents at the beginning of the year	14	**40,917**	29,975
Cash and cash equivalents at the end of the year	14	**42,563**	40,917

The notes on pages 100 to 136 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 December 2017

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 2017 the Group had 23 manufacturing sites in nine countries along with a further 14 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.

Certain comparatives have been restated for fair value adjustments made in respect of business combinations completed in the 2016 financial year. See note 24.

2.1 Basis of preparation

The consolidated financial statements of Tyman plc have been prepared in accordance with IFRS 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 Directors are 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 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. Further details on the Group's Viability statement is set out on page 42 of the Report and Accounts.

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 24).

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. Accounting policies and basis of preparation continued

2.4 Changes in accounting policy and disclosures

2.4.1 New, revised and amended EU-endorsed accounting standards

There were no new or amended accounting standards relevant to the Group's results that are effective for the first time in 2017 that have a material impact on the Group's consolidated financial statements.

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 2018, 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. Tyman is in the process of assessing the impact of adopting IFRS 9 with the main areas of consideration being hedge accounting, impairment of accounts receivable and refinancing transactions. Based on the work undertaken to date, the adoption of IFRS 9 is not expected to have a material impact on the Group financial statements.
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. IFRS 15 will be effective for the first time for the year beginning on or after 1 January 2018. Tyman is in the process of assessing the impact of adopting IFRS 15 and notes that Revenue of the Group is transactional in nature with limited judgement applied in recognising the amounts recorded. In addition, contracts with customers are predominantly based on standard terms and conditions. Based on the work undertaken to date, the adoption of IFRS 15 is not expected to have a material impact on the Group financial statements.
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. The adoption of IFRS 16 is expected to be relatively significant to the Group's financial statements and the Group's assessment of the likely impact is ongoing.

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 Sterling at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into Sterling at the average rates throughout the year.

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

Notes to the financial statements continued

For the year ended 31 December 2017

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, rebates 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 Maker. The Chief Operating Decision Maker, defined as the Board of Directors of the Group, is 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: AmesburyTruth, ERA and SchlegelGiesse.

AmesburyTruth comprises all the Group's operations within the US, Canada and Mexico. ERA comprises the Group's UK and Ireland hardware business, together with Ventrolla and Tyman Sourcing Asia. During the year, ERA acquired Howe Green and assumed responsibility for the Bilco UK business. These businesses are now included in the ERA reporting segment with the 2016 comparatives restated for the AmesburyTruth and ERA segments in respect of the reallocation of Bilco UK. SchlegelGiesse comprises all the Group's other businesses outside of the US, Canada and Mexico as well as the two UK seal manufacturing plants.

Centrally incurred functional costs that are directly attributable to a Division are allocated or recharged to the 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 financial data for business carried on in the UK that is not accounted for in ERA in notes 3.2.1 and 3.2.4.

The following tables present Group revenue and profit information for the Group's reporting 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

	2017 £'000	2016 £'000 (restated)
AmesburyTruth	**332,746**	290,051
ERA	**80,252**	73,016
SchlegelGiesse	**109,702**	94,577
Total revenue	**522,700**	457,644

Included within the SchlegelGiesse segment is revenue attributable to the UK of £17.8 million (2016 restated: £17.3 million).

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

3.2.2 Profit before taxation

	Note	**2017 £'000**	2016 £'000 (restated)
AmesburyTruth		**59,714**	54,635
ERA		**10,229**	11,735
SchlegelGiesse		**12,778**	9,413
Operating segment result		**82,721**	75,783
Centrally incurred costs		**(5,904)**	(5,980)
Underlying operating profit		**76,817**	69,803
Exceptional items	6	**(9,976)**	(10,900)
Amortisation of acquired intangible assets	10.3	**(22,934)**	(21,713)
Operating profit		**43,907**	37,190
Net finance costs	7	**(9,373)**	(7,814)
Profit before taxation		**34,534**	29,376

3. Segment reporting continued

3.2 Segment information continued

3.2.3 Operating profit disclosures

	Cost of sales		Depreciation		Amortisation	
	2017 £'000	2016 £'000 (restated)	**2017 £'000**	2016 £'000 (restated)	**2017 £'000**	2016 £'000
AmesburyTruth	**(218,324)**	(191,137)	**(8,267)**	(7,651)	**(19,380)**	(17,482)
ERA	**(52,058)**	(45,705)	**(817)**	(690)	**(2,247)**	(3,193)
SchlegelGiesse	**(61,449)**	(53,543)	**(2,515)**	(2,360)	**(2,622)**	(1,987)
Total	**(331,831)**	(290,385)	**(11,599)**	(10,701)	**(24,249)**	(22,662)

3.2.4 Segment assets and liabilities

	Segment assets		Segment liabilities[1]		Non-current assets[2]	
	2017 £'000	2016 £'000 (restated)	**2017 £'000**	2016 £'000 (restated)	**2017 £'000**	2016 £'000 (restated)
AmesburyTruth	**445,643**	505,081	**(76,932)**	(119,491)	**354,464**	410,469
ERA	**103,642**	97,517	**(22,428)**	(24,020)	**68,464**	60,588
SchlegelGiesse	**142,888**	136,952	**(44,500)**	(42,797)	**73,800**	75,959
Unallocated	**5,741**	3,167	**(189,539)**	(179,318)	**—**	—
Total	**697,914**	742,717	**(333,399)**	(365,626)	**496,728**	547,016

1 Included within unallocated segment liabilities are borrowings of £186.3 million (2016: £173.9 million), provisions of £0.4 million (2016: £1.2 million) and other liabilities of £2.8 million (2016: £4.2 million).

2 Non-current assets exclude amounts relating to deferred tax assets and non-current assets held for sale.

Non-current assets of the SchlegelGiesse segment include £13.0 million (2016 restated: £12.2 million) attributable to the UK.

3.2.5 Capital expenditure

	Property, plant and equipment		Intangible assets	
	2017 £'000	2016 £'000 (restated)	**2017 £'000**	2016 £'000 (restated)
AmesburyTruth	**9,062**	9,090	**321**	2,052
ERA	**4,261**	1,240	**81**	373
SchlegelGiesse	**2,030**	2,285	**674**	393
Total	**15,353**	12,615	**1,076**	2,818

3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2017 £'000	2016 £'000 (restated)	**2017 £'000**	2016 £'000 (restated)	**2017 £'000**	2016 £'000
AmesburyTruth	**240,829**	265,078	**70,944**	97,656	**(9,355)**	(13,984)
ERA	**52,573**	49,414	**7,761**	7,152	**—**	—
SchlegelGiesse	**30,397**	30,381	**24,688**	25,876	**(3,052)**	(3,124)
Total	**323,799**	344,873	**103,393**	130,684	**(12,407)**	(17,108)

4. Operating profit

Operating profit is stated after charging the following:

	Note	**2017 £'000**	2016 £'000
Depreciation of property, plant and equipment	11	**(11,599)**	(10,701)
Amortisation of acquired intangible assets	10.3	**(22,934)**	(21,713)
Amortisation of other intangible assets	10.3	**(1,315)**	(949)
Operating lease rentals		**(8,237)**	(6,843)
Foreign exchange loss		**(1,460)**	(27)
Employee costs	5	**(138,058)**	(128,702)

Notes to the financial statements continued

For the year ended 31 December 2017

4. Operating profit continued

Analysis of auditors' remuneration:

	2017 £'000	2016 £'000
Audit of Parent Company and consolidated financial statements	**(164)**	(200)
Audit of subsidiaries	**(608)**	(575)
Total audit	**(772)**	(775)
Audit related assurance services	**(26)**	(25)
Other assurance services	**—**	—
Total assurance services	**(798)**	(800)
Tax compliance services	**(4)**	(43)
Tax advisory services	**—**	—
Total tax services	**(4)**	(43)
Corporate finance services	**—**	—
Other non-audit services	**—**	(20)
Total non-audit services	**(30)**	(88)
Total fees	**(802)**	(863)

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 2017 was:

	Average		Total	
	2017	2016	2017	2016
Administration	**422**	374	**421**	427
Operations	**3,110**	2,883	**3,168**	2,931
Sales	**372**	311	**375**	339
	3,904	3,568	**3,964**	3,697

The analysis above includes Directors.

5.3 Employment costs

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

	Note	2017 £'000	2016 £'000
Wages and salaries		**(122,626)**	(113,990)
Social security costs		**(10,426)**	(10,344)
Share-based payments	22	**(1,093)**	(1,047)
Pension costs – defined contribution schemes		**(6,723)**	(1,946)
Pension costs – defined benefit schemes	20	**(279)**	(1,186)
Post-employment medical costs	20	**3,089**	(189)
		(138,058)	(128,702)

Full details of Directors' remuneration are set out in the Remuneration report on pages 71 to 88.

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 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 and integration associated with merger and acquisition activity, as well as credits relating to profit on disposal of business, pension remeasurements and property provision releases.

6.1.1 Key sources of estimation uncertainty: Exceptional items

The Group aims to be both consistent and clear in its recognition and disclosure of exceptional gains and losses. Management judgement is required in assessing the nature and amounts of transactions that satisfy the conditions for classification as an exceptional item.

6.2 Exceptional items

	2017 £'000	2016 £'000
Footprint restructuring – costs	**(16,414)**	(3,487)
Footprint restructuring – credits	**5,718**	815
Footprint restructuring – net	**(10,696)**	(2,672)
M&A and integration – costs	**(2,189)**	(2,994)
M&A and integration – credits	**2,931**	—
M&A and integration – net	**742**	(2,994)
Write-off of inventory fair value adjustments	**(22)**	(5,698)
Profit on disposal of business	**—**	250
Property provision releases and disposals	**—**	214
	(9,976)	(10,900)

Footprint restructuring

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. Gross costs attributable to footprint restructuring in the year amounted to £16.4 million, of which £15.2 million (2016: £2.6 million) relates to the North American project. Credits relating to footprint restructuring include £1.8 million relating to the respective disposal and exit from the Canton, South Dakota, and Sioux Falls, South Dakota, facilities, and a reduction of £3.3 million in past service costs relating to the expected closure of the Rochester post-retirement benefit medical plans on 31 December 2018 (see note 20.3). The North American footprint project is expected to conclude by 2020.

The remaining £0.6 million of exceptional costs relates footprint projects in ERA and SchlegelGiesse.

M&A and integration

The M&A and integration credit of £0.7 million comprises gross costs of £2.2 million offset by credits of £2.9 million. The gross costs relate to the net legal, financial, taxation and consultancy costs associated with the Howe Green acquisition, intellectual property defence costs relating to pre-acquisition periods as well as the integration of businesses acquired in prior years. The credits principally comprise £2.3 million associated with the pension liability recoverable from and indemnified by the previous owners of Bilco together with £0.6 million surplus provisions created on acquisition no longer required.

Write-off of inventory fair value adjustments

Write-off of inventory fair value adjustments relate to the IFRS 3 requirement that finished goods held in inventory must be revalued to their market value on acquisition. The equivalent revaluation for Howe Green inventory acquired in March 2017 was immaterial.

Profit on disposal of business

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

Property provision releases and disposals

Property provision releases and disposals comprises surplus onerous lease provisions released during the 2016 year.

7. Finance income and costs

	Note	2017 £'000	2016 £'000
Finance income			
Interest income from short term bank deposits		**224**	525
Gain on revaluation of fair value hedge	16	**—**	328
		224	853
Finance costs			
Interest payable on bank loans, private placement notes and overdrafts		**(8,204)**	(7,760)
Amortisation of borrowing costs		**(400)**	(412)
Unwinding of discount on provisions	19	**—**	(6)
Pension interest cost	20	**(553)**	(489)
Loss on revaluation of fair value hedge	16	**(440)**	—
		(9,597)	(8,667)
Net finance costs		**(9,373)**	(7,814)

Notes to the financial statements continued

For the year ended 31 December 2017

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 recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates.

8.2 Taxation – income statement and other comprehensive income

8.2.1 Tax on profit on ordinary activities

	Note	2017 £'000	2016 £'000
Current taxation			
Current tax on profit for the year		**(18,522)**	(12,203)
Prior year adjustments		**3,503**	812
Total current taxation		**(15,019)**	(11,391)
Deferred taxation			
Origination and reversal of temporary differences		**6,529**	3,147
US Federal tax rate change adjustment		**6,907**	—
Prior year adjustments		**(1,751)**	(397)
Total deferred taxation	8.3	**11,685**	2,750
Income tax charge in the income statement		**(3,334)**	(8,641)
Total credit/(charge) relating to components of other comprehensive income			
Current tax credit on translation		**1,478**	—
Current tax credit on share-based payments		**185**	—
Deferred tax (charge)/credit on actuarial gains and losses	8.3	**(1,181)**	267
Deferred tax credit/(charge) on share-based payments	8.3	**267**	(316)
Deferred tax credit on translation	8.3	**1,939**	—
Income tax credit/(charge) in the statement of other comprehensive income		**2,688**	(49)
Total current taxation		**(13,356)**	(11,391)
Total deferred taxation		**12,710**	2,701
Total taxation		**(646)**	(8,690)

8. Taxation continued

8.2 Taxation – income statement and other comprehensive income continued

8.2.1 Tax on profit on ordinary activities continued

The standard rate of corporation tax in the UK changed from 20.0 per cent to 19.0 per cent with effect from 1 April 2017. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 19.25 per cent (2016: 20.0 per cent).

A further reduction to the UK corporation tax rate to 17.0 per cent was introduced in the Finance Act 2016 with effect from 1 April 2020. The deferred tax balances have been remeasured to reflect the future change of rate.

Under the Tax Cuts and Jobs Act 2017 the US Federal tax rate reduced from 35.0 per cent to 21.0 per cent with effect from 1 January 2018. The Act was substantively enacted on 22 December 2017 and so the deferred tax balances that will be settled with the United States tax authorities have been remeasured to reflect the reduced rate. The impact of the deferred tax change has been disclosed separately as a component of the income tax charge for the year.

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 19.25 per cent (2016: 20.0 per cent). The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	**34,534**	29,376
Rate of corporation tax in the UK of 19.25% (2016: 20.00%)	**(6,648)**	(5,875)
Effects of:		
Expenses not deductible for tax purposes	**(1,034)**	(245)
Overseas tax rate differences	**(4,311)**	(2,936)
US Federal tax rate change adjustment	**6,907**	—
Prior year adjustments	**1,752**	415
Income tax charge in the income statement	**(3,334)**	(8,641)

8.3 Taxation – balance sheet

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

	2017 £'000	2016 £'000
Deferred tax assets	**11,851**	15,933
Deferred tax liabilities	**(24,949)**	(42,658)
Net deferred tax liabilities	**(13,098)**	(26,725)

The net movement in deferred tax is as follows:

	Note	**2017 £'000**	2016 £'000
At 1 January		**(26,725)**	(14,451)
Income statement credit	8.2	**4,778**	2,750
US Federal tax rate change adjustment	8.2	**6,907**	—
Acquisitions of subsidiaries	24	**(483)**	(7,951)
Tax credit/(charge) relating to components of other comprehensive income	8.2	**1,025**	(49)
Exchange difference		**1,400**	(7,024)
At 31 December		**(13,098)**	(26,725)

Notes to the financial statements continued

For the year ended 31 December 2017

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 2016	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
Income statement credit/(charge)	142	(2,334)	(795)	2,324	(663)
US Federal tax rate change adjustment	(12)	(110)	(550)	(1,248)	(1,920)
Acquisitions of subsidiaries	(16)	—	—	41	25
Tax (charge)/credit relating to components of other comprehensive income	—	(1,181)	—	267	(914)
Exchange difference	52	(376)	(155)	(131)	(610)
At 31 December 2017	**453**	**2,395**	**3,806**	**5,197**	**11,851**

Deferred tax liabilities	Accelerated tax depreciation £'000	Intangible assets on acquisition £'000	Other timing differences £'000	Total £'000
At 1 January 2016	(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)
Income statement (charge)/credit	(4,126)	8,300	1,267	5,441
US Federal tax rate change adjustment	3,357	5,808	(338)	8,827
Acquisitions of subsidiaries	—	(508)	—	(508)
Tax credit relating to components of other comprehensive income	—	—	1,939	1,939
Exchange difference	490	1,285	235	2,010
At 31 December 2017	**(5,554)**	**(16,096)**	**(3,299)**	**(24,949)**

The deferred tax asset arises from temporary differences in the US, the UK, Greece, Spain, Argentina, China 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 £19.0 million (2016: £33.1 million) are expected to fall due after more than one year and deferred tax assets of £6.8 million (2016: £11.7 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:

	2017 £'000	2016 £'000
Capital losses	**3,992**	3,992
Trading losses	**21,884**	19,782
	25,876	23,774

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

8. Taxation continued

8.3 Taxation – balance sheet continued

8.3.1 Factors that may affect future tax charges continued

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

	2017 £'000	2016 £'000
Capital losses	(719)	(734)
Trading losses	(5,611)	(4,633)
	(6,330)	(5,367)

No deferred tax liability is recognised on temporary differences of £98.1 million (2016: £68.0 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 (see Alternative Performance Measures on page 146).

9.2 Earnings per share

	2017 £'000	2016 £'000
Profit for the year	31,200	20,735
Basic earnings per share	17.61p	11.98p
Diluted earnings per share	17.49p	11.93p

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 equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

9.2.1 Weighted average number of shares

The weighted average number of shares was:

	2017 '000	2016 '000
Weighted average number of shares (including treasury shares)	178,583	174,598
Treasury and Employee Benefit Trust shares	(1,361)	(1,585)
Weighted average number of shares – basic	177,222	173,013
Effect of dilutive potential ordinary shares – LTIP awards and options	1,203	741
Weighted average number of shares – deferred	178,425	173,754

Notes to the financial statements continued

For the year ended 31 December 2017

9. Earnings per share continued

9.2 Earnings per share continued

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 146.

Underlying profit after taxation is derived as follows:

	Note	**2017 £'000**	2016 £'000
Profit before taxation		**34,534**	29,376
Exceptional items	6	**9,976**	10,900
Gain/(Loss) on revaluation of fair value hedge	16	**440**	(328)
Amortisation of borrowing costs	7	**400**	412
Unwinding of discount on provisions	19	**—**	6
Amortisation of acquired intangible assets	10.3	**22,934**	21,713
Underlying profit before taxation		**68,284**	62,079
Income tax charge	8	**(3,334)**	(8,641)
Add back: US Federal rate change adjustment	8	**(6,907)**	—
Add back: Underlying tax effect[1]		**(10,345)**	(9,469)
Underlying profit after taxation		**47,698**	43,969

1 Tax effect of exceptional items, amortisation of borrowings costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Underlying earnings per share is summarised as follows:

	2017	2016
Basic underlying earnings per share	**26.91p**	25.41p
Diluted underlying earnings per share	**26.73p**	25.31p

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. Goodwill and intangible assets continued

10.1 Accounting policy continued

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. 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 2017, the Group had goodwill of £323.8 million with intangible assets amounting in total to £103.4 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.

Notes to the financial statements continued

For the year ended 31 December 2017

10. Goodwill and intangible assets continued

10.2 Carrying amount of goodwill

	Note	£'000
Net carrying value		
At 1 January 2016		253,718
Acquisitions of subsidiaries (restated)	24	41,196
Exchange difference (restated)		49,959
At 31 December 2016 (restated)		344,873
Acquisitions of subsidiaries	24	3,158
Exchange difference		(24,232)
At 31 December 2017		**323,799**

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

	2017 £'000	2016 £'000 (restated)
AmesburyTruth	**240,829**	265,078
ERA	**52,573**	49,414
SchlegelGiesse	**30,397**	30,381
	323,799	344,873

10.2.1 Impairment tests for goodwill

Assumptions

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 2016.

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 five-year forecasts produced by each Division comprised of a detailed bottom up budget for 2018 and a forecast, based on the Division's strategic plan for 2019 to 2022. 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 are as follows:

	Average pre-tax discount rate		Average EBITDA: years one to five	
	2017	2016	**2017**	2016
AmesburyTruth	**11.8%**	12.2%	**23.4%**	22.0%
ERA	**8.6%**	8.9%	**18.1%**	13.2%
SchlegelGiesse	**11.6%**	12.5%	**17.1%**	13.4%

Impairment review results: 2017

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 2017.

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 2018 to 2022 was to decrease by 830 basis points from 23.4 per cent to 15.1 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 2017 was 20.7 per cent and considering the margin uplift potential of the footprint rationalisation project once completed, this scenario is unlikely to occur.

SchlegelGiesse is the CGU with the smallest absolute VIU headroom. If the average EBITDA margin for SchlegelGiesse for the five years from 2018 to 2022 was to decrease by 240 basis points from 17.1 per cent to 8.9 per cent and continue at that reduced level in perpetuity, the VIU headroom of SchlegelGiesse would be zero. Given that the EBITDA margin in 2017 was 14.0 per cent and the margin uplift potential for the enlarged Division once realised, this scenario is unlikely to occur.

Impairment review results: 2016

The annual impairment review did not result in any impairment losses being recognised in 2016.

10. Goodwill and intangible assets continued

10.3 Carrying amount of intangible assets

	Note	Computer software £'000	Acquired brands £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2016		8,019	46,125	171,201	225,345
Additions		2,661	157	—	2,818
Acquisitions of subsidiaries (restated)	24	272	20,214	25,011	45,497
Exchange difference (restated)		2,139	10,103	32,797	45,039
At 31 December 2016 (restated)		13,091	76,599	229,009	318,699
Additions		984	92	—	1,076
Acquisitions of subsidiaries	24	—	462	2,361	2,823
Transfers to property, plant and equipment	11	(184)	—	—	(184)
Exchange difference		(899)	(3,682)	(14,710)	(19,291)
At 31 December 2017		**12,992**	**73,471**	**216,660**	**303,123**
Accumulated amortisation					
At 1 January 2016		(1,195)	(29,301)	(108,077)	(138,573)
Amortisation charge for the year	4	(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)
Amortisation charge for the year	4	(1,315)	(4,366)	(18,568)	(24,249)
Exchange difference		155	2,263	10,116	12,534
At 31 December 2017		**(4,076)**	**(41,576)**	**(154,078)**	**(199,730)**
Net carrying value					
At 1 January 2016		6,824	16,824	63,124	86,772
At 31 December 2016 (restated)		10,175	37,126	83,383	130,684
At 31 December 2017		**8,916**	**31,895**	**62,582**	**103,393**

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £22.9 million (2016: £21.7 million) relating to amortisation of acquired intangible assets and £1.3 million (2016: £1.0 million) relating to amortisation of other intangible assets.

No impairments of intangible assets were recognised in 2017 and 2016.

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 – 2.0 to 5.0 per cent

Plant and machinery – 7.5 to 33.0 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.

Notes to the financial statements continued

For the year ended 31 December 2017

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 2016		18,921	56,868	75,789
Additions		299	12,316	12,615
Acquisitions of subsidiaries (restated)	24	12,512	6,223	18,735
Disposals		—	(4,587)	(4,587)
Reclassification between categories		(156)	156	—
Exchange difference (restated)		6,328	27,743	34,071
At 31 December 2016 (restated)		37,904	98,719	136,623
Additions		442	14,911	15,353
Acquisitions of subsidiaries	24	—	170	170
Dilapidation provision	19	—	675	675
Disposals		(3,190)	(12,140)	(15,330)
Reclassified as held for sale		(2,045)	(996)	(3,041)
Transfers from intangible assets	10.3	—	184	184
Exchange difference		(105)	(11,239)	(11,344)
At 31 December 2017		**33,006**	**90,284**	**123,290**
Accumulated amortisation				
At 1 January 2016		(4,663)	(28,281)	(32,944)
Depreciation charge for the year	4	(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)
Depreciation charge for the year	4	(966)	(10,633)	(11,599)
Disposals		1,512	10,893	12,405
Impairment		(23)	(91)	(114)
Reclassified as held for sale		737	969	1,706
Exchange difference		(459)	8,359	7,900
At 31 December 2017		**(8,569)**	**(46,297)**	**(54,866)**
Net carrying value				
At 1 January 2016		14,258	28,587	42,845
At 31 December 2016 (restated)		28,534	42,925	71,459
At 31 December 2017		**24,437**	**43,987**	**68,424**

Depreciation of £11.6 million (2016: £10.7 million) is included in administrative expenses in the income statement.

The 2017 impairment charge of £0.1 million is included in administrative expenses in the income statement. The 2016 impairment charge related to the write-off of items of property, plant and equipment associated with the SchlegelGiesse footprint restructuring project and was included in exceptional items in the income statement (see 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. Inventories continued

12.2 Carrying amount of inventories

	2017 £'000	2016 £'000 (restated)
Raw materials and consumables	**22,706**	20,245
Work in progress	**10,275**	9,587
Finished goods	**42,360**	41,259
	75,341	71,091

The cost of materials charged to the income statement during the year was £222.0 million (2016: £187.5 million).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £12.9 million (2016 restated: £13.5 million).

An impairment charge of £1.7 million (2016: £2.4 million) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2016: £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

	2017 £'000	2016 £'000 (restated)
Trade receivables	**59,995**	59,326
Less: Provision for impairment of trade receivables	**(2,918)**	(3,999)
Trade receivables – net	**57,077**	55,327
Other receivables – net	**10,006**	8,059
Accrued income	**48**	57
Prepayments	**4,043**	3,811
	71,174	67,254
Analysed as:		
Current assets	**70,062**	67,254
Non-current assets	**1,112**	—
	71,174	67,254

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.

Notes to the financial statements continued

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13. Trade and other receivables continued

13.2 Carrying amounts of trade and other receivables continued

The ageing of net trade receivables is as follows:

	2017 £'000	2016 £'000 (restated)
Within normal payment terms:		
Fully performing	**48,654**	49,264
Not fully performing	**—**	518
Past due receivables not impaired:		
Within three months	**7,645**	5,184
Three to twelve months	**745**	240
Over twelve months	**33**	121
Trade receivables – net	**57,077**	55,327

All of the Group's trade and other receivables have been reviewed for impairment at 31 December 2017. Net trade receivables of £8.4 million (2016: £5.5 million) were past due but not impaired. These relate to customers for whom there is no recent history of default. Trade receivables of £2.9 million (2016: £4.0 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:

	Note	2017 £'000	2016 £'000
At 1 January		**(3,999)**	(1,977)
Provision for receivables impairment		**(169)**	(796)
Receivables written off during the year		**—**	75
Unused amounts reversed		**1,080**	401
Acquisitions of subsidiaries	24	**69**	(1,296)
Exchange difference		**101**	(406)
At 31 December		**(2,918)**	(3,999)

Provisions for impairment of trade receivables are charged to administrative expenses in the income statement.

Ageing of impaired trade receivables is as follows:

	2017 £'000	2016 £'000
Within normal payment terms:		
Not fully performing	**(146)**	(71)
Past due receivables not impaired:		
Within three months	**(1,280)**	(1,431)
Three to twelve months	**(484)**	(555)
Over twelve months	**(1,008)**	(1,942)
Provision for impairment of trade receivables	**(2,918)**	(3,999)

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2017 £'000	2016 £'000 (restated)
Sterling	**14,322**	13,359
US Dollars	**30,910**	29,612
Euros	**18,146**	16,588
Other currencies	**7,796**	7,695
	71,174	67,254

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

	2017 £'000	2016 £'000
Cash at bank and in hand	**47,088**	52,258
Short term deposits	**255**	466
Bank overdrafts	**(4,780)**	(11,807)
	42,563	40,917

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2017 £'000	2016 £'000
Sterling	**8,614**	10,352
US Dollars	**12,519**	17,453
Euros	**13,298**	5,314
Other currencies	**8,132**	7,798
	42,563	40,917

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

	2017 £'000	2016 £'000 (restated)
Trade payables	**(37,761)**	(37,837)
Other taxes and social security costs	**(5,000)**	(3,648)
Accruals	**(23,421)**	(30,073)
Deferred income	**(2,717)**	(536)
	(68,899)	(72,094)
Analysed as:		
Current liabilities	**(65,916)**	(71,197)
Non-current liabilities	**(2,983)**	(897)
	(68,899)	(72,094)

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

The carrying amounts of trade and other payables are denominated in the following currencies:

	2017 £'000	2016 £'000 (restated)
Sterling	**(16,859)**	(14,461)
US Dollars	**(28,613)**	(34,532)
Euros	**(16,305)**	(15,925)
Other currencies	**(7,122)**	(7,176)
	(68,899)	(72,094)

Notes to the financial statements continued

For the year ended 31 December 2017

16. Derivative financial instruments

16.1 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 twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve 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.

16.1.1 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.

16.1.2 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.

16.1.3 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.

16.2 Carrying amount of derivative financial instruments

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward exchange contracts – fair value hedges	**94**	**(29)**	506	—
Interest rate swaps – cash flow hedges	**—**	**(275)**	—	(291)
Total	**94**	**(304)**	506	(291)
Less: Non-current portion				
Interest rate swaps – cash flow hedges	**—**	**(275)**	—	(291)
Current portion	**94**	**(29)**	506	—

The carrying amounts of derivative financial instruments are denominated in the following currencies:

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Sterling	**—**	**(134)**	—	(208)
US Dollars	**—**	**(170)**	312	(83)
Euros	**6**	**—**	—	—
Other currencies	**88**	**—**	194	—
	94	**(304)**	506	(291)

16. Derivative financial instruments continued

16.2 Carrying amount of derivative financial instruments continued

16.2.1 Fair value hedges
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2017 were £10.9 million (2016: £12.5 million).

During the year a loss of £0.4 million (2016: gain of £0.3 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.

16.2.2 Cash flow hedges
The notional principal amounts of the outstanding interest rate swap at 31 December 2017 were £18.2 million (2016: £19.4 million).

During the year a loss of £Nil (2016: loss of £0.2 million) was recognised in the statement of comprehensive income and £Nil (2016: £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 2017				
Swaps – Sterling	**£6,000**	**1.7490%**	**0.4906%**	**£(134)**
Swaps – US Dollar	**$16,500**	**1.7225%**	**1.3906%**	**$(190)**
At 31 December 2016				
Swaps – Sterling	£6,000	1.7490%	0.5408%	£(208)
Swaps – US Dollar	$16,500	1.7225%	1.3227%	$(103)

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.

16.2.3 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 respective movements in US Dollar and Euro exchange rates. At 31 December 2017, the value of the net investment hedge was £168.2 million (2016: £207.9 million). This hedge is considered highly effective and no ineffective portion has been recognised in the income statement.

17. Interest-bearing loans and borrowings

17.1 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.

17.2 Carrying amounts of interest-bearing loans and borrowings

	2017 £'000	2016 £'000
Unsecured borrowings at amortised cost:		
Bank borrowings	**(132,098)**	(136,637)
Senior notes	**(74,115)**	(81,029)
Capitalised borrowing costs	**796**	1,196
	(205,417)	(216,470)
Analysed as:		
Current liabilities	**(1,108)**	—
Non-current liabilities	**(204,309)**	(216,470)
	(205,417)	(216,470)

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

Non-cash movements in the carrying amount of interest-bearing loans and borrowings relate to the amortisation of borrowing costs (see note 7).

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

	2017 £'000	2016 £'000
Sterling	**(37,244)**	(8,604)
US Dollars	**(104,921)**	(146,272)
Euros	**(63,252)**	(61,594)
	(205,417)	(216,470)

Notes to the financial statements continued

For the year ended 31 December 2017

17. Interest-bearing loans and borrowings continued

17.2 Carrying amounts of interest-bearing loans and borrowings continued

17.2.1 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 extended to 10 June 2019 and was unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings.

As at 31 December 2017, the Group has the following undrawn amounts committed under the multi-currency revolving credit facility:

	2017 £'000	2016 £'000
Floating rate		
Expiry beyond 12 months	**(49,980)**	(45,370)

On 19 February 2018, the Group entered into the 2018 Facility (see note 29).

Giesse borrowings

The Group acquired bank borrowings as part of the acquisition of Giesse (see note 24). At 31 December 2017, the remaining facilities have a total value of €2.2 million, a carrying value of €2.2 million and an undrawn value of €Nil. These facilities have a maturity ranging between 31 December 2018 and 10 September 2020 and are unsecured.

17.2.2 Private placement notes

On 19 November 2014, the Group issued private debt placement notes 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.

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 twelve 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" (see note 15) and "interest-bearing loans and borrowings" (see note 16).

18.2 Financial instruments: by category

Assets as per balance sheet:

	31 December 2017			31 December 2016		
	Loans and receivables £'000	**Derivatives used for hedging £'000**	**Total £'000**	Loans and receivables (restated) £'000	Derivatives used for hedging £'000	Total (restated) £'000
Trade and other receivables[1]	**58,189**	**—**	**58,189**	55,327	—	55,327
Cash and cash equivalents	**42,563**	**—**	**42,563**	40,917	—	40,917
Derivative financial instruments	**—**	**94**	**94**	—	506	506
Total financial assets	**100,752**	**94**	**100,846**	96,244	506	96,750

Liabilities as per balance sheet:

	31 December 2017			31 December 2016		
	Derivatives used for hedging £'000	**Other financial liabilities at cost £'000**	**Total £'000**	Derivatives used for hedging £'000	Other financial liabilities at cost (restated) £'000	Total (restated) £'000
Borrowings[2]	**—**	**(206,213)**	**(206,213)**	—	(217,666)	(217,666)
Derivative financial instruments	**(304)**	**—**	**(304)**	(291)	—	(291)
Trade and other payables[3]	**—**	**(61,182)**	**(61,182)**	—	(67,910)	(67,910)
Total financial liabilities	**(304)**	**(267,395)**	**(267,699)**	(291)	(285,576)	(285,867)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £0.8 million (2016: £1.2 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 (see note 17) 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 2017 the Group operated within its borrowing facilities.

The table below analyses the present value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Not later than one year £'000	Later than one year but not later than two years £'000	Later than two years but not later than five years £'000	Later than five years £'000	Total £'000
Borrowings[1]	**—**	**(132,098)**	**—**	**(77,932)**	**(210,030)**
Derivative financial instruments	**(29)**	**—**	**(275)**	**—**	**(304)**
Trade and other payables[2]	**(60,664)**	**(518)**	**—**	**—**	**(61,182)**
At 31 December 2017	**(60,693)**	**(132,616)**	**(275)**	**(77,932)**	**(271,516)**
Borrowings[1]	—	—	(136,637)	(85,202)	(221,839)
Derivative financial instruments	—	—	(291)	—	(291)
Trade and other payables[2] (restated)	(67,132)	(778)	—	—	(67,910)
At 31 December 2016 (restated)	(67,132)	(778)	(136,928)	(85,202)	(290,040)

1 Excludes capitalised borrowing costs of £0.8 million (2016: £1.2 million).

2 Excludes non-financial liabilities.

Notes to the financial statements continued

For the year ended 31 December 2017

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 2017 was as follows:

	Floating rate borrowings[1] £'000	Fixed rate borrowings[2] £'000	Total £'000
Sterling	**(38,041)**	**—**	**(38,041)**
US Dollars	**(30,805)**	**(74,115)**	**(104,920)**
Euros	**(63,252)**	**—**	**(63,252)**
At 31 December 2017	**(132,098)**	**(74,115)**	**(206,213)**
Sterling	(9,800)	—	(9,800)
US Dollars	(65,243)	(81,029)	(146,272)
Euros	(61,594)	—	(61,594)
At 31 December 2016	(136,637)	(81,029)	(217,666)

1 Excludes capitalised borrowing costs of £0.5 million (2016: £0.9 million).

2 Excludes capitalised borrowing costs of £0.3 million (2016: £0.3 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
Sterling	**(38,041)**	**(6,000)**	**1.7490%**
US Dollars	**(30,805)**	**(12,229)**	**1.7225%**
Euros	**(63,252)**	**—**	**n/a**
At 31 December 2017	**(132,098)**	**(18,229)**	
Sterling	(9,800)	(6,000)	1.7490%
US Dollars	(65,243)	(13,370)	1.7225%
Euros	(61,594)	—	n/a
At 31 December 2016	(136,637)	(19,370)	

1 Excludes capitalised borrowing costs of £0.5 million (2016: £0.9 million).

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £0.7 million (2016: £0.6 million) impact on profits. This impact would be reduced by the tax effect on such a change.

Interest rate risk of financial assets

The weighted average interest rate received on deposited funds was 0.6 per cent during the year (2016: 1.2 per cent).

18.3.5 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's functional currency and net investments in overseas entities.

The Group has many 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.

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.5 Foreign currency risk continued

Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

At 31 December 2017	Sterling £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
Financial assets					
Trade and other receivables[1]	12,285	25,810	14,710	5,384	58,189
Cash and cash equivalents	8,614	12,519	13,298	8,132	42,563
Derivative financial instruments	—	—	6	88	94
Total financial assets	**20,899**	**38,329**	**28,014**	**13,604**	**100,846**
Financial liabilities					
Borrowings[2]	(38,041)	(104,920)	(63,252)	—	(206,213)
Derivative financial instruments	(134)	(170)	—	—	(304)
Trade and other payables[3]	(12,978)	(28,185)	(14,554)	(5,465)	(61,182)
Total financial liabilities	**(51,153)**	**(133,275)**	**(77,806)**	**(5,465)**	**(267,699)**
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(2,367)	(205)	(348)	(2,920)
10% decrease in functional currency		2,893	251	425	3,569
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		8,732	4,527	(684)	12,575
10% decrease in functional currency		(10,673)	(5,532)	835	(15,370)

At 31 December 2016	Sterling £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
Financial assets (restated)					
Trade and other receivables[1]	11,158	26,241	12,207	5,721	55,327
Cash and cash equivalents	10,352	17,453	5,314	7,798	40,917
Derivative financial instruments	—	312	—	194	506
Total financial assets (restated)	21,510	44,006	17,521	13,713	96,750
Financial liabilities (restated)					
Borrowings[2]	(9,800)	(146,272)	(61,594)	—	(217,666)
Derivative financial instruments	(208)	(83)	—	—	(291)
Trade and other payables[3]	(13,301)	(33,994)	(14,100)	(6,515)	(67,910)
Total financial liabilities (restated)	(23,309)	(180,349)	(75,694)	(6,515)	(285,867)
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) (restated)					
10% increase in functional currency		12,423	5,288	(598)	17,113
10% decrease in functional currency		(15,184)	(6,464)	731	(20,917)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £0.8 million (2016: £1.2 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 2017

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 its 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	2017 £'000	2016 (restated) £'000
Total borrowings[1]		206,213	217,666
Less: Cash and cash equivalents	14	(42,563)	(40,917)
Underlying net debt		163,650	176,749
Total equity		364,515	377,091
Total capital		528,165	553,840

1 Excludes capitalised borrowing costs of £0.8 million (2016: £1.2 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 2017 is a net liability of £0.2 million (2016: net asset of £0.2 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:

	2017 £'000	2016 £'000
Current liabilities	(1,101)	—
Non-current liabilities	(204,040)	(216,763)
	(205,141)	(216,763)

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 2016		(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 (restated)	24	—	—	(430)	(3,790)	(4,220)
Unwinding of discount	7	(6)	—	—	—	(6)
Exchange difference (restated)		(111)	(426)	(223)	(713)	(1,473)
At 31 December 2016 (restated)		(3,758)	(1,090)	(1,905)	(5,915)	(12,668)
(Charged)/credited to the income statement:						
Additional provisions in the year		(51)	(7,905)	(11)	(305)	(8,272)
Unused amounts reversed		46	193	155	538	932
Charged to property, plant and equipment:						
Additional provisions in the year	11	(675)	—	—	—	(675)
Utilised in the year		667	439	925	153	2,184
Acquisitions of subsidiaries	24	(100)	—	(100)	—	(200)
Reclassification to current tax		—	—	—	760	760
Reclassification between categories		330	—	—	(330)	—
Exchange difference		6	326	55	93	480
At 31 December 2017		**(3,535)**	**(8,037)**	**(881)**	**(5,006)**	**(17,459)**

Analysed as:

	2017 £'000	2016 £'000 (restated)
Current liabilities	**(11,024)**	(4,544)
Non-current liabilities	**(6,435)**	(8,124)
	(17,459)	(12,668)

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 £2.1 million (2016: £2.8 million) and leasehold dilapidations of £1.4 million (2016: £1.0 million). Property provisions are expected to be utilised by 2042.

For onerous leases, the Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and any likely sub-lease income on a property-by-property basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in note 27.

The provision for leasehold dilapidations relates to contractual obligations to reinstate leasehold properties to their original state of repair.

Notes to the financial statements continued

For the year ended 31 December 2017

19. Provisions continued

19.2 Carrying amounts of provisions continued

19.2.2 Restructuring

Restructuring provisions include provisions for employee redundancy costs at restructured business units and are expected to be utilised by 2021.

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 £0.3 million (2016: £1.3 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 £4.7 million (2016 restated: £4.6 million) 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 2021.

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. Retirement benefit obligations continued

20.1 Accounting policy continued

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

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 unpaid pension contributions of £0.2 million (2016: £Nil) included within employee benefit liabilities.

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.

	Note	2017 £'000	2016 £'000
Balance sheet obligation for:			
Defined pension benefits		**(12,144)**	(12,893)
Post-employment medical benefits		**(263)**	(4,215)
Net liability on the balance sheet		**(12,407)**	(17,108)
Income statement credit/(charge)[1] for:			
Defined pension benefits	5	**(279)**	(1,186)
Post-employment medical benefits	5	**3,089**	(189)
Total income statement credit/(charge)		**2,810**	(1,375)
Remeasurements for:			
Defined pension benefits		**(688)**	(685)
Post-employment medical benefits		**503**	(71)
Total remeasurements		**(185)**	(756)

1 The income statement charge included within profit before taxation includes current service costs, past service costs, administrative costs and interest 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 post-retirement benefit obligation are fully recoverable from and indemnified by the previous owners of Bilco, with a proportion held in escrow. The Bilco post-retirement benefit obligation is expected to terminate in 2018.

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.

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.

Notes to the financial statements continued

For the year ended 31 December 2017

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

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

		Present value of obligations		Fair value of plan assets		Net defined liability	
	Note	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Balance at 1 January		**(52,673)**	(25,429)	**35,565**	15,502	**(17,108)**	(9,927)
Included in the income statement[1]:							
Current service credit/(cost)		**406**	(523)	**—**	—	**406**	(523)
Past service credit	6	**3,287**	—	**—**	—	**3,287**	—
Administration costs		**—**	—	**(330)**	(363)	**(330)**	(363)
Interest (expense)/income	7	**(1,874)**	(1,483)	**1,321**	994	**(553)**	(489)
Sub-total in income statement		**1,819**	(2,006)	**991**	631	**2,810**	(1,375)
Included in other comprehensive income[2]:							
Remeasurement gain/(loss) arising from:							
Net gain/(loss) on plan assets, excluding amounts included in interest expense		**—**	—	**1,931**	(706)	**1,931**	(706)
Gain from change in demographic assumptions		**1,044**	265	**—**	—	**1,044**	265
Loss from change in financial assumptions		**(3,811)**	(253)	**—**	—	**(3,811)**	(253)
Experience gain/(loss)		**651**	(62)	**—**	—	**651**	(62)
Sub-total in other comprehensive income		**(2,116)**	(50)	**1,931**	(706)	**(185)**	(756)
Employer contributions		**—**	—	**1,171**	940	**1,171**	940
Plan participant contributions		**(95)**	(90)	**95**	90	**—**	—
Benefit payments		**6,105**	1,551	**(6,105)**	(1,551)	**—**	—
Acquisitions of subsidiaries	24	**—**	(19,816)	**—**	16,231	**—**	(3,585)
Exchange difference		**4,176**	(6,833)	**(3,271)**	4,428	**905**	(2,405)
Balance at 31 December		**(42,784)**	(52,673)	**30,377**	35,565	**(12,407)**	(17,108)

1 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. Also see note 5.3. Net expense is included within net finance income and costs (note 7).

2 A deferred tax debit of £1.2 million (2016: deferred tax credit of £0.3 million) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation. Also see note 8.

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

	Present value of obligations		Fair value of plan assets		Net defined liability	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
United States	**(39,732)**	(49,549)	**30,377**	35,565	**(9,355)**	(13,984)
Italy	**(3,052)**	(3,124)	**—**	—	**(3,052)**	(3,124)
Balance at 31 December	**(42,784)**	(52,673)	**30,377**	35,565	**(12,407)**	(17,108)

Plan assets comprise the following asset classes:

	2017		2016	
	£'000	**%**	£'000	%
Equity instruments	**5,325**	**17.5%**	4,916	13.8%
Large US equity	**3,167**		3,140	
Small/mid US equity	**577**		543	
International equity	**1,581**		1,233	
Balanced/asset allocation	**385**	**1.3%**	382	1.1%
Fixed income	**24,667**	**81.2%**	30,267	85.1%
Balance at 31 December	**30,377**		35,565	

Equity instruments comprise listed investments.

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

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:

	2017		2016	
	United States	Italy	United States	Italy
Discount rate	3.30%	1.29%	4.00%	1.40%
Inflation	2.00%	1.50%	2.00%	1.50%
Salary growth rate	n/a	1.50%	n/a	1.50%
Pension growth rate	n/a	n/a	n/a	n/a
Healthcare cost trend[1]	4.5% to 7.0%	n/a	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:

	United States	Italy
Retiring at the end of the reporting year:		
Male	20.1	n/a
Female	22.5	n/a
Retiring 20 years after the end of the reporting year:		
Male	21.7	n/a
Female	24.1	n/a

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

	Change in discount rate assumption	Impact of increase in assumption	Impact of decrease in assumption
Bilco	1.00%	(8.3)%	9.8%
Other US	0.25%	(3.0)%	3.1%
Italy	0.50%	(5.9)%	4.1%

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 2018 is £2.8 million.

The weighted average duration of the defined benefit obligation is nine years for US plans and 10 years for Italian plans.

Notes to the financial statements continued

For the year ended 31 December 2017

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

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

	Defined pension benefits £'000	Post-employment medical benefits £'000	**Total £'000**
No later than one year	(15,721)	(278)	**(15,999)**
Between one and two years	(1,534)	—	**(1,534)**
Between two and five years	(4,808)	—	**(4,808)**
Later than five years	(10,368)	—	**(10,368)**
Total	**(32,431)**	**(278)**	**(32,709)**

The AmesburyTruth post-employment medical benefit plan is anticipated to close at the end of 2018.

21. Share capital and share premium

21.1 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.

21.2 Share capital and share premium

	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 January 2016	170,104	8,505	63,256
Shares issued in 2016	8,478	424	18,151
At 31 December 2016 and 31 December 2017	**178,582**	**8,929**	**81,407**

Ordinary shares in the Company have a par value of 5.00 pence per share (2016: 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.

22. Share-based payments

22.1 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.

22. Share-based payments continued

22.2 LTIP

The charge to the income statement in 2017 in relation to the LTIP was £1.1 million (2016: £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 2017 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	14 March 2017
Number granted	792,477
Share price at date of award	319 pence
Fair value (pence)	136 pence
Exercise price (pence)	Nil pence
Expected life of award	Three years
Vesting conditions	Continuous service and cumulative Underlying EPS over three years 2017 to 2019 in range of 89.10 to 103.30 pence

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2017 '000	2016 '000
At 1 January	**1,996**	2,066
Exercised	**(290)**	(800)
Granted	**792**	770
Lapsed	**(392)**	(40)
At 31 December	**2,106**	1,996

22.3 Employee Benefit Trust purchases

Details of shares purchased by the Employee Benefit Trust to satisfy certain share awards vested in the year as well as future obligations under the Group's various share plans are as follows:

	2017 '000	2016 '000
Number of ordinary shares	**268**	659
Cost to Company	**£847**	£1,860

23. Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2016 of 7.50 pence (2015: 6.09 pence)	**13,293**	10,266
Interim dividend for the year ended 31 December 2017 of 3.50 pence (2016: 3.00 pence)	**6,204**	5,312
Total amounts recognised as distributions to owners in the year	**19,497**	15,578
Amounts not recognised in the financial statements:		
Final dividend proposed for the year ended 31 December 2017 of 7.75 pence (2016: 6.09 pence)	**13,739**	13,293

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 2017.

Notes to the financial statements continued

For the year ended 31 December 2017

24. Business combinations

24.1 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 (see 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.

24.1.1 Critical accounting estimates and judgements: acquisition accounting

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

24.2 Acquisition of Howe Green

On 3 March 2017, ERA acquired Howe Green, a UK manufacturer of engineered floor and ceiling access hatches sold into the commercial and infrastructure markets. ERA paid a cash consideration of £5.8 million with deferred consideration of £0.4 million payable within 12 months of the date of acquisition.

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

	Note	Acquisition of Howe Green £'000
Intangible assets	10.3	2,823
Property, plant and equipment	11	170
Inventories		95
Trade and other receivables		669
Cash and cash equivalents		689
Trade and other payables		(420)
Borrowings		(46)
Current tax liabilities		(280)
Deferred tax liabilities	8	(483)
Provisions	19	(200)
Total identifiable net assets		3,017
Goodwill arising on acquisition	10.2	3,158
Total consideration		**6,175**
Satisfied by:		
Cash		5,825
Deferred consideration		350
Total consideration		**6,175**
Net cash outflow arising on acquisition:		
Cash consideration		5,825
Net cash and cash equivalents acquired		(689)
Net cash outflow		**5,136**

Acquisition related costs of £0.2 million have been included in exceptional costs in the Group's consolidated income statement (see note 6).

24. Business combinations continued

24.2 Acquisition of Howe Green continued

The fair value of trade and other receivables is £0.7 million and is principally comprised of trade receivables with a fair and collectable value of £0.7 million. The gross contractual amount for trade receivables due is £0.7 million, of which £Nil is expected to be uncollectable.

Revenue included in the consolidated income statement since 7 March 2017 contributed by Howe Green was £3.3 million. Howe Green contributed £1.1 million to the profit before taxation over the same period.

Had the acquisition of Howe Green been completed on the first day of the financial year, an additional £0.7 million of revenue and £0.1 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:

- the development and extension of ERA's product portfolio into the commercial sector; and
- access to the commercial and infrastructure customer base.

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

24.3 Fair value adjustments in respect of 2016 acquisitions

The following table summarises the fair value adjustments made in the year in respect of business combinations completed in the 2016 financial year, restated as at 31 December 2016.

	Note	As reported at 31 December 2016 £'000	Fair value adjustment –Giesse £'000	Fair value adjustment –Response £'000	Restated at 31 December 2016 £'000
Intangible assets	10.3	45,342	155	—	45,497
Property, plant and equipment	11	18,992	(257)	—	18,735
Inventories		19,255	359	(25)	19,589
Trade and other receivables		42,452	(968)	—	41,484
Cash and cash equivalents		(6,447)	—	—	(6,447)
Trade and other payables		(37,212)	4,485	(41)	(32,768)
Borrowings		(19,251)	—	—	(19,251)
Current tax liabilities		(1,383)	—	—	(1,383)
Deferred tax liabilities	8	(7,951)	—	—	(7,951)
Retirement benefit obligations	20	(3,585)	—	—	(3,585)
Provisions	19	(4,711)	491	—	(4,220)
Total identifiable net assets		45,501	4,265	(66)	49,700
Goodwill arising on acquisition	10.2	45,395	(4,265)	66	41,196
Total consideration		**90,896**	**—**	**—**	**90,896**
Satisfied by:					
Cash		89,936	—	—	89,936
Deferred consideration		960	—	—	960
Total consideration		**90,896**	**—**	**—**	**90,896**
Net cash outflow arising on acquisition:					
Cash consideration		89,936	—	—	89,936
Net cash and cash equivalents acquired		6,447	—	—	6,447
Net cash outflow		**96,383**	**—**	**—**	**96,383**

No further fair value adjustments were made in respect of the Bilco acquisition.

25. Non-current assets held for sale

25.1 Accounting policy

Non-current assets classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

25.2 Non-current assets classified as held for sale

The Statesville, North Carolina, freehold property has been classified as an asset held for sale and was being actively marketed for sale at the year-end date following the Group's exit from the property. On 7 February 2018, this property was sold for a consideration of US$1.4 million (see notes 11 and 29).

Notes to the financial statements continued

For the year ended 31 December 2017

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	2017 £'000	2016 £'000
Net finance costs	7	**9,373**	7,814
Depreciation	11	**11,599**	10,701
Amortisation of intangible assets	10.3	**24,249**	22,662
Impairment of property, plant and equipment	11	**114**	1,107
Profit on disposal of property, plant and equipment		**(878)**	63
Write-off of inventory fair value adjustments	6	**22**	5,698
Pension service credits and expected administration costs	20	**(3,363)**	886
Non-cash provision movements	19	**7,340**	(1,943)
Profit on disposal of business	6	**—**	(250)
Share-based payments		**1,987**	1,047
Other non-cash adjustments		**—**	209
		50,443	47,994

27. Financial commitments

27.1 Capital commitments

	2017 £'000	2016 £'000
Property, plant and equipment	**585**	5,797

27.2 Operating lease commitments

The Group has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

The present values of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Not later than one year	**7,806**	6,956	**1,174**	933
Later than one years but not later than five years	**21,009**	20,746	**1,930**	1,262
Later than five years	**56,137**	50,522	**13**	159
Total lease commitment	**84,952**	78,224	**3,117**	2,354

28. Contingent liabilities

There are no contingent liabilities.

29. Events after the reporting year

29.1 2018 Facility

On 19 February 2018, the Group entered into the 2018 Facility. The 2018 Facility gives the Group access to up to £310.0 million of borrowings with seven relationship banks and comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility. The 2018 Facility expires in February 2023 although has provision for an extension to February 2024. On signing the 2018 Facility, the 2014 Facility (see note 17.2.1) was repaid in full and cancelled.

29.2 Property disposal

On 7 February 2018, the Statesville, North Carolina, freehold property was sold for US$1.4 million (see note 25.2).

30. Related party transactions

The following transactions were carried out with related parties of Tyman plc:

30.1 Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. There were no transactions between the Company and its subsidiaries, apart from intercompany loans.

30.2 Key management compensation

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 71 to 88.

Full details of individual Directors' remuneration are given in the Remuneration report on pages 71 to 88.

31. Subsidiaries

Details of the subsidiaries of the Group as at 31 December 2017 are detailed below. Unless otherwise indicated, all subsidiaries are wholly owned.

Registered name and office address	Country of incorporation	Nature of business
UK operations		
29 Queen Anne's Gate, London SW1H 9BU		
Amesbury Holdings Limited[1]	United Kingdom	Holding company
Balance UK Limited[1]	United Kingdom	Dormant
Crompton Limited[1]	United Kingdom	Dormant
ERA Home Security Limited[1]	United Kingdom	Building products
ERA Products Limited[1]	United Kingdom	Dormant
ERA Security Hardware Limited[1]	United Kingdom	Dormant
Grouphomesafe Limited[1]	United Kingdom	Dormant
Howe Green Limited[1]	United Kingdom	Building products
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Jasper Acquisition Limited[1]	United Kingdom	Holding company
Lupus Capital Limited	United Kingdom	Dormant
Octroi Group Limited	United Kingdom	Holding company
Octroi Investments Limited	United Kingdom	Dormant
Otterburn Limited[1]	United Kingdom	Dormant
Response Electronics Limited[1]	United Kingdom	Building products
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Schlegel Building Products Limited[1]	United Kingdom	Dormant
Schlegel Limited[1]	United Kingdom	Building products
Tyman Equities Limited	United Kingdom	Dormant
Tyman Financial Services Limited[1]	United Kingdom	Financing company
Tyman Investments[1]	United Kingdom	Dormant
Tyman Management Limited	United Kingdom	Holding company
Ventrolla Limited[1]	United Kingdom	Dormant
Window Fabrication and Fixing Supplies Limited[1]	United Kingdom	Dormant
North American operations		
333 Bay Street, Toronto, Ontario M5H 2T4		
Amesbury Canada Inc[1]	Canada	Holding company
8005 Dixie Road, Unit 8043, Brampton, Ontario L6T 3V1		
Atlas Holdings Company Limited[1]	Canada	Holding company
Roberto Fierro #6351, Industrial Park Aero Juarez, Juarez, Chihuahua 32695		
Amesbury Mexico S.De R.L. De C.V.[1]	Mexico	Building products
Deportistas 7820 Parque Industrial Gema Ciudad, Juarez, Chihuahua 32648		
BHC de Mexico S.De R.L. De C.V.[1]	Mexico	Building products
Bilcomex Comercializadora S.De R.L. De C.V.[1]	Mexico	Building products
Bilcomex S.De R.L. De C.V.[1]	Mexico	Building products
3600 Minnesota Drive, Edina, MN 55435		
Amesbury Acquisition Holdings (2) Inc[1]	United States	Holding company
Amesbury Door Hardware Inc[1]	United States	Building products
Amesbury Finance Holdings LLC[1]	United States	Holding company
Amesbury Group Inc[1]	United States	Holding company
Amesbury Group Plastic Profiles Inc[1]	United States	Building products
Amesbury Industries Inc[1]	United States	Holding company
Balance Systems Inc[1]	United States	Building products
Bandlock Corporation Inc[1]	United States	Building products
Fastek Products Inc[1]	United States	Building products
Giesse Group North America Inc[1]	United States	Building products
Overland Products Company, Inc[1]	United States	Building products
Schlegel Acquisition Holdings USA Inc[1]	United States	Holding company
Schlegel Systems Inc[1]	United States	Building products
The Bilco Company[1]	United States	Holding company
The Bilco Holding Company[1]	United States	Holding company
Truth Hardware Corporation[1]	United States	Building products
Tyman Venture Inc[1]	United States	Holding company
Unipoly Schlegel Holdings Inc[1]	United States	Holding company
370 James Street, Suite 201, West Haven, CT 06513		
Bilco U.K. Limited[1]	United States	Building products

Notes to the financial statements continued

For the year ended 31 December 2017

31. Subsidiaries continued

Registered name and office address	Country of incorporation	Nature of business
European operations		
Nieuwpoortsesteenweg 1028400 Oostende		
Schlegel Belgium BVBA[1]	Belgium	Building products
Bredowstrasse, 33-22113, Hamburg		
Schlegel GmbH[1]	Germany	Building products
Kolonou 1-3, 12131 Peristeri		
Giesse Group Hellas S.A.[1]	Greece	Building products
Via Leonardo Da Vinci, 320/414 Fossatone, 40059, Ville Fontana Di Medicina, Bologna		
Giesse S.p.A.[1]	Italy	Building products
6 Rue Jean Monnet L-2180		
Tyman Finance S.á.r.l[1]	Luxembourg	Financing company
Havenkade 99B, 1973 AK Ljmuiden, Holland		
Tetchy Investments BV[1]	Netherlands	Dormant
Constitucion, 84-Poligono Industrial Les Grases, 08980 Sant Feliu De Llobregat, Barcelona		
Giesse Group Iberia S.A.[1]	Spain	Building products
Schlegel Taliana SL[1]	Spain	Building products
Other international operations		
Enrique Becquerel 4873, Area de promocion el Triangulo, CP 1615, Buenos Aires		
Giesse Group Argentina S.A.[1]	Argentina	Building products
44 Riverside Road, Chipping Norton, NSW 2170		
Schlegel Australia Pty (2006) Ltd[1]	Australia	Holding company
Schlegel Pty Limited[1]	Australia	Building products
Rua Rosa Kasinski, 1109 Galpoes G02, G03, G04 Patio G01 do Condominio Empresarial Marino Lena Bairro Capuava 09.380-128 Maua, Sao Paolo		
Giesse Brasil Indústria e Comércio de Ferragens e Acessórios Ltda.[1]	Brazil	Building products
Alameda Itatinga, 617 Galpoa 2, Bairro Joapiranga II, CEP13278-480, Cidade Valinhos, Estado de Sao Paolo		
Schlegel América Do Sul Vedação Para Construção Civil Ltda.[1]	Brazil	Building products
Schlegel América Latina – Vedação, Esquadrias e Extrusão Ltda.[1]	Brazil	Building products
Room 810–815 F8, CWE Building, No.3 Guangqu East Road, Chaoyang District, 100124, Beijing		
Giesse Hardware (Beijing) Co. Ltd.[1]	China	Building products
No 8 Xingye Road Pingyi Software Park Eastern Section Ningbo Free Trade Zone, Ningbo City, Zhejiang		
LSS Ningbo Limited[1]	China	Building products
Unit 14-2 New City Tower No 535 Qingshuiqiao Road Jiangdong District, Ningbo City		
LSS Trading (Ningbo) Limited[1]	China	Building products
1 Commonwealth Lane, 6-18, One Commonwealth, Singapore 149544		
Schlegel Asia Pte. Ltd[1]	Singapore	Building products
3rd Interchange, Sheikh Zayed Road, Al Quoz Industrial Area 1, Dubai		
Schlegel Middle East Building Materials Trading LLC[1,2]	United Arab Emirates	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 generated by the business.

Independent auditors' report

To the members of Tyman plc

Report on the audit of the parent company financial statements

Opinion

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

- give a true and fair view of the state of the parent company's affairs as at 31 December 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the company balance sheet as at 31 December 2017 and the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in the Directors' report, we have provided no non-audit services to the group and its subsidiaries in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Materiality

- Overall materiality: £3.1 million (2016: £3.0 million), based on 1% of total assets.

Audit scope

- We performed a full scope audit over the Company ledger, providing us with 100 per cent coverage over the Company accounts.

Key audit matters

- We have no key audit matters to report.

Independent auditors' report continued

To the members of Tyman plc

Report on the audit of the parent company financial statements continued

Our audit approach continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the parent company and the industry in which it operates, and considered the risk of acts by the parent company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the parent company's financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We determined that there were no key audit matters applicable to the parent company to communicate in our report.

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 structure of the parent company, the accounting processes and controls, and the industry in which it operates.

We scoped the balances to be audited in line with the materiality determined for the year.

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 in aggregate 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 materiality	£3.1 million (2016: £3.0 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	As the parent entity, Tyman plc, is primarily a holding Company for the Group, the materiality benchmark has been determined to be based on total assets which is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £200,000 (2016: £165,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the parent company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Report on the audit of the parent company financial statements continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 38 of the Annual Report that they have carried out a robust assessment of the principal risks facing the parent company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 42 of the Annual Report as to how they have assessed the prospects of the parent company, 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 parent company 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the parent company and statement in relation to the longer-term viability of the parent company. 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the parent company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 66, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 61 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Independent auditors' report continued

To the members of Tyman plc

Report on the audit of the parent company financial statements continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the members in May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2012 to 31 December 2017.

Other matter

We have reported separately on the group financial statements of Tyman plc for the year ended 31 December 2017.

Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2018

Company balance sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments in subsidiaries	4	**311,031**	295,529
Current assets			
Debtors – amounts receivable after more than one year	5	**82,190**	87,447
Cash and cash equivalents		**677**	11,597
		82,867	99,044
Creditors – amounts falling due within one year	6	**(17,225)**	(6,861)
Net current assets		**65,642**	92,183
Total assets less current liabilities		**376,673**	387,712
Creditors – amounts falling due after more than one year	6	**(81,711)**	(88,569)
Net assets		**294,962**	299,143
Equity			
Called up share capital	9	**8,929**	8,929
Share premium		**81,407**	81,407
Other reserves		**8,920**	8,920
Treasury reserve		**(2,776)**	(3,338)
Retained earnings – carried forward		**184,306**	185,765
Retained earnings – profit for the year		**14,176**	17,460
Total shareholders' funds		**294,962**	299,143

The notes on pages 143 to 145 are an integral part of these financial statements.

The financial statements on pages 141 and 145 were approved by the Board on 7 March 2018 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 2017

	Called up share capital £'000	Share premium £'000	Other reserves[1] £'000	Treasury reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	8,505	63,256	8,920	(4,321)	203,253	279,613
Total comprehensive income						
Profit for the year	—	—	—	—	17,460	17,460
Transactions with owners	424	18,151	—	983	(17,488)	2,070
Share-based payments[2]	—	—	—	—	933	933
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)	203,225	299,143
Total comprehensive income						
Profit for the year	—	—	—	—	14,176	14,176
Transactions with owners	—	—	—	562	(18,919)	(18,357)
Share-based payments[2]	—	—	—	—	1,987	1,987
Dividends paid	—	—	—	—	(19,497)	(19,497)
Issue of own shares to Employee Benefit Trust	—	—	—	1,409	(1,409)	—
Purchase of own shares for Employee Benefit Trust	—	—	—	(847)	—	(847)
At 31 December 2017	**8,929**	**81,407**	**8,920**	**(2,776)**	**198,482**	**294,962**

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

2 Share-based payments include a deferred tax credit of £0.5 million (2016: deferred tax debit of £0.3 million).

The notes on pages 143 to 145 are an integral part of these financial statements.

Notes to the Company financial statements
For the year ended 31 December 2017

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 FRS 101. The accounting policies have been consistently applied.

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 of 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 Sterling, 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" (see 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" (see 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 2017

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 22 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 2017 of £14.2 million (2016: £17.5 million).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2016: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's Annual Report on pages 71 to 88.

4. Investments

	£'000
Cost	
At 1 January 2016	299,875
Capital contribution relating to share-based payments	1,250
At 31 December 2016	301,125
Additions	14,000
Capital contribution relating to share-based payments	1,502
At 31 December 2017	**316,627**
Impairment	
At 1 January 2016, 31 December 2016 and 31 December 2017	**(5,596)**
Carrying amount	
At 1 January 2016	294,279
At 31 December 2016	295,529
At 31 December 2017	**311,031**

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	2017 £'000	2016 £'000
Amounts receivable after more than one year			
Amounts owed by Group undertakings		**81,576**	86,990
Corporation tax asset		**—**	260
Deferred tax asset	8	**614**	197
		82,190	87,447

The amounts owed by Group undertakings are unsecured, interest free and recoverable on demand but are unlikely to be repaid within one year.

6. Creditors

	Note	2017 £'000	2016 £'000
Amounts falling due within one year			
Amounts owed to Group undertakings		**(16,550)**	(6,380)
Corporation tax liability		**(239)**	—
Other creditors		**(436)**	(481)
		(17,225)	(6,861)
Amounts falling due after more than one year			
Private placement notes	7	**(73,835)**	(80,693)
Amounts owed to Group undertakings		**(7,876)**	(7,876)
		(81,711)	(88,569)

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 17.2.2 of the Group financial statements.

Details of the private placement notes, which are unsecured, are as follows:

	2017 £'000	2016 £'000
Wholly repayable in 2021	**(40,763)**	(44,566)
Wholly repayable in 2024	**(33,352)**	(36,463)
Capitalised borrowing costs	**280**	336
	(73,835)	(80,693)

8. Deferred tax asset

	2017 £'000	2016 £'000
At 1 January	**197**	514
Income statement charge	**150**	—
Tax credit/(charge) relating to components of other comprehensive income	**267**	(317)
At 31 December	**614**	197

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 21 of the Group financial statements.

10. Financial commitments

At 31 December 2017 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, a subsidiary.

	2017 £'000	2016 £'000
Not later than one year	**190**	190
Later than one years but not later than five years	**952**	952
Later than five years	**190**	381
Total lease commitment	**1,332**	1,523

11. Dividends

The dividends of the Company are set out in note 23 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

Alternative Performance Measures used by the Group are:

- Dividend Cover;
- Free Cash Flow;
- Interest Cover;
- Leverage;
- Operating Cash Conversion;
- Return on Acquisition Investment;
- Returns on Capital Employed and Controllable Capital Employed;
- Underlying EPS;
- Underlying Net Debt;
- Underlying Operating Margin;
- Underlying Operating Profit;
- Underlying Profit before Taxation; and
- Underlying effective tax rate.

APMs provide additional useful information to shareholders on the underlying performance of the business. These APMs 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 adjustments are made to reported profit to derive underlying profit:

Exceptional items

Exceptional items are largely one off and non-trading in nature and therefore create volatility in reported earnings. Items accounted for by the Group as exceptional include M&A transaction costs, IFRS 3 inventory revaluations and the costs of integrating acquired businesses, as well as major restructuring initiatives.

These items are excluded from the underlying results of the Group due to their material, non-trading and/or non-recurring nature.

The Group aims to be both consistent and clear in its recognition and disclosure of exceptional gains and losses.

Amortisation of acquired intangible assets and impairment of acquired intangible assets and goodwill

The amortisation charge of intangible assets recognised on business combinations and any subsequent impairment of intangibles or goodwill is excluded from the underlying results of the Group as these are considered to be of a non-trading nature.

Other

Amortisation of borrowing costs, accelerated amortisation of borrowing costs, gains and losses on the fair value of derivative financial instruments, and unwinding of discount on provisions are all accounted for as exceptional. These are non-trading in nature and are not considered reflective of the core performance of the Group.

For all adjustments, both the materiality and nature of the items are considered in determining presentation. In addition, the taxation effect of adjustments is excluded from Underlying Profit after taxation and earnings per share metrics. Material tax effects are disclosed separately.

Reconciliation of reported profit numbers to underlying profit numbers

Reconciliation of Profit before taxation to the Underlying Profit after taxation APM:

£'m	2017	2016
Profit before taxation	**34.5**	29.4
Exceptional items	**10.0**	10.9
Amortisation of borrowing costs	**0.4**	0.4
Loss/(Gain) on revaluation of fair value hedge	**0.4**	(0.3)
Amortisation of acquired intangible assets	**23.0**	21.7
Underlying profit before taxation	**68.3**	62.1
Income tax charge	**(3.3)**	(8.6)
Add back: US Federal tax rate change adjustment	**(6.9)**	—
Add back: Underlying tax effect[1]	**(10.4)**	(9.5)
Underlying profit after taxation	**47.7**	44.0

1 Tax effect of exceptional items, amortisation of borrowing costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Underlying Operating Profit is reconciled to Operating Profit on the face of the Income Statement.

In their operational reviews the AmesburyTruth and SchlegelGiesse Divisions disclose Revenue and Underlying Operating Profit in US Dollars and Euros respectively, translated at average exchange rates for the relevant period. This is for the convenience of users and to reflect the principal currencies in which those Divisions transact.

Alternative Performance Measures continued

Additional information on APMs

Additional information and definitions relating to the APMs used by the Group are 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.
Adjustments to cash flows from operating activities	The add back of net finance costs, depreciation, amortisation of intangible assets, impairment of PPE, profit on disposal of PPE, write-off of inventory fair value adjustments, pension service costs and expected administrative costs, non-cash provision movements, profit on disposal of business and share-based payments.
Constant Currency or CC	Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.
Dividend Cover	Underlying Earnings Per Share divided by the total Dividend Per Share for the financial year.
Free Cash Flow	Operational Cash Flow after deducting Pension contributions, Income tax paid, Net interest paid and Exceptional cash costs settled in the year.
Interest Cover	Adjusted EBITDA divided by the net Interest payable on bank loans, private placement notes and overdrafts and Interest income from short term bank deposits.
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 periods.
Net cash generated from operations	Profit before taxation after changes in working capital, provisions utilised, pension contributions, income tax paid and Adjustments to cash flows from operating activities.
Operating Cash Conversion	Operational Cash Flow divided by Underlying Operating Profit.
Operational Cash Flow	Net cash generated from operations 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.
Return on Controllable Capital Employed or ROCCE	Underlying Operating profit as a percentage of the 12-month average controllable 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.

Definitions & glossary of terms

APM	Alternative Performance Measure
Bilco	The Bilco Company acquired by AmesburyTruth on 1 July 2016
bps	Basis points
CGU	Cash Generating Unit
CMA	Competition and Markets Authority Statutory Audit Services Order
CMM	Coordinate Measuring Machine
DSBP	Deferred Share Bonus Plan
DSE	Display Screen Equipment
DTR	Disclosure Rules and Transparency Rules of the UK Listing Authority
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
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
GDPR	General Data Protection Regulations
GHG	Green House Gas
GHG Protocol	World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard
Giesse	Giesse Group acquired by the Group's SchlegelGiesse Division on 7 March 2016
HMRC	Her Majesty's Revenue and Customs
Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
ICSA	Institute of Chartered Secretaries and Administrators
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards, including IFRIC Interpretations
JCHS	Joint Centre for Housing Studies of Harvard University
KPI	Key performance indicator
LIRA	Leading Indicator for Remodelling Activity published quarterly by JCHS
Listing Rules	Financial Conduct Authority UK Listing Rules
Lost time injuries	The absolute number of lost time injuries over the last 12 months
Lost time injury rate	The number of lost time incidents per 100,000 hours worked
LTIP	Long Term Incentive Plan

Definitions & glossary of terms continued

LTM	Last twelve months
M&A	Mergers and Acquisitions
Maquiladora	A factory in Mexico run by a foreign company and exporting its products to that company's country of origin
NAHB	The National Association of Home Builders
NBS	New Bridge Street
NPD	New Product Development
NVQ	National Vocational Qualifications
OECD	Organisation for Economic Cooperation and Development
OEM	Original equipment manufacturer
OGSM	Objectives, goals, strategies and measures
OTIF	On time in full
PBTA	Profit Before Taxation and Amortisation
PPE	Property, plant and equipment
Response or Response Electronics	Response Electronics Limited, acquired by ERA on 3 March 2016
Revenue	The gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of the Group
RMI	Renovation, maintenance and improvement
SKU	Stock Keeping Unit
£ or Sterling	The lawful currency of the United Kingdom
TFR	Trattamento di fine Rapporto
The Act	The Companies Act 2006
The Code	The UK Corporate Governance Code 2016
TMC	Tyman Management Committee
TSA	Tyman Sourcing Asia
TSR	Total shareholder return
UK	United Kingdom
UK ESSP	Tyman Sharesave Plan
UK GAAP	UK Generally Accepted Accounting Practice
US	United States of America
US$	The lawful currency of the United States of America

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	2017	2016
US Dollar	**1.3493**	1.2341
Euro	**1.1263**	1.1729
Australian Dollar	**1.7285**	1.7136
Canadian Dollar	**1.6936**	1.6589
Brazilian Real	**4.4695**	4.0176

Average rates	2017	2016
US Dollar	**1.2887**	1.3554
Euro	**1.1414**	1.2243
Australian Dollar	**1.6811**	1.8252
Canadian Dollar	**1.6717**	1.7965
Brazilian Real	**4.1154**	4.7437

Five-year summary

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Revenue	**522,700**	457,644	353,425	350,899	298,054
Underlying operating profit[1]	**76,817**	69,803	51,425	46,077	32,348
Net finance costs	**(9,373)**	(7,814)	(6,923)	(7,033)	(3,517)
Profit before taxation	**34,534**	29,376	15,576	11,904	794
Taxation	**(3,334)**	(8,641)	(7,885)	(2,573)	162
Profit for the year	**31,200**	20,735	7,691	9,331	956
Underlying profit before taxation[1]	**68,284**	62,079	45,106	41,629	28,586
Underlying net debt[1]	**(163,650)**	(176,749)	(83,179)	(90,678)	(80,947)

	2017	2016	2015	2014	2013
Underlying basic earnings per share[1]	**26.91p**	25.41p	19.33p	18.61p	13.71p
Underlying diluted earnings per share[1]	**26.73p**	25.31p	19.24p	18.40p	13.51p
Dividends per share declared	**11.25p**	10.50p	8.75p	8.00p	6.00p
Return on capital employed[1]	**13.6%**	13.8%	12.5%	11.4%	9.0%
Operating cash conversion[1]	**85.6%**	105.9%	84.9%	71.8%	116.4%
Leverage[1]	**1.83x**	1.89x	1.35x	1.56x	1.81x
Total number of shares in issue ('000)	**178,582**	178,582	170,104	170,104	170,104
Average monthly number of employees	**3,904**	3,568	2,947	2,897	2,317

1 See Alternative Performance Measures on page 146.

Tyman plc
WINNER
GROWTH AWARD
PLC AWARDS 2017

Produced by
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