TYMAN PLC

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Tyman plc, a leading international supplier of engineered components to the door and window industry, announces preliminary audited results for the year ended 31 December 2017.

Financial highlights

£'m unless stated	**2017**	2016	**Change**	***CC LFL(1)***
Revenue	**522.7**	457.6	**+ 14 %**	***+ 2 %***
Underlying Operating Profit	**76.8**	69.8	**+ 10 %**	***(2) %***
Underlying Operating Margin	***14.7 %***	*15.3 %*	**(60) bps**	***(50) bps***
Underlying Profit before Taxation	**68.3**	62.1	**+ 10 %**	
Underlying EPS	**26.91p**	25.41p	**+ 6 %**	
Dividend per share	**11.25p**	10.50p	**+ 7 %**	
Underlying Net Debt	**163.7**	176.7	**(7) %**	
Leverage	**1.83x**	1.89x	**(0.06)x**	
Return on Capital Employed	***13.6 %***	*13.8 %*	**(20) bps**	

(1) CC LFL = Constant Currency Like for Like (see definition on page 36)

Included within this announcement are alternative performance measures which 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 34.

Statutory financial highlights

£'m unless stated	**2017**	2016	**Change**
Operating Profit	**43.9**	37.2	**+ 18 %**
Profit before Taxation	**34.5**	29.4	**+ 18 %**
Basic EPS	**17.61p**	11.98p	**+ 47 %**
Net Debt	**162.9**	175.6	**(7) %**

Business 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

2018 highlights and trading

- Volumes in 2018 to date are in line with expectations and there is a promising order book in each Division
- Banking facilities increased to £240.0 million together with a £70.0 million accordion and extended to at least February 2023
- The Group has today announced the proposed acquisition of Ashland Hardware by AmesburyTruth for an enterprise value of US$101.0 million

Louis Eperjesi, Chief Executive, commented:

"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.

"Volumes in 2018 to date are in line with our expectations across each of the Divisions. North American markets remain positive and AmesburyTruth is confident that 2018 will see market share recovery, like for like sales growth and a return to margin expansion with the proposed acquisition of Ashland also bringing opportunities.

"The UK market is likely to remain subdued in 2018; however ERA will continue to focus on its self-help initiatives, profitable market share growth and new product introductions, particularly in the smart home.

"European markets should continue their broad based recovery and the SchlegelGiesse businesses in Latin America and the Middle East expect the positive trends of the second half will be sustained into 2018.

"Tyman expects to see a further year of profitable growth in 2018."

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Analyst and investor presentation

Tyman will host an analyst and investor presentation at 9.30 a.m. today, Wednesday 7 March 2018, at the offices of MHP.

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

Conference Call Dial In Details

Toll number	033 3300 0804
Toll-free number	080 0358 9473
Participant PIN	16259749#

Forthcoming dates

Ex-dividend date	19 April 2018
Dividend record date	20 April 2018
Annual General Meeting	10 May 2018
Dividend payment date	18 May 2018
Interim results announcement	25 July 2018
Autumn trading update	7 November 2018

Notes to editors

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

The Group employs nearly 4,000 people and operates facilities in 19 countries worldwide. Tyman is listed on the London Stock Exchange under the ticker TYMN.

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

RESULTS OVERVIEW

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.

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.

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 Division's 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 select 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.

AmesburyTruth Division

£'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

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 twelve 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 tiers 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. $1.4 million of annualised incremental orders secured to date, which should convert into Revenue in 2018.

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$'million	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	**0.0**	**2.0**	**3.0**	**5.0**
Cumulative annual P&L saving	***0.0***	***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 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 28). The closure of the scheme has reduced AmesburyTruth's actuarial liability by US$4.2 million. As AmesburyTruth has 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 multi point 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.

ERA Division

£'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

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 sub sectors 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 benefitted from the inclusion of the higher margin business at Bilco UK and Howe Green. The 2016 comparator margin benefitted 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 were 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.

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 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 despatch 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.

SchlegelGiesse Division

£'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***

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, 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 despatch 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.

FINANCIAL REVIEW

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 were 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

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 £'m

(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 relate to footprint projects in ERA and SchlegelGiesse.

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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 (see page 23) 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 28) together with £0.6 million of surplus provisions created on 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 percent.) reflecting 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 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 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 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 §199 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 §199 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.

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 22) and the increase in exceptional cash costs (see Exceptional items on page 20).

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 per cent. cash conversion of Underlying Operating Profit.

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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 up front 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.

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

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 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, Italy	145,000	Freehold	tba
Statesville, US	53,000	Freehold	US$1.4m
Willenhall, UK	64,000	Freehold	tba

Working capital

£'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)	0.9	**(37.7)**
Trade working capital	88.6	10.4	0.7	(5.0)	**94.7**

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

At the year end trade working capital, net of provisions, was £94.7 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 £5.0 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 £37.7 million with all movements in the year being offset by the impact of foreign exchange.

Pension and post-retirement medical benefit obligations

£'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

At 31 December 2017, the Group had four post-retirement pension and one post-retirement medical benefit schemes 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.

Provisions

£'m	2016 (restated)	(Charge)/ Release to P&L	Utilised	Other mvt	2017	Expected utilisation by
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 23).

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

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.

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.

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.

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 34

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	Total(1)
% 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

The 2017 transactional impact of weakness in Sterling against the US Dollar and Renminbi on the Operating Profit of ERA was approximately a cost of £3.2 million (2016: £1.5 million cost). In the year ERA benefitted 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 standards (unaudited)

The following IFRS standards, 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	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 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 and footprint projects. The IFRS 3 charge 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 million - £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.

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
- 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 the 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.

Additional information on APMs

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

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

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

Adjusted EBITDA	Underlying Operating Profit with Depreciation and Share-based payments expenses added back plus the pre-acquisition EBITDA of businesses acquired during the year covering the relevant pre-acquisition period less the EBITDA of businesses disposed of during the year.
Constant Currency or CC	Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.
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 period.
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 last twelve months average capital employed.
Return on Controllable Capital Employed or ROCCE	Underlying Operating Profit as a percentage of the last twelve months 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.

Tyman plc
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		**43,907**	37,190
Analysed as:			
Underlying[1] operating profit	3	**76,817**	69,803
Exceptional items	4	**(9,976)**	(10,900)
Amortisation of acquired intangible assets	7	**(22,934)**	(21,713)
Operating profit		**43,907**	37,190
Finance income		**224**	853
Finance costs		**(9,597)**	(8,667)
Net finance costs		**(9,373)**	(7,814)
Profit before taxation		**34,534**	29,376
Income tax charge	5	**(3,334)**	(8,641)
Profit for the year		**31,200**	20,735
Basic earnings per share	6	**17.61p**	11.98p
Diluted earnings per share	6	**17.49p**	11.93p
Non-GAAP alternative performance measures[1]			
Underlying[1] operating profit		**76,817**	69,803
Underlying[1] profit before taxation	6	**68,284**	62,079
Basic underlying earnings per share	6	**26.91p**	25.41p
Diluted underlying earnings per share	6	**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 34 for non-GAAP alternative performance measures.*

Tyman plc
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	9	**(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**	(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.

Tyman plc
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	424	18,151	-	-	-	-	-	18,575
Issue of own shares from Employee Benefit Trust	-	-	-	2,843	-	-	(2,843)	-
Purchase of own shares from 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 from 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 distributable 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.*

TYMAN PLC

Tyman plc
Consolidated balance sheet
As at 31 December 2017

	Note	**2017 £'000**	2016 £'000 (restated)
TOTAL ASSETS			
Non-current assets			
Goodwill	7	**323,799**	344,873
Intangible assets	7	**103,393**	130,684
Property, plant and equipment		**68,424**	71,459
Other receivable		**1,112**	-
Deferred tax assets		**11,851**	15,933
		508,579	562,949
Non-current assets held for sale		**1,275**	-
		509,854	562,949
Current assets			
Inventories		**75,341**	71,091
Trade and other receivables		**70,062**	67,254
Cash and cash equivalents		**42,563**	40,917
Derivative financial instruments		**94**	506
		188,060	179,768
TOTAL ASSETS		**697,914**	742,717
LIABILITIES			
Current liabilities			
Trade and other payables		**(65,916)**	(71,197)
Derivative financial instruments		**(29)**	-
Borrowings	8	**(1,108)**	-
Current tax liabilities		**(3,964)**	(4,337)
Provisions		**(11,024)**	(4,544)
		(82,041)	(80,078)
Non-current liabilities			
Borrowings	8	**(204,309)**	(216,470)
Derivative financial instruments		**(275)**	(291)
Deferred tax liabilities		**(24,949)**	(42,658)
Retirement benefit obligations	9	**(12,407)**	(17,108)
Provisions		**(6,435)**	(8,124)
Other payables		**(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		**8,929**	8,929
Share premium		**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

TYMAN PLC

Tyman plc
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	11	**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		**(2,184)**	(2,543)
Pension contributions	9	**(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		**(15,353)**	(12,615)
Purchases of intangible assets	7	**(1,076)**	(2,818)
Proceeds on disposal of property, plant and equipment		**3,803**	172
Acquisitions of subsidiary undertakings, net of cash acquired	10	**(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		**(19,497)**	(15,578)
Net proceeds on issue of shares		**-**	18,575
Purchase of own shares from 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 gains on cash and cash equivalents		**(507)**	1,045
Cash and cash equivalents at the beginning of the year		**40,917**	29,975
Cash and cash equivalents at the end of the year		**42,563**	40,917

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 fourteen 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 10.

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 has sufficient resources for its operational needs that will enable the Group to remain in compliance with its financial covenants in its bank facilities for at least the next twelve months. Accordingly, the Directors continue to adopt the going concern basis.

3. Segment reporting

3.1 Accounting policy

3.1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied, stated net of discounts, returns, 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, are responsible for allocating resources and assessing performance of the operating segments.

3.2 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions: 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 have been 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 the ERA Division in notes 3.2.1 and 3.2.4.

The following tables present Group revenue and profit information for the Group's 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	4	**(9,976)**	(10,900)
Amortisation of acquired intangible assets	7	**(22,934)**	(21,713)
Operating profit		**43,907**	37,190
Net finance costs		**(9,373)**	(7,814)
Profit before taxation		**34,534**	29,376

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.*

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. Exceptional items

4.1 Accounting policy

Where certain income or expense items recorded in the period are material by their size or incidence the Group presents such items as exceptional within a separate line on the income statement except for those exceptional items that relate to net finance costs 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 and property provision releases.

4.2 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 exceptional costs 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 from the respective disposal and exit from the Canton, South Dakota and Sioux Falls, South Dakota facilities, and £3.3 million past service costs relating to the 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 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 of surplus non-trading provisions 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.

5. Taxation

5.1 Accounting policy

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

5.1.1 Key source of estimation uncertainty: deferred tax assets

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

5.2 Taxation – income statement and other comprehensive income

5.2.1 Tax on profit on ordinary activities

	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	**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	**(1,181)**	267
Deferred tax credit/(charge) on share-based payments	**267**	(316)
Deferred tax credit on translation	**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)

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 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.

5.2.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 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)

6. Earnings per share

6.1 Non-GAAP alternative performance measures accounting policy

The Directors believe that the underlying profit and earnings per share measures provide additional useful information to shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally. The underlying profit before tax measure is not recognised under IFRS and may not be comparable with underlying profit measures used by other companies (see Alternative Performance Measures on page 34).

6.2 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.

6.2.1 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

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

The Group presents an underlying earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets and certain non-recurring items. Underlying earnings per share has been calculated using the underlying profit before taxation and using the same weighted average number of shares in issue as the earnings per share calculation. See Alternative Performance Measures on page 34.

Underlying profit after taxation is derived as follows:

	Note	**2017 £'000**	2016 £'000
Profit before taxation		**34,534**	29,376
Exceptional items	4	**9,976**	10,900
Gain/(Loss) on revaluation of fair value hedge		**440**	(328)
Amortisation of borrowing costs		**400**	412
Unwinding of discount on provisions		**-**	6
Amortisation of acquired intangible assets	7	**22,934**	21,713
Underlying profit before taxation		**68,284**	62,079
Income tax charge	5	**(3,334)**	(8,641)
Add back: US Federal rate change adjustment	5	**(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 borrowing costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provision.*

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

7. Goodwill and intangible assets

7.1 Accounting policy

7.1.1 Goodwill

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

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

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

7.1.2 Intangible assets

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

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

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

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

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

- the expenditure attributable to the software product during its development can be reliably measured.

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

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

7.1.3 Impairment of goodwill and intangible assets

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

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

As at 31 December 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.

7.2 Carrying amount of goodwill

	Note	£'000
Net carrying value		
At 1 January 2016		253,718
Acquisitions of subsidiaries (restated)	10	41,196
Exchange difference (restated)		49,959
At 31 December 2016 (restated)		344,873
Acquisitions of subsidiaries	10	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

7.2.1 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.

7.3 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)	10	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	10	-	462	2,361	2,823
Transfers to property, plant and equipment		(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		(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		(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.

8. Interest-bearing loans and borrowings

8.1 Accounting policy

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

8.2 Carrying amounts of interest-bearing loans and borrowings

	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.

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)

8.2.1 Bank borrowings

Multi-currency revolving credit facility

On 10 June 2014, the Group entered into a banking facility of up to £240.0 million, comprising a £180.0 million committed multi-currency revolving credit facility and a £60.0 million uncommitted accordion facility. The banking facility 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 twelve months	**(49,980)**	(45,370)

On 19 February 2018, the Group entered into the 2018 Facility (see note 12).

Giesse borrowings

The Group acquired bank borrowings as part of the acquisition of Giesse (note 10). 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.

8.2.2 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..

9. Retirement benefit obligations

9.1 Accounting policy

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

9.1.1 Pension obligations

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Past service costs are recognised immediately in income.

9.1.2 Other post-employment obligations

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

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

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

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

9.2 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee-administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due. The Group had unpaid pension contributions of £0.2 million (2016: £Nil) included within employee benefit liabilities.

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

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

	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) for:		
Defined pension benefits	**(279)**	(1,186)
Post-employment medical benefits	**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 vendors 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.

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

	Note	Present value of obligations		Fair value of plan assets		Net defined liability	
		2017	2016	**2017**	2016	**2017**	2016
		£'000	£'000	**£'000**	£'000	**£'000**	£'000
Balance at 1 January		**(52,673)**	(25,429)	**35,565**	15,502	**(17,108)**	(9,927)
Included in the income statement:							
Current service credit/(cost)		**406**	(523)	**-**	-	**406**	(523)
Past service credit		**3,287**	-	**-**	-	**3,287**	-
Administration costs		**-**	-	**(330)**	(363)	**(330)**	(363)
Interest (expense)/income		**(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							
Remeasurement (loss)/gain arising from:							
Net gain/(loss) on plan assets, excluding amounts included in interest expense		**-**	-	**1,931**	(706)	**1,931**	(706)
Gain/(loss) from change in demographic assumptions		**1,044**	265	**-**	-	**1,044**	265
Gain/(loss) from change in financial assumptions		**(3,811)**	(253)	**-**	-	**(3,811)**	(253)
Experience 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	10	**-**	(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. Net expense is included within net finance income and costs.*

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.*

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

	Present value of obligations		Fair value of plan assets		Net defined liability	
	2017	2016	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000	**£'000**	£'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.

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 9 years for US plans and 10 years for Italian plans.

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-retirement medical benefit plan is anticipated to close at the end of 2018.

10. Business combinations

10.1 Accounting policy

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

Acquisition related costs are expensed as incurred.

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

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 7). If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

10.1.1 Critical accounting estimates and judgements: acquisition accounting

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

10.2 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 twelve months of the date of acquisition.

The consideration paid and the fair value of net assets assumed are as follows:

	Note	£'000
Intangible assets	7	2,823
Property, plant and equipment		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		(483)
Provisions		(200)
Total identifiable net assets		3,017
Goodwill arising on acquisition	7	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 (note 4).

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 uncollectible.

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.

10.3 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	7	45,342	155	-	**45,497**
Property, plant and equipment		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		(7,951)	-	-	**(7,951)**
Retirement benefit obligations	9	(3,585)	-	-	**(3,585)**
Provisions		(4,711)	491	-	**(4,220)**
Total identifiable net assets		45,501	4,265	(66)	**49,700**
Goodwill arising on acquisition	7	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.

11. Adjustments to cash flows from operating activities

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

	Note	**2017 £'000**	2016 £'000
Net finance costs		**9,373**	7,814
Depreciation		**11,599**	10,701
Amortisation of intangible assets	7	**24,249**	22,662
Impairment of property, plant and equipment		**114**	1,107
Profit on disposal of property, plant and equipment		**(878)**	63
Write-off of inventory fair value adjustments	4	**22**	5,698
Pension service costs and expected administration costs	9	**(3,363)**	886
Non-cash provision movements		**7,340**	(1,943)
Profit on disposal of business	4	**-**	(250)
Share-based payments		**1,987**	1,047
Other non-cash adjustments		**-**	209
		50,443	47,994

12. Events after the reporting year

12.1 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 8) was repaid in full and cancelled.

12.2 Property disposal

On 7 February 2018, the Statesville, North Carolina freehold property was sold for US$1.4 million.

DEFINITIONS

Bilco	The Bilco Company acquired by the Group's AmesburyTruth Division on 1 July 2016.
Giesse	Giesse Group acquired by the Group's Schlegel International Division on 7 March 2016.
Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
Revenue	The gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of the Group.
£ or Sterling	The lawful currency of the United Kingdom.
US$	The lawful currency of the United States of America.

GLOSSARY OF TERMS

APM	Alternative Performance Measure
bps	Basis points
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EMEAI	Europe, Middle East and Africa and India region
IFRS	International Financial Reporting Standards
JCHS	Joint Centre for Housing Studies of Harvard University
LIRA	Leading Indicator of Remodelling Activity published quarterly by JCHS
NAHB	The National Association of Home Builders
NPD	New Product Development
OEM	Original equipment manufacturer
PPE	Property, plant and equipment
RMI	Renovation, maintenance and improvement
SKU	Stock Keeping Unit
TFR	Trattamento di fine Rapporto
US	United States of America

UK	United Kingdom

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

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.