

**TYMAN PLC**

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

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015.

**Financial highlights**

<b>£'million unless stated</b>	<b>2015</b>	2014	<b>Change</b>	<b>CC LFL<sup>(1)</sup></b>
Revenue	<b>353.4</b>	350.9	<b>+ 0.7 %</b>	<b>+ 0.4 %</b>
Underlying Operating Profit	<b>51.4</b>	46.1	<b>+ 11.6 %</b>	<b>+ 6.0 %</b>
Underlying Profit before taxation	<b>44.9</b>	41.6	<b>+ 7.9 %</b>	<b>+ 2.9 %</b>
Underlying EPS	<b>19.25p</b>	18.61p	<b>+ 3.4 %</b>	
Dividend Per Share	<b>8.75p</b>	8.00p	<b>+ 9.4 %</b>	
Underlying Net Debt	<b>83.2</b>	90.7	<b>(8.3) %</b>	<b>(12.6) %</b>
Leverage	<b>1.35x</b>	1.56x	<b>(0.21)x</b>	
Return on Capital Employed	<b>12.5 %</b>	11.4 %	<b>+ 110 bps</b>	

(1) CC LFL = Constant Currency Like for Like (see definition on page 27)

**Statutory financial highlights**

<b>£'million unless stated</b>	<b>2015</b>	2014	<b>Change</b>
Profit before taxation	<b>15.6</b>	11.9	<b>+ 30.8 %</b>
Basic EPS	<b>4.57p</b>	5.56p	<b>(17.8) %</b>
Net Debt	<b>81.6</b>	88.7	<b>(8.0) %</b>

**Business highlights**

- Strong margin progression, profit drophthrough and cash conversion despite challenging markets
- Acquisitions of Response Electronics and Giesse announced
- Improved results for AmesburyTruth mitigated impact of lower outturn from ERA; Schlegel modestly profitable as expected
- Cumulative AmesburyTruth synergies delivered in 2015 of US\$8.5 million; 70 per cent. higher than initial estimates
- Good progress made with AmesburyTruth footprint project which will generate at least US\$10.0 million of annual benefit by 2020

- Consolidation of three ERA facilities at new West Midlands location announced
- Closure of Schlegel Barcelona, Spain facility and relocation to Newton Aycliffe, UK
- Leverage ratio reduced to 1.35x and further improvement in ROCE to 12.5 per cent. towards stated target of 15.0 per cent.

### **2016 Trading to date**

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

### **Louis Eperjesi, Chief Executive, commented:**

*"2015 was a year of profitable growth for Tyman against a backdrop of more difficult market conditions in most of our key geographies.*

*"Despite subdued markets, a combination of pricing initiatives, business improvements, new product launches and synergy delivery again ensured that the Group generated strong profit drophrough, margin progression and cash conversion across the year as a whole.*

*"2016 has started in line with our expectations across each of the Divisions. Although we expect that the majority of our markets will remain challenging, we will continue to deploy our self help strategy to enhance our operating efficiency and improve our cost base.*

*"We will continue to develop and extend the Group's product portfolio through a combination of internal R&D and targeted acquisitions. The improvements we have made to the Group over the past six years, combined with our strong financial position, means that we remain well positioned to take advantage of opportunities as they arise.*

*"We are pleased to have completed the acquisitions of Giesse and Response and, on behalf of the Board, I would like to welcome their respective management and employees to the Group."*

Enquiries:

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Tyman will host an analyst and investor presentation at 11.00 a.m. today, Tuesday 8 March 2016, at the offices of Canaccord Genuity, 88 Wood Street, London EC2V 7QR.

The presentation will be webcast at [www.tymanplc.com](http://www.tymanplc.com) and the audio conference call details are set out below.

**Conference Call Dial In Details**

Toll number	020 3139 4830
Toll-free number	080 8237 0030
Participant PIN	71396438#

**Forthcoming dates**

Ex-dividend date	21 April 2016
Dividend record date	22 April 2016
Annual General Meeting	13 May 2016
Dividend payment date	20 May 2016
Half Year Results Announcement	26 July 2016

**Notes to editors**

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

Following the acquisitions of Giesse and Response Electronics, the Group employs over 3,300 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 [www.tymanplc.com](http://www.tymanplc.com).

## **RESULTS OVERVIEW**

2015 was a year of profitable growth for Tyman against a backdrop of more difficult market conditions in most of our key geographies. Housing markets continued to recover in the United States, however at a slower pace than in recent years, and Canadian markets were impacted by a slowing economy. In the UK, markets were broadly flat across the year and although certain European markets showed some encouraging signs, overall growth remained relatively subdued.

For 2015 we have reported Revenue of £353.4 million, slightly ahead of 2014. Despite only modest growth in the top line the Group increased reported Underlying Operating Profit by 11.6 per cent. to £51.4 million.

On a constant currency, like for like basis, Revenue increased by 0.4 per cent. and Underlying Operating Profit increased by 6.0 per cent.. We demonstrated strong margin progression, with gross margins improving by 109 bps and Underlying Operating Margins by 142 bps. Our Underlying Earnings Per Share increased by 3.4 per cent. to 19.25 pence (2014: 18.61 pence) reflecting improved profitability, higher interest charges and an increased Underlying effective tax rate.

ROCE improved by 110 bps to 12.5 per cent. as we continue to make progress towards our medium term target of a ROCE of 15 per cent..

Leverage at the year end of 1.35x was 0.21x lower than 12 months ago and below our core year end target range of 1.50x to 2.00x. Our operating cash conversion was strong at 84.9 per cent. and this was achieved despite further investments made in the balance sheet during the year, including gross capital expenditure at 1.50x depreciation.

### **Operating Division Overview**

AmesburyTruth saw broadly flat volumes in the year, however the Division significantly improved its profitability due to good progress on pricing initiatives and delivery of synergies.

2015 saw the completion of the integration of the Amesbury and Truth businesses in North America. Synergies realised from the combination since the 2013 acquisition total US\$8.5 million – some 70 per cent. ahead of our original estimate. We are making good progress with the first phase of the North American footprint project announced in March 2015 and still expect that this project will generate at least US\$10.0 million of incremental profit for AmesburyTruth by 2020.

ERA had a more challenging year with the UK RMI market not showing the recovery expected in the second half of the year, however our new product introductions were well received and we are starting to regain share in distribution. In September 2015 ERA completed the disposal of EWS for consideration of approximately £7.5 million.

In 2015, end-markets were more promising for Schlegel International with European markets, other than Russia, generally firmer across the year. The consolidation of European pile weatherstrip manufacture at our Newton Aycliffe, UK plant will give the Division a more appropriate manufacturing footprint and lead to improved service levels.

We have today also announced the completion of two acquisitions, Response Electronics in ERA and Giesse in Schlegel International. Response will help accelerate the development of wireless alarms, electronic access and smart home capabilities within the Group and enhance our routes to market including the distribution channel. Giesse

represents our first European hardware acquisition, which has been one of our strategic priorities for some time and is expected to strengthen the Group's existing business model and underpin our growth objectives.

### **Dividend**

The Board is recommending a final dividend for 2015 of 6.09 pence per share (2014: 6.00 pence per share) which, together with the interim dividend of 2.66 pence per share, gives a 9.4 per cent. increase in the total dividend for the year to 8.75 pence per share (2014: 8.00 pence per share).

### **2016 Priorities**

Our key priorities for 2016 are a continuation of the themes we developed in 2015 and include:

1. The successful integration of Giesse and Response into the Tyman Group, along with implementation of the synergy plans we have developed.
2. Completion of the first phase of the AmesburyTruth footprint project together with the construction and fit out of ERA's new West Midlands facility and the exit from Schlegel International's facility in Barcelona.

Our aim is to ensure that each Division operates from safe, modern and flexible facilities that are able to manage the increasing demands of their respective customer bases. Our footprint needs to be appropriate for the medium term needs of the business, taking into account opportunities for near shoring of those products best made or sourced close to the point of consumption.

3. Continuing to encourage strong communication, consistency of approach and standards of excellence across each of the Divisions. For our end customer, wherever they are located, this should mean the availability of a differentiated product offering at an appropriate price, delivered to specification, on time and in full.
4. Financial objectives for each of our Divisions for the year remain centred on sustained margin improvement and cash generation along with continued growth in the Group's average return on capital. We will retain our focus on pricing discipline and margin management in 2016.
5. Continued investment in and improvement of the businesses; in particular in the areas of new product development, people, supply chain and capital projects with a focus on automation and lean manufacturing to ensure we differentiate ourselves from our competitors and continue to grow market share.
6. Supplementing our organic and self help initiatives through our active acquisition programme, prioritising European markets where we currently have a niche seals range and where Giesse gives the Group a comprehensive European hardware offering for the first time. Commercial markets in North America and emerging markets where market position can best be obtained through acquisition also remain areas of interest.

## **Outlook**

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

In the US, permit and start levels for single family homes strengthened somewhat over the second half of 2015 giving us confidence that 2016 should see a further year of growth in the US new build market. R&R is also expected to show year on year improvement, however growth is expected to be at similar levels to that seen in 2015 rather than a return to 2014 growth rates. We expect that the Canadian market will continue to contract in 2016.

The subdued UK market conditions seen in 2015 are expected to persist into 2016 with continued growth in new build but uncertain growth prospects for RMI markets. ERA expects that it will be able to regain some market share during 2016 through growth in both the OEM and distribution channels.

In 2016 we expect that European market conditions will remain similar to those seen in 2015 with certain markets showing modest growth off a low base. Progress will therefore depend on successful implementation of self help initiatives. Our streamlined manufacturing footprint should enable the businesses to be more responsive to customer demand; however material profit improvement in the core Schlegel sealing business remains dependent on European volumes recovering towards historic levels which, given the macroeconomic environment, we see little sign of coming through in 2016.

We expect continued improvement in Australasian markets in 2016 however Brazil and China are likely to remain subdued for the foreseeable future.

The integration of Giesse into Schlegel International is expected to lead to opportunities for cross selling of product into the respective Schlegel and Giesse customer bases and the increased size of the Division should lead to improved operational efficiency. Giesse has traded in line with expectations in the year to date.

**OPERATIONAL REVIEW**
**AMESBURYTRUTH**

<b>£'million except where stated</b>	<b>2015</b>	2014 <sup>(1)</sup>	<b>Change</b>	<b>CC LFL</b>
Revenue	<b>238.0</b>	220.7	<b>+ 7.8 %</b>	<b>+ 1.8 %</b>
Underlying Operating Profit	<b>43.5</b>	36.4	<b>+ 19.5 %</b>	<b>+ 11.2 %</b>
<i>Underlying Operating Margin</i>	<b>18.3 %</b>	16.5 %	<b>+ 178 bps</b>	

<b>US\$m except where stated</b>	<b>2015</b>	2014	<b>Change</b>	<b>LFL</b>
Revenue	<b>363.8</b>	363.7	<b>Flat</b>	<b>+1.8 %</b>
Underlying Operating Profit	<b>66.6</b>	60.1	<b>+ 10.8 %</b>	<b>+ 11.2 %</b>
<i>Underlying Operating Margin</i>	<b>18.3 %</b>	16.5 %	<b>+ 178 bps</b>	

(1) 2014 comparatives for Underlying Operating Profit have been restated per the RNS announcement dated 9 February 2016. A reconciliation of historic operating segment data may be found on the Group website

**Markets**

The housing market in the United States continued to recover through 2015 with seasonally adjusted residential private housing starts up 6.4 per cent. in the year to 1,149,000 and completions (our most relevant in-year new build indicator) up 7.9 per cent. to 1,013,000. Single family housing starts increased by 6.1 per cent. and completions by 4.7 per cent. in the year.

R&R overall continued to improve, although growth was at a much slower rate than seen in 2014. The NAHB Remodelling Market Index for 2015 increased by 5.3 per cent. (2014 restated: 11.2 per cent.) however many of our customers expressed the view that window and door R&R fell behind the overall R&R market during the year. Accordingly we believe that growth in window and door R&R in 2015 was closer to 2.0 per cent.. In commercial we estimate that the US market grew by 10.2 per cent. in the year.

Taking into account our customers views on R&R, we believe the market for our products in the United States improved by around 3.7 per cent. in 2015.

The Canadian market saw significant weakness in single family construction with starts decreasing by 9.8 per cent. and completions by 7.0 per cent.. Multi family, where we have a much smaller presence, continued to grow with starts increasing by 12.0 per cent. and completions by 17.2 per cent.. Overall, we believe that the Canadian market for our products contracted by approximately 3.0 per cent. across the year as a whole.

Combining the United States and Canadian statistics would indicate the addressable North American market for AmesburyTruth grew by just over 2.0 per cent. over the year.

## **Performance**

AmesburyTruth's Revenue improved by 1.8 per cent. on a constant currency like for like basis year on year to US\$363.8 million (2014: US\$363.7 million). Reported Revenue translated into Sterling increased by 7.8 per cent. to £238.0 million (2014: £220.7 million) benefiting from the strengthening of the US Dollar over the year.

Volumes were broadly flat for the Division year on year; however we made good progress during the year with pricing initiatives. These included a general price increase across most product lines, the refinement of list prices for low volume and lower margin business and a review of freight, discounting and cost to serve arrangements. Appropriate pricing, margin management and price discipline will remain a focus for AmesburyTruth in 2016.

Like for like Underlying Operating Profit increased by 11.2 per cent. to US\$66.6 million (2014: US\$60.1 million) and Underlying Operating Margin improved from 16.5 per cent. to 18.3 per cent. due to the drophrough of incremental pricing and delivery of synergies.

Revenue generated in the United States increased by approximately 3.8 per cent. (2014: 7.3 per cent. increase) in the year with a number of our larger customers having relatively strong years; despite the general market backdrop. Margin management and price discipline meant that we conceded some market share among smaller customers in the US during the year; however encouragingly towards the end of the year a number of those customers started to return. We are conducting an evaluation of how we might restructure our route to market for our smaller customers such that we can improve our service levels still further. Consolidation among the customer base continued in 2015; which we expect will allow AmesburyTruth further opportunities to sell its differentiated product offering.

We had a more mixed year in terms of our three strategic priorities. We made further progress in door hardware with Revenue increasing by 8.3 per cent. (2014: 13.2 per cent.) as we continue to take share through a mix of deeper penetration of existing accounts and new customer wins. Commercial, which tends to be more project based and where we remain a relatively small player, increased Revenue by 1.0 per cent. (2014: 23.6 per cent.). Canadian Revenue decreased by 9.5 per cent. (2014: 13.0 per cent. increase) reflecting the difficult market conditions in 2015, particularly in Western Canada and the significant depreciation in the value of the Canadian Dollar against the US Dollar across the year.

## **Business developments**

During 2015 the integration of the Amesbury and Truth businesses generated approximately US\$8.5 million of cumulative cost and revenue synergies; some 70 per cent. higher than the original synergy target announced at the time of the acquisition.

We completed a key ERP implementation in our hardware business encompassing three sites; including Juarez, Mexico and two business lines. This has led to a significant improvement in the quality of data available to those business lines. Preparations are now underway for a further two facilities to join the ERP system during the course of 2016.



We closed the Ontario, California facility with core extrusion manufacturing being transferred to our extrusion centre of excellence in Cannon Falls, Minnesota. Coupler manufacturing was transferred to the Fremont, Nebraska facility with the remaining non core revenue stream being sold to a local generalist extruder.

Four automation projects were delivered in 2015 with a total investment of approximately US\$1.8 million, principally in the area of hinge assembly. Automation of less efficient manual processes remains a focus for the Group and a key element of the North American footprint project includes the review of existing manufacturing processes and whether they remain fit for purpose.

We have continued with initiatives to develop the next generation of products across certain key segments of our portfolio including foam door and window seals, window balances and casement operators and have a number of products that will come to market in 2016. We successfully converted production of our premium Q-Lon product to a more environmentally friendly formulation and are exploring whether this can be applied to Q-Lon manufacture in Schlegel International.

The AmesburyTruth training academy at Owatonna, Minnesota launched during the year and has had pleasing initial results with increased levels of shop floor employee retention and reduced requirement for temporary hires. We will introduce a modified version of the academy in our Juarez, Mexico facility during 2016.

A key focus for the Division since the acquisition of Truth in 2013 has been on improving overall levels of safety in the workplace and in particular the ergonomic environment that AmesburyTruth employees have to work in. While progress in safety improvements has been slower than we would have liked, the various initiatives in this area have led to a reduction in workers' compensation claims for AmesburyTruth from US\$1.2 million in 2012 to US\$0.6 million in 2015.

### **North American footprint review and evaluation**

In March 2015 we announced a five year plan to reduce the number of sites that the Group operates within North America; while still ensuring that AmesburyTruth retains sufficient flexibility to service its customer base and take share in a growing market.

We continue to believe that this project will bring significant opportunities to drive efficiencies and improve how AmesburyTruth services its customer base; as well as lead to further improvements in the Division's financial performance.

As part of the project we have announced the planned closure of the Canton, South Dakota plant which will complete by the end of this year. We have taken additional space at our Juarez, Mexico plant, more than doubling the size of the facility and completed a number of plant and equipment moves. We have now identified the preferred locations of the four manufacturing centres of excellence and are engaged in discussions with landlords and local authorities concerning the most appropriate layout for each of the facilities. Phase one of the project remains on schedule to complete in the first quarter of 2017 and we expect the overall project will complete by 2020.

Capital expenditure was broadly in line with the plan outlined in March 2015, however P&L costs in the year were lower than expected due to phasing of the project. Over the year we have refined our estimates of the total costs of the project and their likely phasing. We still expect that the annualised cost benefits of the successful implementation of the footprint restructuring will be not less than US\$10.0 million per

annum; with incremental benefits from the restructuring starting to flow from 2017 and full benefits from 2020.

*Analysis of North American footprint project costs and benefits*

<b>US\$'million</b>	<b>2015 Actual</b>	<b>2016 Estimate</b>	<b>2017 – 19 Estimate</b>	<b>Total</b>
P&L cash costs	0.7	5.0	6.5	12.2
P&L non cash costs	0.1	3.0	6.0 – 8.0	9.1 – 11.1
<b>Total P&amp;L costs</b>	<b>0.8</b>	<b>8.0</b>	<b>12.5 – 14.5</b>	<b>21.3 – 23.3</b>
Capital Expenditure (Net)	1.8	6.5	6.0 - 9.0	14.3 – 17.3
<b>Total cash costs</b>	<b>2.5</b>	<b>11.5</b>	<b>12.5 - 15.5</b>	<b>26.5 - 29.5</b>
<b>P&amp;L saving<sup>(1)</sup></b>	<b>-</b>	<b>-</b>	<b>2.0 → 7.0</b>	<b>10.0</b>

(1) P&L saving of c. US\$2.0 million in 2017 rising to c. US\$7.0 million in 2019; Total P&L saving represents annual run rate P&L savings from 2020

**North American outlook**

Permit and start levels for single family homes strengthened somewhat over the second half of 2015 giving us confidence that 2016 should see a further year of growth in the US new build market. R&R is also expected to show year on year improvement, however growth is expected to be at similar levels to that seen in 2015 rather than a return to 2014 growth rates.

We expect that the Canadian market will continue to contract in 2016 and given the sustained depreciation in the Canadian Dollar, are exploring how best to serve our Canadian customer base.

2016 initiatives include the completion of the first phase of our North American footprint project and additional ERP implementations across a number of sites. We will continue to improve our facilities in order to make them safer operating environments and to invest in the training and development of our employees. We also continue to explore acquisition opportunities in North America, particularly in the commercial space.

## ERA

Reported ERA segmental results<sup>(1)</sup>

<b>£'million except where stated</b>	<b>2015</b>	2014 <sup>(2)</sup>	<b>Change</b>
Revenue	<b>78.1</b>	86.5	<b>(9.7) %</b>
Underlying Operating Profit	<b>11.6</b>	13.0	<b>(11.1) %</b>
<i>Underlying Operating Margin</i>	<b>14.8 %</b>	15.1 %	<b>(23) bps</b>

Non statutory ERA results<sup>(3)</sup>

<b>£'million except where stated</b>	<b>2015</b>	2014	<b>Change</b>
Revenue	<b>66.7</b>	67.8	<b>(1.5) %</b>
Underlying Operating Profit	<b>10.3</b>	11.3	<b>(8.7) %</b>
<i>Underlying Operating Margin</i>	<b>15.4 %</b>	16.6 %	<b>(120) bps</b>

(1) Includes EWS Revenue and Underlying Operating Profit up to the date of disposal

(2) 2014 comparatives for Revenue and Underlying Operating Profit have been restated per the RNS announcement dated 9 February 2016. A reconciliation of historic operating segment data may be found on the Group website

(3) Excludes EWS Revenue and Underlying Operating Profit from both 2014 and 2015 financials

## Market

The UK market was more subdued in 2015 with RMI not sustaining the consistent growth that we had seen in 2013 and 2014. New build, which only comprises approximately 10 per cent. of the market, continued to make progress during 2015.

The CPA estimate that UK Private Housing RMI overall grew by c. 2.0 per cent. during the year (2014: 8.2 per cent.) and estimate that new build activity in 2015 increased by approximately 10.0 per cent. (2014: 10 per cent.). Overall, we believe that the market for ERA's products (excluding EWS) improved slightly in 2015 although at a much slower rate than in 2014.

## Performance

ERA had a mixed year with some growth and share gains being generated through the OEM customer base, however with a disappointing performance in distribution where we lost some share.

Reported Revenue decreased overall by 9.7 per cent. to £78.1 million (2014 restated: £86.5 million) and reported Underlying Operating Profit decreased by 11.1 per cent. to £11.6 million (2014 restated: £13.0 million).

Once the impact of the disposal of EWS is stripped out, the decline in Revenue was 1.5 per cent. and in Underlying Operating Profit was 8.7 per cent. with the lower volumes through distribution in particular impacting profitability. The relative strength of Sterling also depressed Underlying Operating Profit by approximately £1.5 million over the course of the year and more than offset any benefits derived by the Division from lower raw material costs in the Far East. In part this was recovered through pricing actions.

We saw strong growth in our Bifold hardware offering which continues to take significant share in the market. Our new products, including the proprietary Invincible™ cylinder lock and our refreshed range of PVC window hardware, also performed well and we successfully launched our first range of electromechanical products into the UK market.

Ventrolla, our sash window refurbishment business, had another strong year with Revenue increasing some 6.8 per cent. (2014: 14.4 per cent.) and continues to make good progress in developing its domestic and commercial businesses.

### **Business developments**

The rebranding of Grouphomesafe as ERA during 2015 was well received by the market and we have since extended the rebranding to encompass our UK window balance business. The ERA Division now comprises the ERA door, window and lock businesses; Response Electronics; Fab & Fix; and Ventrolla.

We have made further investment in the ERA leadership team and made new external appointments in the year to a number of key roles including HR, Operations, Supply Chain, and Sales. We have also reappraised our approach to the Distribution Sector and are starting to win back some listings.

We have continued to invest in our supply chain and have made good progress in establishing Tyman Sourcing Asia which now has responsibility for all the Group's Far Eastern sourcing activities. Improvements in forecasting within the supply chain led to a two thirds reduction in air freight charges incurred by the Division during the year.

During 2016 we intend to consolidate our three UK distribution sites onto a single location in the West Midlands. Plans are well advanced for the development of a mixed use site that will include our distribution warehousing, light manufacturing and assembly capabilities, a test centre, offices and showroom. It is expected that the new site will be available for occupation in the first half of 2017. In 2015, in preparation for the consolidation, we restructured a number of back office functions across the Division and migrated Fab & Fix and ERA onto a common IT platform.

Ventrolla has also recently announced plans to relocate to a new facility in Harrogate that will allow the business to expand its joinery operation and enhance its customer proposition. Total capital expenditure associated with the two relocation projects is estimated at £4.0 million.

### **M&A activity in ERA**

In September 2015 we completed the disposal of EWS for consideration of approximately £7.5 million. In 2015, up until the date of disposal, EWS contributed Revenue of £11.3 million (FY2014: £18.7 million) to the Group and Underlying Operating Profit of £1.3 million (FY2014: £1.7 million).

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

Response owns a number of consumer brands as well as UK distribution rights to a variety of high quality electromechanical products. In addition, Response offers e-commerce expertise and access to established relationships with national UK and online retailers that should help improve ERA's distribution route to market. The acquisition of

Response will also help accelerate the development of wireless alarms, electronic access and smart home capabilities within the Group.

ERA has paid an initial cash consideration of £0.9 million with a further capped payment to be made in 2019 determined on a multiple of the Underlying EBITDA generated by Response in the year ending 31 December 2018.

In the twelve months ended 31 December 2015, Response recorded Revenue of approximately £3.4 million.

### **UK outlook**

The subdued UK market conditions seen in 2015 are expected to persist into 2016 with continued growth in new build but uncertain growth prospects for RMI markets. ERA expects that it will be able to regain some market share during 2016 through growth in both the OEM and distribution channels.

The Division's online portal, ERA Everywhere, has now been launched and over the course of the year, we will start to migrate our OEM customer base onto online ordering of product. Our new electronic lock offering is now in testing and will be launched to the before the half year and we continue to target further market share gains with our Bifold hardware range.

**SCHLEGEL INTERNATIONAL**

<b>£'million except where stated</b>	<b>2015</b>	2014 <sup>(1)</sup>	<b>Change</b>	<b>CC LFL</b>
Revenue	<b>37.4</b>	43.7	<b>(14.5) %</b>	<b>(4.6) %</b>
Underlying Operating Profit	<b>1.6</b>	1.3	<b>+ 23.5 %</b>	<b>+ 1.4 %</b>
<i>Underlying Operating Margin</i>	<b>4.2 %</b>	2.9 %	<b>+ 130 bps</b>	

(1) 2014 comparatives for Revenue and Underlying Operating Profit have been restated per the RNS announcement dated 9 February 2016. A reconciliation of historic operating segment data may be found on the Group website

**Markets and Performance**

Schlegel's Revenue decreased by 14.5 per cent. to £37.4 million (2014 restated: £43.7 million) however, on a constant currency like for like basis the Revenue decline was less marked at approximately 4.6 per cent.. Underlying Operating Profit and Margin each showed some modest improvements compared with 2014.

Quarter on Quarter Revenue performance in each of Schlegel's key geographies is broken out in the table below.

<b>Country</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Year on Year</b>
UK & Ireland <sup>(1)</sup>	(2) %	(12) %	+ 2 %	(16) %	(7) %
Europe <sup>(2)</sup>	(6) %	(10) %	+ 2 %	(4) %	(5) %
Germany	(4) %	(15) %	+ 13 %	+ 1 %	(2) %
France	(8) %	(1) %	+ 8%	+ 1 %	(1) %
Italy	(12) %	(2) %	(3)%	+ 9 %	(3) %
Poland	+ 42 %	(1) %	+ 29 %	+ 2 %	+ 18 %
Norway	+ 16 %	+ 11 %	+ 12 %	+ 16 %	+ 14 %
Spain	(4) %	+ 19 %	+ 16 %	(4) %	+ 6 %
Russia	(49) %	(70) %	(65) %	(56) %	(60) %
Australia	+ 11 %	+ 1 %	+ 5 %	+ 13 %	+ 7 %
Brazil	(16) %	(13) %	(16) %	(25) %	(17) %
Singapore	+ 3 %	+ 21 %	+ 3 %	(25) %	0 %

(1) Sales of seal and extrusion products in the UK and Ireland in 2015 compared with 2014

(2) EMEA excluding the UK and Ireland

Following the changes made to the operating segments, Schlegel International now includes the sealing Revenue and Operating Profit generated in the UK and Ireland. In 2015 sealing Revenue in the UK and Ireland was approximately £6.4 million (2014: £7.0 million) with the decline year on year principally due to the slowdown in RMI markets seen in 2015 and the impact of a notably strong comparative in Q4 2014.

Trading conditions in the rest of EMEA, other than Russia, were generally firmer than in 2014 and Scandinavia, Benelux, Poland and Spain in particular saw more promising levels of growth across the year as a whole. Our three largest Continental European markets of Germany, France and Italy each had stronger second halves to the year.

If the impact of the significant decline in Russia is removed, our EMEA Revenue outside the UK and Ireland increased by approximately 1.5 per cent. in the year; the first increase in Revenue in these markets overall for some years.

The Brazilian economy was in recession in 2015 and construction markets were impacted by the economic slow down; however our business in Brazil has a market leadership position and made a meaningful contribution to the Division's performance.

In Australia we continued to take share through the sale of Truth products and recorded a solid sales performance from our core pile weatherstrip offering. Singapore was broadly flat across the year as a whole.

Profitability in Schlegel International improved year on year, reflecting the generally more stable trading environment in Europe, continued growth in the sale of Truth and other hardware products through the Division and reduced overheads following the closure of the Industrial Products business. 2014 comparatives were depressed somewhat by higher than usual levels of bad debt provision, reflecting the difficult trading seen in that year.

### **Business developments**

During September 2015 we announced the closure of our Barcelona, Spain manufacturing facility and have now consolidated the manufacture of pile weatherstrip product for Europe at our Newton Aycliffe site in the North East of England.

This consolidation will give the Division a more appropriate manufacturing footprint and lead to improved service levels. Total cash costs of closure and relocation are estimated at approximately Euro 8.0 million. The closure is expected to be completed in the second half of 2016 when the current lease in Barcelona expires.

The Division has continued to develop its product portfolio during the year, as it aims to offer a complete range of sealing solutions to the market. New product introductions in 2015 included the development and launch of a new extruded power pile product, further independent verification of the superior performance of our Q-Lon foam product and the development of a foamed TPE glazing seal.

The lockable casement operator developed in partnership with AmesburyTruth was successfully launched in Australia in 2015.

### **Outlook**

In 2016 we expect that European markets will remain similar to those seen in 2015 with certain markets showing modest growth off a low base. Progress will therefore depend on successful implementation of self help initiatives. Our streamlined manufacturing footprint should enable the businesses to be more responsive to customer demand; however material profit improvement in the core Schlegel sealing business remains dependent on European volumes recovering towards historic levels which, given the macroeconomic environment, we see little sign of coming through in 2016.

We expect continued improvement in Australasian markets in 2016 however Brazil and China are likely to remain subdued for the foreseeable future.

The integration of Giese into Schlegel International is expected to lead to opportunities for cross selling of product into the respective Schlegel and Giese customer bases and the increased size of the Division should lead to improved operational efficiency. Giese has traded in line with expectations in the year to date.



## **FINANCIAL REVIEW**

### **Revenue and profit**

Reported Group Revenue increased by 0.7 per cent. to £353.4 million (2014: £350.9 million). On a constant currency, like for like basis, Group Revenue increased by approximately 0.4 per cent. year on year.

Reported Gross Margin improved by 109 bps to 33.8 per cent. (2014: 32.7 per cent.), benefiting from pricing initiatives and the general raw material backdrop although offset in part by the weakness of Sterling.

Underlying Administrative Expenses decreased slightly to £68.0 million (2014: £68.7 million), principally reflecting continued delivery of cost synergy benefits in AmesburyTruth along with tight cost control across the Group as a whole.

Underlying Operating Profit increased by 11.6 per cent. to £51.4 million (2014: £46.1 million), and by 6.0 per cent. on a constant currency like for like basis. Despite a small decrease in volumes overall, we demonstrated good drophrough during the year with Underlying Operating Margins increasing by 142 bps to 14.6 per cent. (2014: 13.1 per cent.). Pricing actions increased Underlying Operating Profit year on year by £3.6 million and material cost movements were £0.8 million favourable. These more than offset general inflation increases of £2.5 million. Year on year productivity gains principally reflect delivery of synergy benefits in the United States.

Underlying Profit before Taxation increased by 7.9 per cent. to £44.9 million (2014: £41.6 million) and increased by 2.9 per cent. on a constant currency like for like basis. Reported Profit before Taxation increased by 30.8 per cent. to £15.6 million (2014: £11.9 million).

### **Amendments to operating segment analysis**

Following the closure of the Group's Barcelona, Spain facility, the Board reviewed the appropriateness of the disclosure of the Group's operating segments. Following this review, the 2015 operating segmental analysis disclosure has been presented under the Group's current organisational structure with the 2014 comparatives restated.

Under the revised segmental analysis, ERA comprises the Group's UK and Ireland hardware business; together with Ventrrolla. Schlegel International comprises all of the Group's other businesses outside the United States, Canada and Mexico including the two UK seal manufacturing plants previously reported as part of ERA. Tyman Sourcing Asia is reported through the ERA Division. This change reflects the Group's day to day operational and management structure in 2015, with the Schlegel International management team being responsible for each of Tyman's sealing businesses outside North America. No changes have been made to the AmesburyTruth segmental disclosure.

In addition, Tyman has implemented a revised methodology for the allocation of certain functional costs incurred centrally to the Group's operating segments. Historically, all centrally incurred costs were allocated pro rata to each Division, broadly on the basis of their proportional contribution to Group Revenue. Centrally incurred costs which are directly attributable to a Division have been allocated or recharged to that Division and all other centrally incurred costs and eliminations are disclosed in aggregate as a separate line item in the segmental analysis.

## Corporate Costs

Corporate costs increased to £5.3 million (2014: £4.7 million) reflecting increased headcount, share-based payments and travel.

## Materials and input costs

The raw material cost price backdrop continued to be relatively benign in 2015, although certain product items saw significant variations across the year. UK Far East Components saw a landed cost of products that was on average some 5.4 per cent. higher than seen in the previous year and prices of European Polypropylene spiked towards the half year before falling back in the final quarter of 2015.

<b>Overall Category</b> <b>£'million unless stated</b>	<b>2015</b> <b>Materials</b> <b>COS<sup>(1)</sup></b>	<b>Tracker</b> <b>Purchases</b>	<b>Average</b> <b>Tracker</b> <b>Price Mvt<sup>(2)</sup></b>	<b>Spot</b> <b>Tracker</b> <b>Price Mvt<sup>(3)</sup></b>
Steel <sup>(4)</sup>	33.6	US Stainless	(6.3) %	(18.7) %
Oil Derivatives	27.8	Euro Polypro	(13.0) %	(23.9) %
Zinc	21.4	US Zinc	+ 4.1 %	(9.3) %
UK Far East Components	36.0	UK Basket	+ 5.4 %	(3.9) %

(1) 2015 materials cost of sales for raw materials, components and hardware for overall category

(2) Average 2015 tracker price compared with average 2014 tracker price

(3) Spot tracker price as at 31 December 2015 compared with spot tracker price at 31 December 2014

(4) Following the disposal of EWS, Materials COS excludes 2015 purchases of steel by EWS of £7.9 million and the tracker has been changed to US stainless steel

## Exceptional items

<b>£'000</b>	<b>2015</b>	<b>2014</b>
Footprint restructuring	<b>4,515</b>	3,830
M&A and integration	<b>1,437</b>	1,718
Loss on disposal of business	<b>1,381</b>	-
Redundancy and restructuring	<b>914</b>	406
Property provision releases and disposals	<b>(684)</b>	(398)
<b>Exceptional items</b>	<b>7,563</b>	5,556

Exceptional items of £7.6 million were incurred during the year (2014: £5.6 million).

Footprint restructuring principally concerns the closure of the manufacturing facility in Barcelona, Spain which commenced in 2015 and is expected to be completed by the end of 2016, together with £0.5 million of costs directly attributable to the North American footprint project.

M&A and integration costs of £1.4 million relate to legal, financial, taxation and consultancy costs associated with M&A activity undertaken during 2015.

Loss on disposal of business of £1.4 million relates to the sale of EWS announced in September 2015 for net cash consideration of £6.8 million and includes the write off of goodwill and intangible assets associated with EWS of £5.9 million.

Redundancy and restructuring comprises certain one off redundancy and restructuring programmes undertaken by Divisions during the year; most notably the restructuring of the ERA Division in anticipation of the consolidation onto a single site in 2017.

Property disposals and provision releases of £0.7 million comprises £0.2 million of profit realised on the disposal of Land and Buildings in the UK together with £0.5 million of surplus onerous lease provisions released during the year. In 2014 gains of £0.4 million were realised following the disposal of surplus property in the United States.

Exceptional items (excluding the EWS disposal) comprise £3.1 million of costs cash settled in 2015 (2014: £1.9 million) and £3.1 million of non cash costs (2014: £3.7 million). Property provision releases and disposals include cash receipts of £0.2 million (2014: £1.0 million).

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

### **Finance costs**

In aggregate, net finance costs decreased slightly to £6.9 million (2014: £7.0 million). Interest payable on bank loans, private placement senior notes and overdrafts increased to £6.1 million (2014: £4.6 million) reflecting a full year of interest charges on the Group's US Private Placement programme.

Capitalised borrowing costs written off through the income statement in the year totalled £0.4 million (2014: £2.5 million). Of the 2014 amount, £1.3 million related to accelerated amortisation following early repayments of banking facilities in that year.

Income from short term bank deposits increased marginally and the revaluation of fair value hedges year on year moved from a £0.4 million credit at December 2014 to a £0.2 million debit at December 2015.

Underlying net finance costs increased by £1.5 million to £6.0 million (2014: £4.5 million).

### **Interest rates**

As expected, the Group's average cost of funds and margin payable over the year as a whole increased by 110 bps to 4.0 per cent. (2014: 2.9 per cent.), principally due to the full year impact of the US private placement programme.

At the year end the Group held interest rate contracts to swap around 97.9 per cent. of the Group's outstanding debt under its revolving credit facility at the year end from floating rates to a weighted average fixed rate of 1.2 per cent. with a range of maturities between 2016 and 2020.

As at 31 December 2015, the Group's portfolio of swap contracts at fair value amounted to a liability of £0.1 million (2014: £0.3 million). Any changes in fair value until maturity, classified as an effective hedge, will be recognised directly in other comprehensive income, with only the ineffective portion taken through the income statement.

## **Taxation**

The Group reported an income tax charge on profit before taxation of £7.9 million (2014: £2.6 million). The 2014 comparative included a £1.7 million exceptional prior year adjustment which did not repeat in 2015. Current tax on profit for the year increased slightly to £9.7 million (2014: £8.4 million) and credits arising from the origination and reversal of temporary deferred taxation differences reduced to £2.0 million (2014: £3.4 million).

The Underlying income tax charge amounted to £12.5 million (2014: 10.4 million), which represents an effective Underlying tax rate of 27.9 per cent. (2014: 25.0 per cent.).

During the year the Group paid £8.9 million (2014: £6.3 million) of corporate taxes which equates to a cash tax rate of 19.7 per cent. (2014: 15.0 per cent.) on the Group's Underlying profit before taxation.

In 2014 the effective Underlying tax rate was reduced by approximately 170 bps due to the impact of the 2010 and 2011 LTIP awards each vesting in 2014 and the significant share price appreciation over the lifetime of those awards.

## **Earnings per share**

Basic Earnings Per Share decreased by 17.8 per cent. to 4.57 pence (2014: 5.56 pence) and Diluted Earnings Per Share decreased to 4.55 pence (2014: 5.50 pence).

Underlying Earnings Per Share increased by 3.4 per cent. to 19.25 pence (2014: 18.61 pence) and Underlying Diluted Earnings Per Share increased to 19.16 pence (2014: 18.40 pence). The increase reflects the improvement in Underlying Operating Profit offset by the increased finance charge and the higher effective tax rate for the year.

## **Currency**

### ***Currency in the consolidated income statement***

The principal foreign currencies that impact our results are the US Dollar, the Euro, the Australian Dollar, the Canadian Dollar and the Brazilian Real. Other than the US Dollar, each of these currencies was on average weaker versus Sterling in 2015 compared with the previous year.

#### *Translational exposure*

The net effect of currency translation caused Revenue and Underlying Operating Profit from ongoing operations to increase by £12.7 million and £2.6 million respectively compared with 2014 as shown below.

<b>Currency</b>	<b>US\$</b>	<b>Euro</b>	<b>AUS\$</b>	<b>CA\$</b>	<b>BR Real</b>	<b>Total<sup>(1)</sup></b>
% mvt. in average rate	(7.2) %	11.0 %	11.4 %	7.4 %	31.5 %	
£'m Revenue impact	16.9	(1.7)	(0.9)	(0.3)	(1.3)	<b>12.7</b>
£'m Profit impact <sup>(2)</sup>	3.1	(0.1)	(0.2)	0.0	(0.2)	<b>2.6</b>
1c movement impact <sup>(3)</sup>	£282k	£8k	£7k	£1k	£1k	

(1) *Impact of other currencies is de minimis*

(2) *Underlying Operating Profit impact*

(3) *Defined as the approximate translation impact of a 1c movement in the currency on Underlying Operating Profit*

### *Transactional exposure*

Divisions that purchase or sell products in currencies other than their functional currency will potentially incur transactional exposures. These exposures are principally Sterling/ US Dollar or Reminbi for purchases by ERA from the Far East and Aus Dollar/ US Dollar/ Reminbi for purchases by Schlegel International's Australian business from the USA and the Far East.

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

In 2015, we estimate that the relative weakness of Sterling against the US Dollar impacted ERA's reported profitability through transactional exposure by approximately £1.5 million (2014: benefit due to relative strength of Sterling of £1.3 million). The unhedged impact on ERA of a 1c movement in the Sterling Dollar exchange rate is approximately £0.2 million. The Group's other transactional exposures generally benefit from the existence of natural hedges or are de minimis in size.

### **Currency in the balance sheet**

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

### **Dividend**

A final dividend of 6.09 pence per share (2014: 6.00 pence), equivalent to £10.2 million (2014: £10.1 million), will be proposed at the Annual General Meeting. The total dividend declared for the 2015 financial year is therefore 8.75 pence per share (2014: 8.00 pence per share), an increase of 9.4 per cent. over 2014 and which equates to dividend cover on Underlying EPS of 2.20x.

The ex-dividend date will be 21 April 2016 and the final dividend will be paid on 20 May 2016 to shareholders on the register on 22 April 2016.

In accordance with IFRS, only dividends paid during the year have been charged in the 2015 financial statements. In aggregate £14.6 million of dividend payments were made during the year (2014: £10.9 million). As at 31 December 2014 the Group's total reserves available for distribution to shareholders were approximately £215.0 million. The total dividends paid during 2015 therefore utilised approximately 6.8 per cent. of the estimated reserves available for distribution at the start of the year.

### **Shares in issue**

The total number of shares in issue at 31 December was 170.1 million with the basic weighted average number of shares in issue 168.2 million (2014: 167.8 million) and the fully diluted weighted average number of shares 169.0 million (2014: 169.7 million).

At 31 December 2015 the Group had 0.5 million shares in Treasury (2014: 0.6 million) and the Tyman Employee Benefit Trust held 1.3 million shares (2014: 1.6 million) to satisfy future obligations under the Group's various share plans.

### **Working capital**

Trade working capital, net of provisions, on the balance sheet at the year end was £55.7 million (2014: £52.3 million). £1.0 million of this increase was due to exchange translation movements and £0.8 million was due to the disposal of EWS which operated in a net negative trade working capital position.

The overall movement of trade working capital in 2015, excluding EWS, was a net cash outflow of £1.6 million (2014: £9.5 million) and net trade working capital as a percentage of Revenue at the year end increased by 80 bps to 15.7 per cent. (2014: 14.9 per cent.).

Inventories on the balance sheet at the year end decreased slightly to £46.0 million (2014: £47.6 million) with £0.4 million of the decrease being due to EWS and despite £1.0 million of adverse exchange movements.

Trade receivables decreased to £29.5 million (2014: £31.5 million) with substantially all of the decrease being due to EWS. Bad debts written off in the year by the Group again amounted to only 0.1 per cent. of Revenue (2014: 0.1 per cent.).

Trade payables decreased to £19.8 million (2014: £26.8 million), with £3.5 million of the decrease being due to EWS and around £2.0 million being due to more typical shipping patterns ex the Far East towards the end of the year compared with 2015.

### **Capital expenditure**

Gross capital expenditure increased to £11.8 million (2014: £11.5 million) or 1.50x depreciation (2014: 1.43x) as we continued our programme of targeted capital investment across each of the Divisions. Intangible capital expenditure in the year comprised £2.9 million (2014: £2.1 million) principally as a result of our continuing investment in the AmesburyTruth ERP System.

### **Goodwill and acquired intangible assets**

A goodwill impairment charge of £1.8 million was taken in the year following the decision to close the Barcelona, Spain pile weatherstrip plant. In 2014 a goodwill impairment charge of £3.4 million was taken in connection with the closure of the Belgian Industrial

Products business based in Gistel, Belgium. Amortisation of intangible fixed assets during the year was £20.0 million (2014: £18.2 million).

### Pensions and post retirement medical benefits

The Group's gross pension and post retirement medical benefit obligations under IAS 19 at 31 December 2015 were £25.4 million (2014: £24.9 million). The majority of the movement over the course of the year was due to a combination of exchange differences and losses on plan assets; offset in part by gains arising from actuarial increases to the discount rates applied to financial assumptions.

The principal schemes are located in North America where the pension schemes are closed to new entrants and post-retirement healthcare benefits are capped.

Cash contributions made to the schemes during the year were £0.9 million (2014: £1.0 million) and benefit payments to scheme members were £1.2 million (2014: £0.9 million).

### Cash and cash conversion

The Group made significant investment in the balance sheet during the year; with capital expenditure running well ahead of depreciation and some net investment made into trade working capital.

Reconciliation from Net cash generated from operations to Operational Cash Flow:

<b>£'000</b>	<b>2015</b>	2014 (restated)
<b>Net cash generated from operations</b>	<b>40,065</b>	<b>33,805</b>
Add: Pension contributions	933	1,012
Add: Income tax paid	8,869	6,257
Less: Purchases of property, plant and equipment	(8,872)	(9,342)
Less: Purchases of intangible assets	(2,918)	(2,122)
Add: Proceeds on disposal of PPE	936	1,265
<b>Operational Cash Flow after exceptional cash costs</b>	<b>39,013</b>	<b>30,875</b>
Exceptional cash costs	4,671	2,212
<b>Operational Cash Flow</b>	<b>43,684</b>	<b>33,087</b>

The Group generated Operational Cash Flow in the year of £43.7 million, an increase of 32.0 per cent., (2014: £33.1 million) after adding back £4.7 million (2014: £2.2 million) of exceptional costs cash settled in the year, £1.6 million of which were accrued in prior years.

Operating Cash Conversion of 84.9 per cent. was significantly higher than in the previous year (2014: 71.8 per cent.). Since 2011, the Group's annual Operating Cash Conversion has averaged over 90.0 per cent. and we continue to target each Division on 100 per cent. cash conversion of Underlying Operating Profit.



## Bank Facilities and US Private Placement Notes

	<b>Maturity</b>	<b>Currency</b>	<b>Committed</b>	<b>Uncommitted</b>
Revolving Credit Facility	Jun 2019	Multicurrency	£180.0m	£60.0m
4.97% USPP notes	Nov 2021	US\$	US\$55.0m	-
5.37% USPP notes	Nov 2024	US\$	US\$45.0m	-

## Liquidity

At 31 December 2015 the Group had gross outstanding borrowings of £113.2 million (2014: £130.0 million), cash balances of £30.0 million (2014: £39.3 million) and committed but undrawn facilities of £135.1 million (2014: £114.7 million) as well as access to the uncommitted £60.0 million accordion facility.

Underlying Net Debt at the year end was £83.2 million (2014: £90.7 million) despite £5.0 million of adverse exchange movements during the year. Under IFRS, which reduces gross debt by the unamortised portion of finance arrangement fees, net debt at 31 December 2015 was £81.6 million (2014: £88.7 million).

The Group maintains sufficient cash balances and undrawn borrowing facilities to finance all investment and capital expenditure included in its strategic plan; while retaining sufficient flexibility to be able to react to changes in market conditions and complete bolt on acquisitions without the need to raise external finance.

## Covenant performance

<b>At 31 December 2015</b>	<b>Test</b>	<b>Covenant performance</b>	<b>Headroom £'m</b>	<b>Headroom %</b>
Leverage	< 3.0x	1.35x	32.5	54.9 %
Interest Cover	> 4.0x	10.19x	37.0	60.8 %

*Covenant performance calculated consistent with the Group's banking covenant tests*

At the year end, the Group retained significant headroom on its banking covenants with headroom on both tests in excess of 50 per cent. of 2015 Adjusted EBITDA.

The Group's Leverage position has continued to strengthen and at the year end was 1.35x (2014: 1.56x), some way ahead of our core year end target range of 1.50x to 2.00x.

Interest Cover decreased over the year by 2.03x to 10.19x (2014: 12.22x), reflecting the increased absolute amount of interest payable on the Group's borrowing facilities following the US private placement in November 2014.



## Returns on Acquisition Investment

ROAI for the Truth and Vedasil acquisitions are as follows:

	<b>Date of Acquisition</b>	<b>Original Acquisition Investment '000</b>	<b>ROAI in 2015</b>	<b>Annualised ROAI since date of Acquisition</b>
Truth	Jul 2013	\$206,437	21.9 %	14.5 %
Vedasil	Feb 2014	BR26,639	14.2 %	17.7 %

Both Truth and Vedasil continued to make strong contributions to the Group in 2015. The synergy benefits derived from the combination of Truth with Amesbury, together with general business improvements and a recovering market, has meant that the ROAI for the Truth acquisition has significantly exceeded our acquisition returns threshold.

Despite the difficult markets in Brazil, the Vedasil acquisition has given the Group a platform for growth in South America and has made a solid contribution to the Schlegel Division's returns.

## Financial reporting

This financial information has been prepared under IFRS and in accordance with the Group's accounting policies. There have been no changes to the Group's accounting policies during the year ended 31 December 2015.

## Going concern

The Group's strategic plan covers the period to 31 December 2019 and the Group's banking and private placement facilities are committed beyond the period of the strategic plan and contain significant covenant headroom. The Group's published year end Leverage target of 1.5x to 2.0x is designed to ensure that the Group has structural headroom on its financial covenants as it comes into each financial year such that it could withstand a material downturn in its end markets and any normalisation of interest rates.

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

## Summary 2016 guidance

2015 Revenue and Underlying Operating Profit for the Group, excluding EWS, Belgium and Ontario was £341.0 million and £50.1 million respectively. Giese and Response will each contribute approximately ten months of trading to the Group in 2016.

Interest payable on borrowings for the full year under the existing facilities is expected to be £7.5 - £8.5 million – although the actual amount payable will be dependent on Leverage. The non cash amortisation of capitalised borrowing costs will reduce in 2016 to c. £0.4 million.

Exceptional costs are expected to be £9.0 - £11.0 million reflecting the restructuring associated with footprint projects across all three Divisions and M&A integration and synergy costs associated with Response and Giesse. The majority of these costs will be cash settled in 2016.

Underlying tax rates for the Group for 2016 are expected to be slightly higher than in 2015 at c. 30 to 31 per cent. reflecting the larger proportional contribution to Group taxable profits that we expect will be derived from higher tax jurisdictions. The final Underlying tax rate for the year will principally depend on the Group's geographical mix of taxable profits. Cash taxation rates are expected to be slightly below the Group's Underlying tax rate.

Core maintenance and investment capital expenditure for the year for the Group including Giesse and Response is expected to be approximately £15.0 - £17.0 million. Capital expenditure costs associated with the footprint projects in 2016 across the three Divisions are expected to total approximately £11.0 million.

Trade working capital trough to peak for the year is expected to be £15.0 - £20.0 million. Giesse and Response together will increase the Group's trade working capital by £20.0 - £25.0 million.

LTIP purchases by the employee benefit trust are expected to be £3.0 - £4.0 million and the share-based payments charge will be approximately £1.0 million.

## Definitions

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, Amortisation of borrowing costs, Accelerated amortisation of borrowing costs, and the associated tax effect.

<b>Acquisition Enterprise Value</b>	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
<b>Adjusted EBITDA</b>	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
<b>Constant Currency or CC</b>	comparison with the comparative period translated at the current year’s average or closing exchange rate as applicable
<b>Giese</b>	Giese Group acquired by the Group’s Schlegel International Division on 7 March 2016
<b>Leverage</b>	Underlying Net Debt translated at the average exchange rate for the year divided by Adjusted EBITDA
<b>Like for Like or LFL</b>	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
<b>Operating Cash Conversion</b>	Operational Cash Flow divided by Underlying Operating Profit
<b>Operational Cash Flow</b>	Net cash inflow from operating activities before Income tax paid, exceptional costs cash settled in the year and Pension contributions, and after Proceeds on disposal of property, plant and equipment, Payments to acquire property, plant and equipment and Payments to acquire intangible assets
<b>Response or Response Electronics</b>	Response Electronics Limited, acquired by the Group’s ERA Division on 3 March 2016

**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 also adjusted for seasonality where appropriate

**Return on Capital Employed or ROCE**

Underlying Operating Profit as a percentage of the 12 month average capital employed

**£ or Sterling or British Pounds**

the lawful currency of the United Kingdom

**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

**Glossary of Terms**

<b>APAC</b>	Asia Pacific region
<b>BPS</b>	Basis points
<b>CGU</b>	Cash Generating Unit
<b>CPA</b>	Construction Products Association
<b>DTR</b>	Disclosure Rules and Transparency Rules of the UK Listing Authority
<b>EBITDA</b>	Earnings before Interest, Taxation, Depreciation and Amortisation
<b>EMEA</b>	Europe, Middle East and Africa region
<b>FENSA</b>	Fenestration Self-Assessment Scheme
<b>IFRS</b>	International Financial Reporting Standards
<b>JCHS</b>	Joint Centre for Housing Studies of Harvard University
<b>LTM</b>	Last twelve months
<b>NPD</b>	New product development
<b>OEM</b>	Original equipment manufacturer
<b>PPE</b>	Property, plant and equipment

<b>R&amp;D</b>	Research and development
<b>R&amp;R</b>	Repair and remodelling
<b>RMI</b>	Renovation, maintenance and improvement

### Exchange Rates

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

<b>Closing Rates:</b>	<b>2015</b>	2014
US Dollars	<b>1.4804</b>	1.5533
Euros	<b>1.3572</b>	1.2779
Australian Dollars	<b>2.0281</b>	1.9043
Canadian Dollars	<b>2.0532</b>	1.8062
Brazilian Real	<b>5.8630</b>	4.1686

<b>Average Rates:</b>	<b>2015</b>	2014
US Dollars	<b>1.5287</b>	1.6479
Euros	<b>1.3772</b>	1.2407
Australian Dollars	<b>2.0350</b>	1.8269
Canadian Dollars	<b>1.9536</b>	1.8189
Brazilian Real	<b>5.0923</b>	3.8711

### 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.

**TYMAN PLC**
**CONSOLIDATED INCOME STATEMENT**
**For the year ended 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Revenue</b>	3	<b>353,425</b>	350,899
Cost of sales	3	<b>(233,982)</b>	(236,129)
<b>Gross profit</b>		<b>119,443</b>	114,770
Administrative expenses		<b>(96,944)</b>	(95,833)
<b>Operating profit</b>		<b>22,499</b>	18,937
Analysed as:			
Underlying <sup>1</sup> operating profit	3	<b>51,425</b>	46,077
Exceptional items	4	<b>(7,563)</b>	(5,556)
Amortisation of acquired intangible assets	8.3	<b>(19,567)</b>	(17,814)
Impairment of acquired intangible assets	8.3	-	(359)
Impairment of acquired goodwill	8.2	<b>(1,796)</b>	(3,411)
<b>Operating profit</b>		<b>22,499</b>	18,937
Finance income	5	<b>154</b>	454
Finance costs	5	<b>(7,077)</b>	(7,487)
<b>Net finance costs</b>	5	<b>(6,923)</b>	(7,033)
<b>Profit before taxation</b>		<b>15,576</b>	11,904
Income tax charge	6.2	<b>(7,885)</b>	(2,573)
<b>Profit for the year</b>		<b>7,691</b>	9,331
Basic earnings per share	7	<b>4.57p</b>	5.56p
Diluted earnings per share	7	<b>4.55p</b>	5.50p
<b>Non-GAAP measure</b>			
Basic earnings per share	7	<b>19.25p</b>	18.61p
Diluted earnings per share	7	<b>19.16p</b>	18.40p
Underlying <sup>1</sup> profit before taxation	7	<b>44,929</b>	41,629

<sup>1</sup> 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, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect.

**TYMAN PLC**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 December 2015**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>Profit for the year</b>	<b>7,691</b>	9,331
<b>Other comprehensive income/(expense):</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of post-employment benefit obligations	<b>73</b>	(1,081)
Total items that will not be reclassified to profit or loss	<b>73</b>	(1,081)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on retranslation of foreign operations	<b>5,910</b>	11,719
Effective portion of changes in value of cash flow hedges	<b>165</b>	518
Total items that may be reclassified subsequently to profit or loss	<b>6,075</b>	12,237
Other comprehensive income for the year, net of tax	<b>6,148</b>	11,156
<b>Total comprehensive income for the year</b>	<b>13,839</b>	20,487

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 6.

**TYMAN PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2015**

	Share capital £'000	Share premium £'000	Other reserves <sup>1</sup> £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2014	8,505	63,256	8,920	(4,847)	(768)	13,755	214,119	302,940
Total comprehensive income	-	-	-	-	518	11,719	8,250	20,487
Profit for the year	-	-	-	-	-	-	9,331	9,331
Other comprehensive income/(expense)	-	-	-	-	518	11,719	(1,081)	11,156
Transactions with owners	-	-	-	105	-	-	(14,516)	(14,411)
Share-based payments <sup>2</sup>	-	-	-	-	-	-	852	852
Dividends paid	-	-	-	-	-	-	(10,926)	(10,926)
Issue of own shares to employee benefit trust	-	-	-	4,442	-	-	(4,442)	-
Purchase of own shares for employee benefit trust	-	-	-	(4,337)	-	-	-	(4,337)
At 31 December 2014	8,505	63,256	8,920	(4,742)	(250)	25,474	207,853	309,016
Total comprehensive income	-	-	-	-	165	5,910	7,764	13,839
Profit for the year	-	-	-	-	-	-	7,691	7,691
Other comprehensive income	-	-	-	-	165	5,910	73	6,148
Transactions with owners	-	-	-	421	-	-	(17,045)	(16,624)
Share-based payments <sup>2</sup>	-	-	-	-	-	-	590	590
Dividends paid	-	-	-	-	-	-	(14,565)	(14,565)
Issue of own shares to employee benefit trust	-	-	-	3,070	-	-	(3,070)	-
Purchase of own shares for employee benefit trust	-	-	-	(2,649)	-	-	-	(2,649)
<b>At 31 December 2015</b>	<b>8,505</b>	<b>63,256</b>	<b>8,920</b>	<b>(4,321)</b>	<b>(85)</b>	<b>31,384</b>	<b>198,572</b>	<b>306,231</b>

<sup>1</sup> Other reserves are non-distributable capital reserves which arose on previous acquisitions.

<sup>2</sup> Share-based payments include a deferred tax debit of £436,000 (2014: deferred tax debit £51,000) and a release of the deferred share based payment bonus accrual of £58,000 (2014:£Nil).



**TYMAN PLC**
**CONSOLIDATED BALANCE SHEET**
**As at 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	8.2	253,718	254,375
Intangible assets	8.3	86,772	101,290
Property, plant and equipment	9	42,845	42,854
Deferred tax assets		12,944	15,028
		<b>396,279</b>	413,547
<b>Current assets</b>			
Inventories		45,990	47,579
Trade and other receivables		34,836	36,708
Cash and cash equivalents		29,975	39,332
Derivative financial instruments		178	355
		<b>110,979</b>	123,974
<b>TOTAL ASSETS</b>		<b>507,258</b>	537,521
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		(37,488)	(45,563)
Derivative financial instruments		(17)	-
Current tax liabilities		(1,475)	(1,113)
Provisions	11	(5,395)	(5,597)
		<b>(44,375)</b>	(52,273)
<b>Non-current liabilities</b>			
Borrowings	10	(111,558)	(128,017)
Derivative financial instruments		(68)	(250)
Deferred tax liabilities		(27,395)	(30,115)
Retirement benefit obligations		(9,927)	(9,742)
Provisions	11	(6,060)	(6,597)
Other payables		(1,644)	(1,511)
		<b>(156,652)</b>	(176,232)
<b>TOTAL LIABILITIES</b>		<b>(201,027)</b>	(228,505)
<b>NET ASSETS</b>		<b>306,231</b>	309,016
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		8,505	8,505
Share premium		63,256	63,256
Other reserves		8,920	8,920
Treasury reserve		(4,321)	(4,742)
Hedging reserve		(85)	(250)
Translation reserve		31,384	25,474
Retained earnings		198,572	207,853
<b>TOTAL EQUITY</b>		<b>306,231</b>	309,016

**TYMAN PLC**
**CONSOLIDATED CASH FLOW STATEMENT**
**For the year ended 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Cash flow from operating activities</b>			
Profit before taxation		<b>15,576</b>	11,904
Adjustments	13	<b>41,265</b>	41,207
Changes in working capital (excluding the effects of acquisitions, disposals and exchange differences on consolidation):			
Inventories		<b>2,162</b>	(4,922)
Trade and other receivables		<b>(1,104)</b>	(818)
Trade and other payables		<b>(5,635)</b>	(5,156)
Provisions utilised	11.2	<b>(2,397)</b>	(1,141)
Pension contributions		<b>(933)</b>	(1,012)
Income tax paid		<b>(8,869)</b>	(6,257)
<b>Net cash generated from operations</b>		<b>40,065</b>	33,805
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	9.2	<b>(8,872)</b>	(9,342)
Purchases of intangible assets	8.3	<b>(2,918)</b>	(2,122)
Proceeds on disposal of property, plant and equipment		<b>936</b>	1,265
Acquisition of subsidiary undertakings, net of cash acquired		-	(6,535)
Proceeds on disposal of subsidiary undertakings		<b>6,754</b>	-
Interest received		<b>148</b>	101
<b>Net cash used in investing activities</b>		<b>(3,952)</b>	(16,633)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(6,353)</b>	(4,696)
Dividends paid	12	<b>(14,565)</b>	(10,926)
Purchase of own shares from employee benefit trust		<b>(2,649)</b>	(4,337)
Proceeds from borrowings		-	63,922
Repayments of borrowings		-	(126,642)
Refinancing costs paid		<b>(12)</b>	(2,280)
Proceeds from drawdown of revolving credit facility		<b>16,178</b>	91,665
Repayments of revolving credit facility		<b>(37,566)</b>	(29,578)
<b>Net cash used in financing activities</b>		<b>(44,967)</b>	(22,872)
<b>Net decrease in cash and cash equivalents</b>		<b>(8,854)</b>	(5,700)
Exchange (losses)/gains on cash and cash equivalents		<b>(503)</b>	1,425
Cash and cash equivalents at the beginning of the year		<b>39,332</b>	43,607
<b>Cash and cash equivalents at the end of the year</b>		<b>29,975</b>	39,332

## TYMAN PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

#### 1. General information

Tyman plc ("the Company") and its subsidiaries (together, "the Group") is a leading international manufacturer and supplier of components to the door and window industry. At 31 December 2015 the Group has 20 manufacturing sites in eight countries along with a further five sourcing and distribution sites across North America, Europe, Asia and Australasia with its products being found in homes and buildings worldwide.

The Company is a public limited company listed on the London Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its 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 it relates. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 Basis of preparation

The consolidated financial statements of Tyman plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS.

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

The consolidated financial statements have been prepared on a going concern basis.

#### 3. Segment reporting

##### 3.1 Accounting policy

###### 3.1.1 Revenue recognition

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

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

###### 3.1.2 Segment reporting

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

##### 3.2 Segment information

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

Following the closure of the Group's Barcelona, Spain facility, the Board reviewed the appropriateness of the disclosure of the Group's operating segments. Following this review, the 2015 operating segmental analysis disclosure has been presented under the Group's current organisational structure with 2014 comparatives restated.

Under the revised segmental analysis, ERA comprises the Group's UK and Ireland hardware business; together with Ventralla. Schlegel International comprises all of the Group's other businesses outside of the United States, Canada and Mexico including the two UK seal manufacturing plants previously reported as part of ERA. Tyman Sourcing Asia is reported through the ERA Division. This change reflects the Group's day to day operational and management structure in 2015, with the Schlegel International management team being responsible for each of Tyman's sealing businesses outside North America. No changes have been made to the AmesburyTruth segmental disclosure.

In addition, the Group has implemented a revised methodology for the allocation of certain functional costs incurred centrally to the Group's operating segments. Historically, all centrally incurred costs were allocated pro rata to each of the Group's Divisions broadly on the basis of their proportional contribution to Group revenue. For the 2015 disclosures going forward centrally incurred costs which are directly attributable to the Division will be allocated or recharged to that Division. All other centrally incurred costs and eliminations will be disclosed in aggregate as a separate line item in the segmental analysis. The 2014 comparatives have been restated to reflect the revised reporting structure.

The Board believes that the revised segmental analysis and disclosure of central costs will allow analysts and investors a better understanding of the relative contribution of each of the Divisions to the Group as well as more accurately reflect the day to day operational structure of the Group.

Each reporting segment broadly represents the Group's geographical focus, being the North American, the United Kingdom 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, apart from those disclosed in 3.2.1 and 3.2.4 below. Accordingly, the Board does not consider geographically defined segments to be reportable.

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

### 3.2.1 Revenue

	<b>2015</b> <b>£'000</b>	2014 £'000 (restated)
AmesburyTruth	<b>237,979</b>	220,689
ERA	<b>78,095</b>	86,507
Schlegel International	<b>37,351</b>	43,703
<b>Total revenue</b>	<b>353,425</b>	350,899

Included within the Schlegel International segment is revenue attributable to the United Kingdom of £12,042,000 (2014 restated: £13,476,000).

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

### 3.2.2 Result

	Note	<b>2015</b> <b>£'000</b>	2014 £'000 (restated)
AmesburyTruth		<b>43,541</b>	36,446
ERA		<b>11,578</b>	13,020
Schlegel International		<b>1,574</b>	1,274
Operating segment result		<b>56,693</b>	50,740
Centrally incurred costs		<b>(5,268)</b>	(4,663)
<b>Underlying operating profit</b>		<b>51,425</b>	46,077
Exceptional items	4	<b>(7,563)</b>	(5,556)
Amortisation of acquired intangible assets	8.3	<b>(19,567)</b>	(17,814)
Impairment of acquired intangible assets	8.3	-	(359)
Impairment of acquired goodwill	8.2	<b>(1,796)</b>	(3,411)
<b>Operating profit</b>		<b>22,499</b>	18,937
Net finance costs	5	<b>(6,923)</b>	(7,033)
<b>Profit before taxation</b>		<b>15,576</b>	11,904

### 3.2.3 Operating profit disclosures

	Cost of goods sold		Depreciation	
	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)
AmesburyTruth	(160,612)	(153,256)	(6,055)	(5,376)
ERA	(52,180)	(57,678)	(1,034)	(1,213)
Schlegel International	(21,190)	(25,195)	(924)	(1,087)
<b>Total</b>	<b>(233,982)</b>	<b>(236,129)</b>	<b>(8,013)</b>	<b>(7,676)</b>

### 3.2.4 Segment assets and liabilities

	Segment assets		Segmental liabilities		Non-current assets	
	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)
AmesburyTruth	363,327	371,980	(55,944)	(59,433)	296,287	294,623
ERA	95,673	112,923	(19,253)	(25,582)	61,575	71,405
Schlegel International	44,184	51,500	(9,885)	(11,894)	25,473	32,491
Unallocated	4,074	1,118	(115,945)	(131,596)	-	-
<b>Total</b>	<b>507,258</b>	<b>537,521</b>	<b>(201,027)</b>	<b>(228,505)</b>	<b>383,335</b>	<b>398,519</b>

1 Included within unallocated segment liabilities are borrowings of £111,550,000 (2014: £127,990,000), provisions of £1,162,000 (2014: £1,200,000) and other liabilities of £3,233,000 (2014: £2,406,000).

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

Non-current assets of the Schlegel International segment include £12,317,000 (2014 restated: £12,213,000) attributable to the United Kingdom.

### 3.2.5 Capital expenditure

	Property, plant and equipment		Intangible assets	
	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)
AmesburyTruth	7,341	6,993	2,601	1,747
ERA	748	1,381	303	352
Schlegel International	783	968	14	23
<b>Total</b>	<b>8,872</b>	<b>9,342</b>	<b>2,918</b>	<b>2,122</b>

### 3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)
AmesburyTruth	187,005	178,947	75,083	83,446	(9,927)	(9,742)
ERA	48,652	54,321	9,505	12,868	-	-
Schlegel International	18,061	21,107	2,184	4,976	-	-
<b>Total</b>	<b>253,718</b>	<b>254,375</b>	<b>86,772</b>	<b>101,290</b>	<b>(9,927)</b>	<b>(9,742)</b>

## 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 so as to facilitate comparison with prior periods and to assess trends in financial performance.

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

### 4.2 Exceptional items

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Footprint restructuring	<b>(4,515)</b>	(3,830)
M&A and integration	<b>(1,437)</b>	(1,718)
Loss on disposal of business	<b>(1,381)</b>	-
Redundancy and restructuring	<b>(914)</b>	(406)
Property provision releases and disposals	<b>684</b>	398
	<b>(7,563)</b>	(5,556)

#### Footprint restructuring costs

Footprint restructuring costs principally concerns the closure of the manufacturing facility in Barcelona, Spain which commenced in 2015 and is expected to be completed by the end of 2016, together with £500,000 of costs directly attributable to the North American footprint project.

#### M&A and integration costs

The charge for the year principally relates to legal, financial, taxation and consultancy costs associated with M&A activity undertaken during 2015.

#### Loss on disposal of business

The loss on disposal of business relates to the sale of EWS, announced in September 2015 for a net cash consideration of £6,754,000 and includes the write off of goodwill and intangible assets associated with EWS of £5,921,000.

#### Redundancy and restructuring

Redundancy and restructuring comprises certain one off redundancy and restructuring programmes undertaken by the Divisions during the year; most notably the restructuring of the ERA Division in anticipation of the consolidation onto a single site in 2017.

#### Property provision releases and disposals

Property provision releases and disposals of £684,000 comprises £230,000 of profit realised on the disposal of land and buildings in the UK together with £454,000 of surplus onerous lease provisions released during the year. In 2014 gains of £398,000 were realised following the disposal of surplus property in the United States.

## 5. Finance income and costs

	Note	2015 £'000	2014 £'000
<b>Finance income</b>			
Income from short term bank deposits		154	99
Gain on revaluation of fair value hedge		-	355
		<b>154</b>	<b>454</b>
<b>Finance costs</b>			
Interest payable on bank loans, private placement senior notes and overdrafts		(6,122)	(4,601)
Amortisation of borrowing costs		(409)	(1,260)
Accelerated amortisation of borrowing costs		-	(1,283)
Unwinding of discount on provision	11	(18)	(42)
Pension interest costs		(351)	(301)
Loss on revaluation of fair value hedge		(177)	-
		<b>(7,077)</b>	<b>(7,487)</b>
<b>Net finance costs</b>		<b>(6,923)</b>	<b>(7,033)</b>

## 6. Taxation

### 6.1 Accounting policy

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

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted 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;
- 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 the deferred income tax liability is settled.

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

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

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

### 6.1.1 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. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates.

## 6.2 Taxation – income statement and other comprehensive income

### 6.2.1 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
<b>Current taxation:</b>		
Current tax on profit for the year	(9,698)	(8,385)
Adjustments in respect of prior years	(5)	800
Exceptional adjustments in respect of prior years	-	1,700
<b>Total current taxation</b>	<b>(9,703)</b>	<b>(5,885)</b>
<b>Deferred taxation:</b>		
Origination and reversal of temporary differences	2,018	3,404
Adjustments in respect of prior years	(200)	(92)
<b>Total deferred taxation</b>	<b>1,818</b>	<b>3,312</b>
<b>Income tax charge in the income statement</b>	<b>(7,885)</b>	<b>(2,573)</b>
<b>Total (charge)/credit relating to components of other comprehensive income:</b>		
Deferred tax (charge)/credit on actuarial gains and losses	(72)	982
Deferred tax charge on share-based payments	(436)	(51)
<b>Income tax (charge)/credit in the statement of other comprehensive income</b>	<b>(508)</b>	<b>931</b>
Total current taxation	(9,703)	(5,885)
Total deferred taxation	1,310	4,243
<b>Total taxation</b>	<b>(8,393)</b>	<b>(1,642)</b>

The standard rate of corporation tax in the UK changed from 21 per cent to 20 per cent with effect from 1 April 2015. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 20.25 per cent (2014: 21.50 per cent).

A reduction in the UK corporation tax rate to 19 per cent was substantively enacted on 26 October 2015 and will be effective from 1 April 2017. A further reduction to 18 per cent, effective 1 April 2020, was substantively enacted on that same date. The deferred tax balances have been remeasured to reflect these future changes of rate. The impact of the deferred tax rate changes has not been material in the 2015 year.

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

### 6.2.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 20.25 per cent (2014: 21.50 per cent). The differences are explained below:

	2015 £'000	2014 £'000
<b>Profit before taxation</b>	<b>15,576</b>	<b>11,904</b>
Rate of corporation tax in the UK of 20.25% (2014: 21.50%)	(3,154)	(2,559)
Effects of:		
Expenses not deductible for tax purposes	(1,193)	(650)
Overseas tax rate differences	(3,333)	(1,772)
Adjustments in respect of prior years	(205)	2,408
<b>Income tax charge in the income statement</b>	<b>(7,885)</b>	<b>(2,573)</b>



## 7. Earnings per share

### 7.1 Non-GAAP measure accounting policy

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

The adjustments made to reported profit before tax is to derive underlying profit before taxation exclude the following:

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

### 7.2 Earnings per share

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Profit for the year	<b>7,691</b>	9,331
Basic earnings per share	<b>4.57p</b>	5.56p
Diluted earnings per share	<b>4.55p</b>	5.50p

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

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

#### 7.2.1 Weighted average number of shares

The weighted average number of shares was:

	<b>2015</b>	2014
	<b>'000</b>	'000
Weighted average number of shares (including treasury shares)	<b>170,104</b>	170,104
Treasury and Employee Benefit Trust shares	<b>(1,887)</b>	(2,276)
<b>Weighted average number of shares - basic</b>	<b>168,217</b>	167,828
Effect of dilutive potential ordinary shares - LTIP awards and options	<b>812</b>	1,896
<b>Weighted average number of shares - diluted</b>	<b>169,029</b>	169,724

#### 7.2.2 Non-GAAP 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, impairment of acquired intangible assets and certain non-recurring items. Underlying earnings per share has been calculated using the underlying profit after taxation and using the same weighted average number of shares in issue as the earnings per share calculation.

Underlying profit after taxation is derived as follows:

	Note	2015 £'000	2014 £'000
Profit before taxation		<b>15,576</b>	11,904
Exceptional items	4	<b>7,563</b>	5,556
Amortisation of borrowing costs	5	<b>409</b>	1,260
Accelerated amortisation of borrowing costs	5	-	1,283
Unwinding of discount on provisions	5	<b>18</b>	42
Amortisation of acquired intangible assets	8.3	<b>19,567</b>	17,814
Impairment of acquired intangible assets	8.3	-	359
Impairment of acquired goodwill	8.2	<b>1,796</b>	3,411
<b>Underlying profit before taxation</b>		<b>44,929</b>	41,629
Income tax charge	6.2	<b>(7,885)</b>	(2,573)
Add back: Adjustment due to exceptional prior year adjustments	6.2	-	(1,700)
Add back: Tax effect of exceptional items, amortisation of borrowing costs, accelerated amortisation of borrowing costs, amortisation of acquired intangible assets, impairment of acquired intangible assets and unwinding of discount on provisions		<b>(4,662)</b>	(6,132)
<b>Underlying profit after taxation</b>		<b>32,382</b>	31,224

Underlying earnings per share is summarised as follows:

	2015	2014
Basic earnings per share	<b>19.25p</b>	18.61p
Diluted earnings per share	<b>19.16p</b>	18.40p

## 8. Goodwill and intangible assets

### 8.1 Accounting policy

#### 8.1.1 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 Cash Generating Units ("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.

### 8.1.2 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.

### 8.1.3 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 together into CGUs which are defined as the lowest level in the Group 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.

#### 8.1.4 Critical accounting estimates and judgements: Carrying amount of goodwill and intangibles

As at 31 December 2015, the Group had goodwill of £253,718,000 with intangible assets amounting in total to £86,772,000. An impairment review using a value in use calculation has been performed for each CGU. There is significant judgement involved in determining 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.

#### 8.2 Carrying amount of goodwill

	<b>£'000</b>
<b>Cost and net carrying value</b>	
At 1 January 2014	244,740
Acquisition of subsidiary	2,782
Impairment charge for the year	(3,411)
Exchange difference	10,264
At 31 December 2014	254,375
Disposal of business	(5,668)
Impairment charge for the year	(1,796)
Exchange difference	6,807
<b>At 31 December 2015</b>	<b>253,718</b>

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

	<b>2015</b>	2014
	<b>£'000</b>	£'000
AmesburyTruth	<b>187,005</b>	178,947
ERA	<b>48,652</b>	61,909
Schlegel International	<b>18,061</b>	13,519
	<b>253,718</b>	254,375

The ERA and Schlegel CGUs have been amended to reflect the current Group operating structure (see note 3). Accordingly, impairment testing as at 31 December 2015 has been performed on the basis of the revenues and cash flows directly attributable to the respective ERA and Schlegel International CGUs, which now mirror the operating segments.

The Board, in its capacity as chief operating decision maker, believes that these amendments to the Group's CGUs provide a more accurate reflection of the revenues, cash flows and value in use attributable to the Group's intangible assets and therefore constitute the most appropriate basis for the conduct of impairment testing.

##### 8.2.1 Impairment tests for goodwill

###### Assumptions

The recoverable amounts of CGUs are determined from value in use calculations. Value in use is determined by discounting the future pre-tax cash flows generated from the continuing use of the CGU, using a pre-tax discount rate.

Cash flow projections are derived from financial plans approved by the Board and cover a five year period. They reflect management's expectations of revenue growth, operating cost and margin for each CGU based on past experience. Cash flows after the five year forecast period were extrapolated using a long term growth rate of 1.50 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 value in use calculations in each of the Group's CGUs at 31 December 2015 are as follows:

	Average pre-tax discount rate		Average EBITDA growth for years one to five	
	2015	2014	2015	2014
AmesburyTruth	<b>13.6%</b>	13.2%	<b>10.1%</b>	10.1%
ERA	<b>8.9%</b>	9.4%	<b>9.4%</b>	8.3%
Schlegel International	<b>13.4%</b>	12.7%	<b>20.3%</b>	32.9%

#### Impairment review results: 2015

The closure of the manufacturing facility in Spain (Taliana) has given rise to a £1,796,000 impairment of goodwill, previously forming part of the Schlegel International CGU. Impairment of goodwill is included in administrative expenses in the income statement.

A review of the carrying amount of goodwill and intangibles assets across the Group has been carried out at year end in light of current trading conditions and future prospects. Apart from the impairment charge noted above, the annual impairment review did not result in any further impairment losses being recognised in the 2015 year.

The AmesburyTruth and ERA CGUs both have significant headroom such that a permanent diminution of the value in use to below the carrying value of goodwill is considered by the Board to be highly unlikely. The headroom in the Schlegel International CGU is materially lower and accordingly the Board has conducted a sensitivity analysis on the cash flows of this CGU.

#### Sensitivity of assumptions in the Schlegel International CGU

The sensitivity analysis was conducted by lowering the forecast EBITDA margin for Schlegel International, the assumption the model was most sensitive to, by a constant percentage each year from year one to perpetuity until the excess of value in use over the carrying amount of the CGU's assets was reduced to zero. Schlegel International's EBITDA margin would need be 211 basis points lower than the five year average base margin in each year from year one to perpetuity before the excess of the value in use over the carrying amount of the assets was reduced to zero.

Given the strengthened management structure and significant investment made in the Schlegel International CGU, the Board believes it is unlikely that such a sustained deterioration in EBITDA margins would occur. Whilst economic conditions in European markets continue to be challenging, the carrying amounts of goodwill and intangible assets in Schlegel International are considered to be sustainable based on current projections. If markets continue to deteriorate, this could give a further impairment charge at a future date and the Board will keep this under review.

Accordingly, the Board has concluded that at 31 December 2015 there is no permanent diminution in the carrying value of the goodwill attributed to the Schlegel International CGU.

#### Impairment review results: 2014

The closure of the Belgium Industrial Products operations gave rise to a £3,411,000 impairment of goodwill, previously forming part of the Schlegel International CGU. Impairment of goodwill was included in administrative expenses in the income statement in 2014.

### 8.3 Carrying amount of intangible assets

	Computer software £'000	Acquired brands £'000	Customer relationships £'000	Total £'000
<b>Cost</b>				
At 1 January 2014	2,927	43,081	157,432	203,440
Additions	2,112	10	-	2,122
Transfers to property, plant and equipment	(301)	-	-	(301)
Acquisition of subsidiary	8	14	3,778	3,800
Exchange difference	276	1,670	6,699	8,645
At 31 December 2014	5,022	44,775	167,909	217,706
Additions	2,918	-	-	2,918
Transfers to property, plant and equipment	44	-	-	44
Disposals	(158)	(12)	-	(170)
Disposal of business	(115)	-	(1,410)	(1,525)
Exchange difference	308	1,362	4,702	6,372
<b>At 31 December 2015</b>	<b>8,019</b>	<b>46,125</b>	<b>171,201</b>	<b>225,345</b>
<b>Accumulated amortisation</b>				
At 1 January 2014	(492)	(19,888)	(73,465)	(93,845)
Amortisation charge for the year	(337)	(3,653)	(14,161)	(18,151)
Impairment charge for the year	(27)	(173)	(186)	(386)
Exchange difference	(90)	(889)	(3,055)	(4,034)
At 31 December 2014	(946)	(24,603)	(90,867)	(116,416)
Amortisation charge for the year	(430)	(3,925)	(15,642)	(19,997)
Disposals	152	-	-	152
Disposal of business	97	-	1,175	1,272
Exchange difference	(68)	(773)	(2,743)	(3,584)
<b>At 31 December 2015</b>	<b>(1,195)</b>	<b>(29,301)</b>	<b>(108,077)</b>	<b>(138,573)</b>
<b>Carrying value</b>				
At 1 January 2014	2,435	23,193	83,967	109,595
At 31 December 2014	4,076	20,172	77,042	101,290
<b>At 31 December 2015</b>	<b>6,824</b>	<b>16,824</b>	<b>63,124</b>	<b>86,772</b>

The amortisation charge for the year comprises £19,567,000 (2014: £17,814,000) relating to amortisation of acquired intangible assets and £430,000 (2014: £337,000) relating to amortisation of other intangible assets.

The charge for the year has been included in administrative expenses in the income statement.

#### 8.3.1 Impairment of intangible assets

##### 2015 Impairment charge

There were no impairments recognised in the 2015 year.

##### 2014 Impairment charge

The closure of the Belgian Industrial Products operations (part of the Schlegel International Division) gave rise to a £359,000 impairment of acquired intangible assets and a £27,000 impairment of computer software in 2014.

## 9. Property, plant and equipment

### 9.1 Accounting policy

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

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

- Freehold buildings – 2 per cent to 5 per cent.
- Plant and machinery – 7.5 per cent to 33 per cent.

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

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

### 9.2 Carrying amount of property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	19,099	63,764	82,863
Additions	59	9,283	9,342
Disposals	(828)	(10,604)	(11,432)
Transfers from intangible assets	-	301	301
Acquisition of subsidiary	-	514	514
Exchange difference	590	4,342	4,932
At 31 December 2014	18,920	67,600	86,520
Additions	117	8,755	8,872
Disposals	(864)	(16,856)	(17,720)
Disposal of business	-	(5,105)	(5,105)
Reclassification between fixed asset categories	261	(261)	-
Transfers to intangible assets	-	(44)	(44)
Exchange difference	487	2,779	3,266
<b>At 31 December 2015</b>	<b>18,921</b>	<b>56,868</b>	<b>75,789</b>
<b>Accumulated depreciation</b>			
At 1 January 2014	(4,355)	(38,639)	(42,994)
Depreciation charge for the year	(684)	(6,992)	(7,676)
Disposals	339	10,018	10,357
Exchange difference	(97)	(3,256)	(3,353)
At 31 December 2014	(4,797)	(38,869)	(43,666)
Depreciation charge for the year	(649)	(7,364)	(8,013)
Disposals	864	15,428	16,292
Disposal of business	-	4,590	4,590
Exchange difference	(81)	(2,066)	(2,147)
<b>At 31 December 2015</b>	<b>(4,663)</b>	<b>(28,281)</b>	<b>(32,944)</b>
<b>Carrying value</b>			
At 1 January 2014	14,744	25,125	39,869
At 31 December 2014	14,123	28,731	42,854
<b>At 31 December 2015</b>	<b>14,258</b>	<b>28,587</b>	<b>42,845</b>

Depreciation of £8,013,000 (2014: £7,676,000) is included in administrative expenses in the income statement.

## 10. Interest-bearing loans and borrowings

### 10.1 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.

### 10.2 Carrying amount of interest bearing loans and borrowings

	2015 £'000	2014 £'000
<b>Unsecured borrowings at amortised cost</b>		
Bank borrowings	(45,605)	(65,603)
Senior Notes	(67,549)	(64,379)
Capitalised borrowing costs	1,596	1,993
	<b>(111,558)</b>	(127,989)
<b>Secured borrowings at amortised cost</b>		
Bank borrowings	-	(28)
	<b>(111,558)</b>	(128,017)
Analysed as:		
Current liabilities	-	-
Non-current liabilities	(111,558)	(128,017)
	<b>(111,558)</b>	(128,017)

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

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

	2015 £'000	2014 £'000
British Pounds	(15,207)	(33,610)
US Dollars	(94,509)	(94,407)
Euros	(1,842)	-
	<b>(111,558)</b>	(128,017)

#### 10.2.1 Bank borrowings

On 10 June 2014, the Group entered into a banking facility of up to £240,000,000, comprising a £180,000,000 committed multi-currency revolving credit facility and a £60,000,000 uncommitted accordion facility. The banking facility extends to 10 June 2019, is unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings.

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

	2015 £'000	2014 £'000
<b>Floating rate</b>		
Expiring beyond 12 months	(135,112)	(114,742)

#### 10.2.2 Private placement notes

On 19 November 2014, the Group completed the issuance of a private debt placement with US financial institutions totalling US\$100,000,000.

The debt placement is unsecured and comprises US\$55,000,000 debt with a seven year maturity at a coupon of 4.97 per cent and US\$45,000,000 with a 10 year maturity at a coupon of 5.37 per cent.



## 11. Provisions

### 11.1 Accounting policy

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised in the income statement within net finance costs. Provisions are not recognised for future operating losses.

#### 11.1.1 Critical accounting estimates and judgements: Carrying amount of provisions

Provisions, by their nature, are uncertain and highly judgemental. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date based on the nature of the provisions, the potential outcomes, any developments relating to specific claims, and previous experience.

#### 11.2 Carrying amounts of provisions

	Property related £'000	Restructuring £'000	Warranty £'000	Other £'000	Total £'000
At 1 January 2014	(5,596)	(345)	(2,074)	(1,548)	(9,563)
Acquisition of subsidiary	-	-	(76)	(151)	(227)
(Charged)/Credited to the income statement					
- Additional provisions in the year	(392)	(3,074)	(196)	-	(3,662)
- Unused amounts reversed	-	16	157	-	173
Utilised in the year	685	27	234	195	1,141
Unwinding of discount	(42)	-	-	-	(42)
Exchange difference	(12)	72	(70)	(4)	(14)
At 31 December 2014	(5,357)	(3,304)	(2,025)	(1,508)	(12,194)
(Charged)/Credited to the income statement					
- Additional provisions in the year	(23)	(1,765)	(341)	(110)	(2,239)
- Unused amounts reversed	728	136	235	148	1,247
Utilised in the year	874	1,270	253	-	2,397
Disposal of business	(825)	-	-	-	(825)
Unwinding of discount	(18)	-	-	-	(18)
Exchange difference	(6)	159	(32)	56	177
<b>At 31 December 2015</b>	<b>(4,627)</b>	<b>(3,504)</b>	<b>(1,910)</b>	<b>(1,414)</b>	<b>(11,455)</b>

Analysed as:

	2015 £'000	2014 £'000
Non-current liabilities	(6,060)	(6,597)
Current liabilities	(5,395)	(5,597)
	<b>(11,455)</b>	<b>(12,194)</b>

Current liabilities are those aspects of provisions that are expected to be utilised within the next 12 months.

### 11.2.1 Property related

Property provisions include provisions for onerous leases of £3,731,000 (2014: £3,951,000) and leasehold dilapidations of £896,000 (2014: £1,406,000). Property provisions are expected to be utilised by 2018.

For onerous leases, the Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and any likely sub-lease income on a property-by-property basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments.

The provision for leasehold dilapidations relates to contractual obligations to reinstate leasehold properties to their original state of repair.

The transfer of economic benefits will occur at the end of the leases.

### 11.2.2 Restructuring

Restructuring provisions include provisions for employee redundancy costs at restructured business units and are expected to be utilised by 2016.

### 11.2.3 Warranty

Warranty provisions are calculated based on historical experience of the ultimate cost of settling product warranty claims and potential claims. Warranty provisions are expected to be utilised by 2025.

### 11.2.4 Other

Other provisions relate to the tax consequences of international intragroup transactions for which the fiscal authorities may be expected to adopt opposing treatments in respect of revenue and cost recognition. Other provisions are expected to be utilised by 2017.

## 12. Dividends

	2015 £'000	2014 £'000
<b>Amounts recognised as distributions to owners in the year:</b>		
Final dividend for the year ended 31 December 2014 of 6.00p per share (2013: 4.50p)	10,089	7,558
Interim dividend for the year ended 31 December 2015 of 2.66p (2014: 2.00p)	4,476	3,368
<b>Total amounts recognised as distribution to owners in the year</b>	<b>14,565</b>	10,926
<b>Amounts not recognised in the financial statements:</b>		
Final dividend proposed for the year ended 31 December 2015 of 6.09p per share (2014: 6.00p)	10,248	10,089

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements for the year ended 31 December 2015.

## 13. 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	2015 £'000	2014 £'000
Net finance costs	5	6,923	7,033
Depreciation	9	8,013	7,676
Amortisation of intangible assets	8.3	19,997	18,151
Impairment of intangible assets	8.3	-	386
Impairment of acquired goodwill	8.2	1,796	3,411
Disposal of property, plant and equipment		510	(190)
Pension current service and expected administration costs		441	347
Non-cash provision movements		1,178	3,490
Loss on disposal of business		1,381	-
Non-cash adjustments		58	-
Share-based payments		968	903
		<b>41,265</b>	41,207

## **14. Events after the reporting year**

### **Acquisition of Response Electronics**

On 3 March 2016, the Group's ERA Division acquired Response Electronics, a specialist sales, marketing and distribution business focussed on wireless alarms, electronic access and smart home products. ERA has paid an initial cash consideration of £870,000 with a further capped payment to be made in 2019 determined on a multiple of the underlying EBITDA generated by Response in the year ending 31 December 2018.

### **Acquisition of Giesse**

On 7 March 2016, the Group's Schlegel International Division acquired Giesse, an Italian based manufacturer of hardware for aluminium windows and doors. The Group acquired Giesse for an enterprise value of €78.9 million (approximately £61.1 million).