TYMAN PLC

Tyman plc
Annual Report and Accounts 2015

Continued progress

About Tyman plc

Year of profitable growth for Tyman

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

At 31 December 2015 the Group had 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.

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

For definitions and glossary of terms used throughout this Annual Report, refer to on pages 128 and 129.

Operational highlights

- Strong margin progression, profit dropthrough and cash conversion despite challenging markets
- Acquisition of Response Electronics and Giesse announced
- Improved results for AmesburyTruth mitigated 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

Financial highlights

Revenue
£353.4m
2014: £350.9m +0.7%

Dividend per share
8.75p
2014: 8.00p +9.4%

Underlying operating profit
£51.4m
2014: £46.1m +11.6%

Underlying net debt
£83.2m
2014: £90.7m (8.3)%

Profit before taxation
£15.6m
2014: £11.9m +30.8%

Leverage
1.35x
2014: 1.56x

Underlying earnings per share
19.25p
2014: 18.61p +3.4%

Return on capital employed
12.5%
2014: 11.4% +110 bps

Our business at a glance

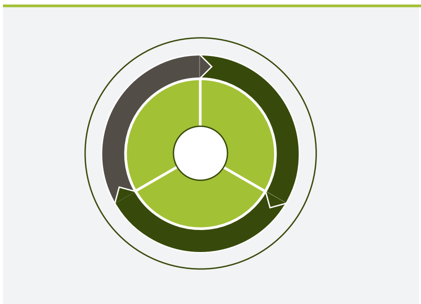
Our products can be found in homes and buildings all over the world.

Pages 02–03

Chairman's statement

Another year of progress for Tyman with strong margin progression, profit dropthrough and cash conversion despite challenging markets.

Pages 06–07



Business model

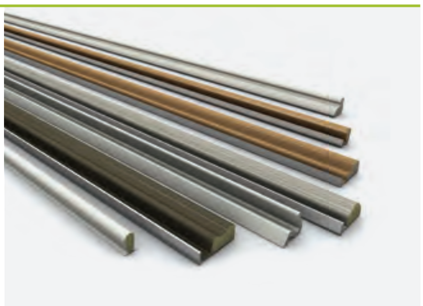
Our business model is built around our customers, the products we sell to them and the service we provide to them.

Page 04–05

Operational review

Another year of progress for Tyman with further market share gains in North America and strong performance by ERA.

Pages 16–23



Contents

Our business at a glance

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

Our businesses

AmesburyTruth

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

AmesburyTruth Operational review **Pages 16–18**

Revenue
£238.0m
2014: £220.7m +7.8%

Underlying operating profit[1]
£43.5m
2014: £36.4m +19.5%

ERA

Our UK and Ireland division operates as ERA
ERA is a leader in the design, development, manufacture and distribution of innovative solutions for the residential building and home improvement markets.

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

ERA Operational review **Pages 19–21**

Revenue[1]
£78.1m
2014: £86.5m (9.7)%

Underlying operating profit[1]
£11.6m
2014: £13.0m (11.1)%

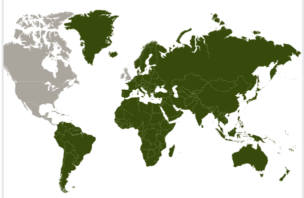
Schlegel

Schlegel International comprises the Group's sealing and extrusion businesses outside North America, together with Giesse, the Groups's Italy-based manufacturer of hardware products for aluminium doors and windows acquired on 7 March 2016
The Division has manufacturing operations in the UK, Germany, Italy, China, Brazil and Australia along with light assembly and distribution facilities in Argentina, France, Greece, India, Portugal, Spain, Turkey and the United Arab Emirates. The Division's products are sold in residential and commercial applications all over the world under the Schlegel and Giesse brands.

Schlegel Operational review **Pages 22–23**

Revenue[1]
£37.4m
2014: £43.7m (14.5)%

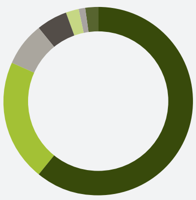
Underlying operating profit[1]
£1.6m
2014: £1.3m +23.5%



1 2014 revenue for the ERA and Schlegel International Divisions and underlying operating profit for all Divisions have been restated per the RNS announcement dated 9 February 2016.

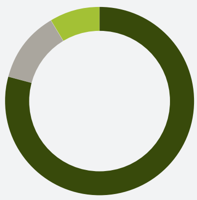
We operate globally

Where we sell by country



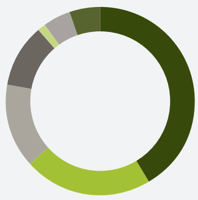
- US – 60.9%
- UK – 20.8%
- Canada – 7.7%
- Europe – 5.2%
- Australia – 2.1%
- Brazil – 1.2%
- Rest of the world – 2.1%

Who we sell to



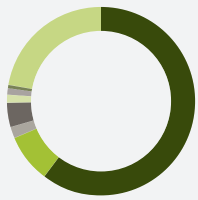
- Door and window manufacturers – 79.2%
- Distributors and wholesalers – 12.3%
- Other industrial – 8.5%

What we sell by product



- Hardware – 41.6%
- Sealing – 22.0%
- Balances – 14.3%
- Operators – 10.8%
- Metal forming – 1.3%
- Polymer extrusion – 4.9%
- Industrial and restoration – 5.1%

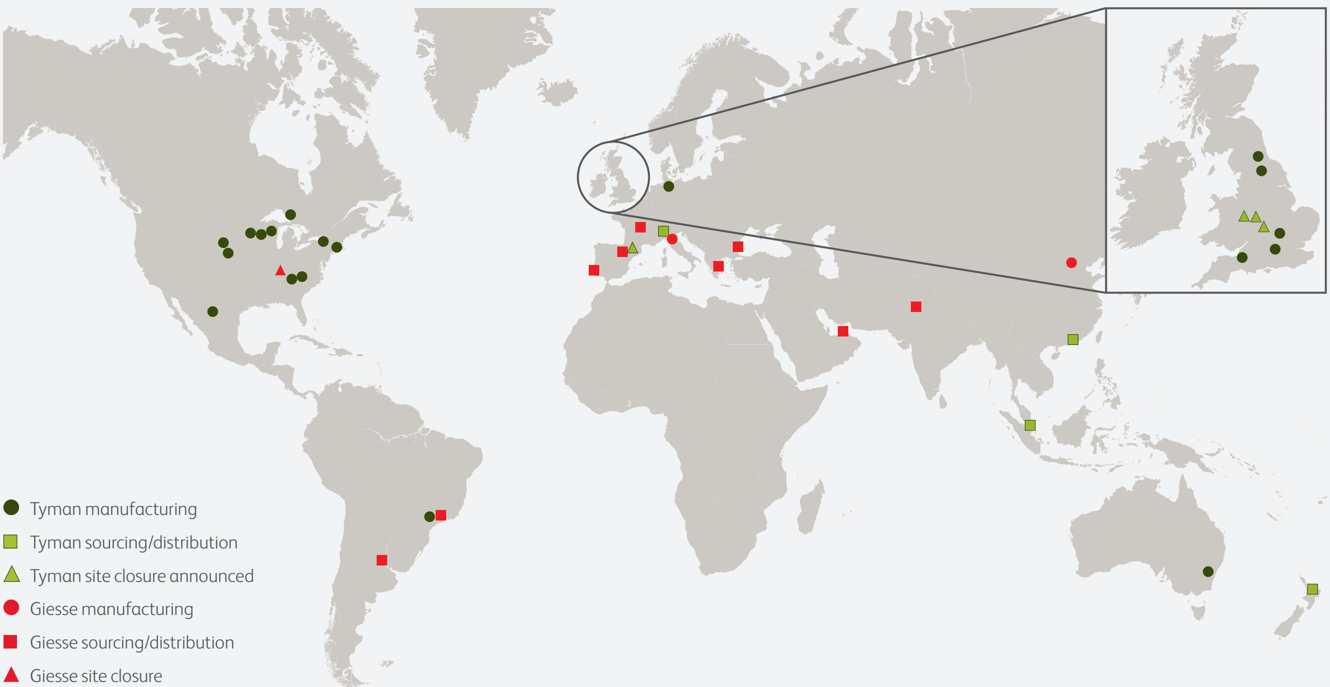
Where we source or manufacture by country



- US – 60.5%
- UK – 8.3%
- Canada – 2.0%
- Europe – 4.0%
- Australia – 1.4%
- Brazil – 1.2%
- Mexico – 0.6%
- Far East – 22.0%

Analyses exclude EWS, Giesse and Response Electronics.

North America **UK and Continental Europe** **Asia and Australia**



Business model

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

Our customers

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

Our products

We want our products to be best in class and engineered to add form and function to our customers' end products.

Our service

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

Chief Executive Officer's review and Strategy **Pages 08–11**

Shareholder value

Our strategy creates value for our shareholders by:

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

Flexibility and engineered solutions

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

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

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

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

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

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

In what remains a very fragmented industry in most markets, we believe Tyman is unique in being able to offer the complete range of door and window components to customers and to have a truly international offering.

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

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

We believe we are the only manufacturer of scale that can offer our customer base the full range of door and window components.

Quality and service

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

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

Number of credit notes – product quality

2,577

2014: 3,034 (15.1)%

Financial discipline

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

Operating cash conversion

84.9%

2014: 71.8% +1,310 bps

Return on capital employed

12.5%

2014: 11.4% +110 bps

Further information on our business model and strategy can be found on our website.

Chairman's statement

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

Summary

- Modest top line growth
- Strong margin progression
- Leverage below our core target range
- Strong operating cash conversion

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 US, but 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.

Return on capital employed 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.

This robust financial performance demonstrates the progress that the Group has made over the past six years, as well as the resilience of the self help model that we have developed.

Operating division overview

AmesburyTruth saw broadly flat volumes in the year, but 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.

“

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

We have 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. 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.

Investment in Tyman's future

The progress we have made to date in strengthening the balance sheet, divesting non-core businesses such as EWS and improving our business provides a solid platform for the Group to invest for the delivery of our next phase of growth. Along with the realignment of the North American footprint announced in March 2015 and the changes made in the last two years to our European operations, we have recently announced the consolidation of our UK footprint to a new site located in the West Midlands.

These changes to our footprint are significant in that they will provide the Divisions with the modern manufacturing, sourcing and distribution facilities necessary to support our future growth. Alongside these investments we continue to invest in new product development and supply chain in each of the Divisions as well as in our management teams, which we continue to build across all our geographies.

M&A

Targeted acquisitions have and will continue to be an important part of Group strategy. Our strategy remains to build a balanced portfolio of engineered components that we can offer to the door and window markets internationally. This will enable us to replicate the successful business model that we have in the US across other markets and geographies.

The announcement of the acquisition of Giesse is an important development in the next growth phase of the Group providing us with a high quality engineered hardware product offering for the aluminium window and door market for the first time.

Acquisitions bring with them management challenges and elevated risk along with opportunities. We manage these challenges and risks through our clear acquisition criteria, our due diligence process and a commitment to the full integration of every business we acquire over an appropriate period. Each acquisition is discussed and reviewed by the Board at regular intervals during the diligence process and following completion.

Corporate governance

As Chairman, my principal role is to lead the Board effectively and to ensure that the Board sets the tone for the Group's corporate governance and risk management processes. An important factor in achieving this is ensuring that good corporate governance procedures are practised throughout the Group in each of the countries that we operate in.

In order to enable shareholders to understand how this is achieved we have provided a corporate governance statement on pages 47 to 51 of this report. This describes how the governance structure underpins the delivery of the Group's business strategy. On pages 33 to 34 we have also outlined the principal risks that may prevent Tyman from achieving its objectives and the actions that we are taking to mitigate these potential risks.

The Board

Our approach as a Board is for the Non-executive Directors to be closely engaged with the business and supportive of the Executive Directors and management team, whilst embracing the principles of transparency and open debate.

In May, as Non-executive Directors, Kirsten English and Mark Rollins joined the Board. Kirsten has joined the Audit, Nominations and Remuneration Committees of the Board and Mark has taken on the chairmanship of the Remuneration Committee, as well as becoming a member of the Audit and Nominations Committees. Both Kirsten and Mark bring to the Board diverse and relevant business and governance experience.

We have continued our practice of holding regular Board meetings in each of the Divisions and, during the year, visited Group sites at ERA in Willenhall and AmesburyTruth in Toronto. In November the Board attended the Group management conference hosted by ERA in London where we participated in a number of workshops and product demonstrations. Kirsten and Mark have also visited various Divisional sites as part of their induction programme.

These visits and engagements allow Board members the opportunity to meet with a significant cross section of the Group's Divisional management and employees at all levels as well to see at first hand the Group's manufacturing and distribution processes.

Health and safety

Improving the general working conditions for our employees and ensuring that the Group operates to the highest standards of health and safety remains a key priority for the Board. Progress, as evidenced by declines in the number and nature of recorded incidents across the Group, has been slower than we would have hoped over the course of the past two years, despite considerable focus and engagement at all levels of the organisation. We will continue to devote the necessary time and resources required to improve our health and safety record.

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).

Finally, while we are justifiably proud of the products we manufacture and the service we give to our customers, it is our employees who have delivered the progress that we have made. It is their efforts that have made the Group more flexible and more adaptable over the past six years and on behalf of the Board I would like to thank them.

Jamie Pike
Non-executive Chairman
8 March 2016

Chief Executive Officer's review and Strategy

Despite subdued markets the Group generated strong profit dropthrough, margin management and cash conversion across the year as a whole.

Summary

- Profitable growth despite subdued markets
- Opportunities expected from integration of Giesse
- Continued deployment of self help strategy in 2016

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 dropthrough, margin management 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, mean 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.

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. Repairs and Remodelling ("R&R") is also expected to show year on year improvement; however, this is expected to be at similar levels to those 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 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 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.

Louis Eperjesi
Chief Executive Officer
8 March 2016

"The improvements we have made to the Group over the past six years means that we remain well positioned to take advantage of opportunities as they arise."

Chief Executive Officer's review and Strategy continued

Chief Executive Officer's **priorities**

Louis Eperjesi talks about the Group's key priorities for 2016.

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.

"We will retain our focus on pricing discipline and margin management in 2016."

Our strategy is to create shareholder value through being a leading international supplier of components to the door and window industry.

Our aims

Increasing our revenue through consistent market share gain and pricing discipline.

Maximising margins by eliminating cost and waste from processes.

Focusing on capital allocation and cash generation.

A Market share gain

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

B Pricing discipline

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

C Maximising margins

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

D Elimination of cost and waste

Divisions closely monitor the quality of products, both within the production process and once products have entered the installed base, in order to ensure that our commitment to quality endures beyond the point of sale.

E Focus on capital allocation

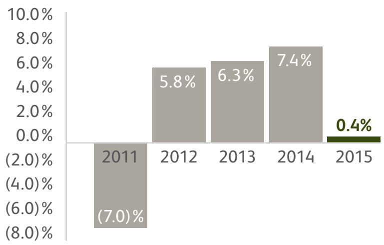
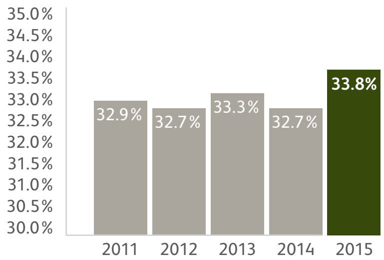
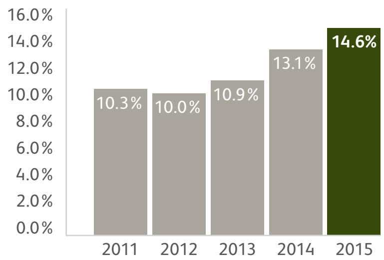
We adopt a rigorous appraisal process for all items of capital investment in order to ensure that all investments are supported by a robust business case. Divisional investment plans are required to provide an attractive return to the Group overall, while also ensuring that we continue to invest in making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

F Focus on cash generation

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

Key performance indicators

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

KPI	Purpose	2015 performance	
Like for like revenue growth Year on year revenue growth from continuing operations measured on a like for like basis. **Target** To grow revenue year on year. **Impact on strategy** A B C	The KPI measures the directional trend in revenue. The KPI is used to evaluate the ability of the Group to grow its customer base and improve its margins.		Revenue has increased marginally in the year by 0.4 per cent on a constant currency like for like basis. Reported revenue increased by 0.7 per cent, with challenging conditions across the International Division and the loss of UK distribution business to competitors impacting growth.
Gross margin Gross profit from continuing operations as a percentage of revenue from continuing operations. **Target** To maintain gross margin at greater than 30 per cent and incrementally increase it over time. **Impact on strategy** A B C D	Gross margin is a relative measure of each Pound of revenue remaining after all direct manufacturing costs have been incurred. The KPI is used to evaluate the profitability and financial health of the Group.		Gross margin has improved 109 bps, benefiting from pricing initiatives and the general raw material backdrop although offset in part by the weakness of Sterling.
Underlying operating margin Underlying operating profit from continuing operations as a percentage of revenue from continuing operations. Refer to page 128 for definitions of underlying operating profit. **Target** To maintain and improve operating margins through the management control of the Group's overhead and administrative costs. **Impact on strategy** A B C D	Underlying operating margin is a relative measure of each Pound of operating profit remaining after all direct manufacturing and administrative costs have been incurred. The KPI is used to evaluate the profitability and financial health of the Group.		Underlying operating margins improved by 142 bps principally due to the favourable impact of pricing actions and material cost movements as well as productivity gains from the delivery of synergy benefits in the US.

Our strategy

- **A** Market share gain
- **B** Pricing discipline
- **C** Maximising margins
- **D** Elimination cost and waste
- **E** Focus on capital allocation
- **F** Focus on cash generation

KPI	Purpose	2015 performance	

Leverage

Underlying net debt divided by adjusted EBITDA.

Refer to page 128 for definitions of underlying net debt and adjusted EBITDA.

Target

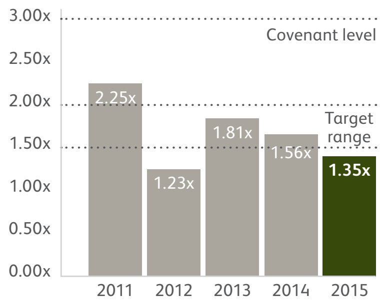
To maintain a core leverage ratio of between 1.50x to 2.00x throughout the cycle.

Impact on strategy

E F

Leverage is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.

Covenant level



Leverage strengthened over the year by 0.21x, below our target range of 1.50x to 2.00x.

Return on capital employed and return on controllable capital employed

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

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

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

Target

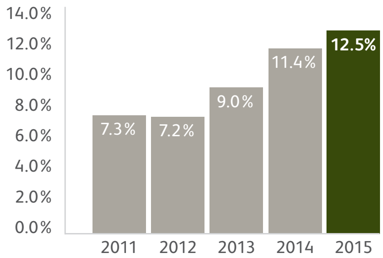
To maintain and steadily improve ROCE and ROCCE with a medium term target for ROCE of 15 per cent.

Impact on strategy

C D E

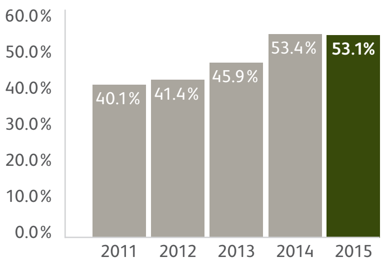
The KPIs are used to evaluate how efficiently the Group's capital and controllable capital are being employed to improve profitability.

Return on capital employed



ROCE improved by 110 bps due to the combined effect of the 11.6 per cent increase in underlying operating profit and the fall in the average capital employed in the year. The write off of goodwill and intangibles arising on disposal of businesses and impairment contributed to the lower average capital employed at the year end.

Return on controllable capital employed



Return on controllable capital employed was broadly flat due to a marginal increase in the Group's controllable capital employed – in part due to the disposal of EWS.

Key performance indicators continued

KPI	Purpose	2015 performance

Underlying basic EPS

Underlying operating profit divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Refer to page 128 for the definition of underlying operating profit.

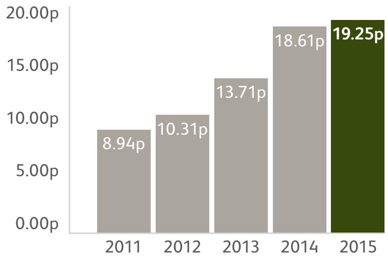
Target

To improve underlying EPS performance.

Impact on strategy

C D

The KPI is used to determine the improvement in underlying EPS for our shareholders.



Underlying earnings per share increased by 3.4 per cent to 19.25 pence. The increase reflects the improvements in underlying operating profit offset by the increased finance charge and the higher effective tax rate for the year.

Dividend growth

Year on year growth in total dividends.

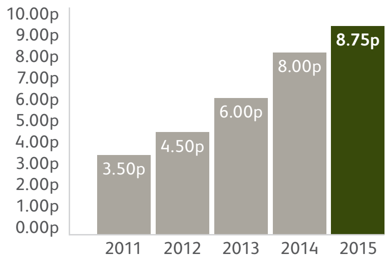
Target

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

Impact on strategy

E F

The KPI is used to evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.



Dividends have continued to grow consistently and by 9.4 per cent in the year. This represents cover of 2.20x and a yield of approximately 3.1 per cent.

Dividend cover

Underlying basic EPS divided by the dividend per share.

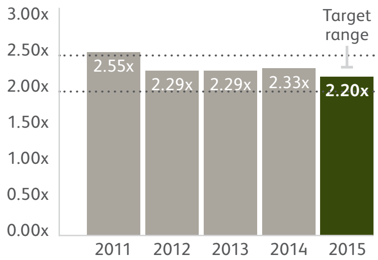
Target

Targeting a dividend cover of between 2.00x to 2.50x.

Impact on strategy

C D E F

The KPI is used to evaluate the delivery of consistent and balanced returns to shareholders in the form of dividends.



Dividend cover has consistently been within the target range.

Operating cash conversion

Operational cash flow as a percentage of underlying operating profit.

Refer to page 128 for definitions of operational cash flow and underlying operating profit.

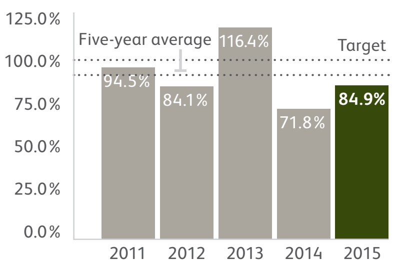
Target

Core target is 100 per cent conversion of operating profit into operational cash flow across a 12-month period.

Impact on strategy

E F

Operating cash conversion is used to evaluate the cash flow generated by the business operations in order to pay down debt, return to our shareholders and invest in acquisitions.



Operating cash conversion was significantly higher than in the previous year despite capital expenditure running well ahead of depreciation and some net investment made into trade working capital.

KPI	Purpose	2015 performance

Return on acquisition investment

Refer to page 128 for the definition of ROAI.

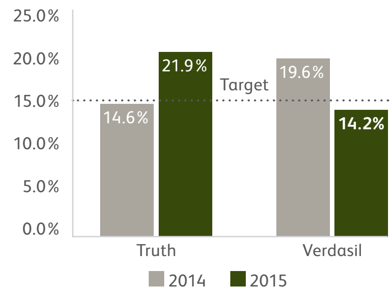
Target

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

Impact on strategy

D E F

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



Synergy benefits together with general business improvements and a recovering market has meant that ROAI for the Truth acquisition has significantly exceeded our acquisitions returns threshold.

Despite 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.

On time in full delivery rate

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

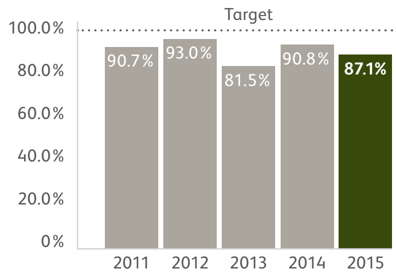
Target

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

Impact on strategy

D

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



The on time delivery rate decreased to 87.1 per cent from 90.8 per cent in 2014. OTIF performance for the Group was impacted by factory moves in North America and Europe arising from footprint rationalisation programmes.

Lost time injuries

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

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

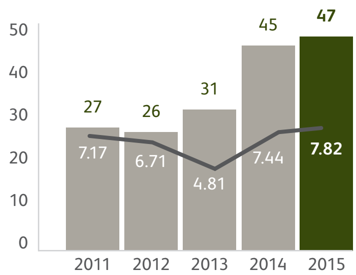
Target

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

Impact on strategy

D

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



Although the Group's safety culture is progressing well, the increase in both KPIs was disappointing. The severity of incidents was minor and the majority were preventable. Reduction in these KPIs remains a key priority for the Board.

Employee turnover rate

Employees terminated voluntarily or involuntarily in the last 12 months as a percentage of the monthly average headcount in the year.

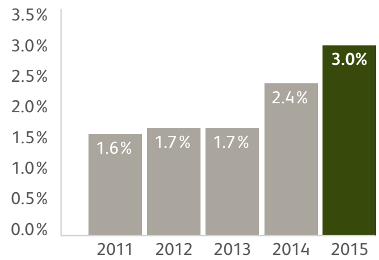
Target

To reduce the employee turnover rate year on year.

Impact on strategy

C D

The employee turnover rate is used to evaluate the frequency of and the directional trend in employee turnover. The KPI provides an indication of the avoidable costs associated with terminations, including training, inefficiencies, etc.



The rise in the employee turnover rate is principally due to redundancies associated with the footprint rationalisations in North America and Europe, as well as the consolidation of the Fab & Fix and ERA businesses in the UK.

Operational review

AmesburyTruth™

Key highlights

- Continued recovery of housing market in the US
- Overall contraction in Canadian market
- Integration complete – US$8.5 million cumulative synergies in 2015
- Footprint project progressing to plan
- Good progress made on 2015 pricing initiatives

Key products

Casement operators
Sliding window balances
Sliding patio door hardware
Foam seals

New products

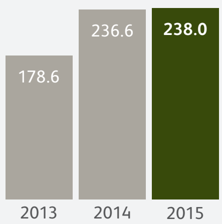
E-Gard® Plus™ is a specially formulated E-Coat process designed to provide superior corrosion protection on carbon steel hardware components used in casement and awning hardware products.

Revenue

£238.0m

2014: £220.7m +7.8%

Revenue at constant exchange rates £'m



Underlying operating profit[1]

£43.5m

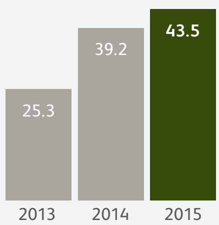
2014: £36.4m +19.5%

Underlying operating margin

18.3%

2014: 16.5% +178 bps

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



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

£'m except where stated	2015	2014[1]	Change	CC LFL
Revenue	238.0	220.7	+7.8%	+1.8%
Underlying operating profit	43.5	36.4	+19.5%	+11.2%
Underlying operating margin	18.3%	16.5%	+178 bps	

US$'m except where stated	2015	2014	Change	LFL
Revenue	363.8	363.7	Flat	+1.8%
Underlying operating profit	66.6	60.1	+10.8%	+11.2%
Underlying operating margin	18.3%	16.5%	+178 bps	

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 US 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 US 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 US 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 dropthrough of incremental pricing and delivery of synergies.

Revenue generated in the US increased by approximately 3.8 per cent (2014: 7.3 per cent) 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.

AmesburyTruth Training Academy

The AmesburyTruth Training Academy ("ATA") opened its doors to its first class in February 2015 at our Owatonna, Minnesota, facility.

All training courses are facilitated by AmesburyTruth's corporate trainer and other ATA team members including supervisors and team leaders.

Courses extend for a two-week period and cover both theoretical and practical areas of operations on the production floor. Employees first receive classroom training on subjects such as safety, reading and understanding blueprints, shop orders and control plans. Employees then move on to the hands-on training centre, with operating machinery that is set up to replicate those on the production floor. This approach ensures that errors are mitigated when employees are operating in the real-life environment.

Both new and existing manufacturing employees are eligible to attend the ATA and training is set in a supportive setting that facilitates learning. This is in line with the objective of ensuring employees leave the ATA better prepared to undertake their day-to-day responsibilities with confidence and join their co-workers as successful and productive employees.

Feedback from both employees and their managers on the ATA programme have been positive. The ATA team continues to make changes to the programme, based on feedback from attendees, to ensure training remains relevant and comprehensive, and that the future success of employees and operations is continued.

Since the launch of ATA, almost 150 employees have successfully completed the training course. AmesburyTruth has seen positive results from ATA in the form of improved employee retention, quality and production efficiencies and is intending to model the success of the Owatonna programme to other sites within the Division.

Operational review continued

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 the business. 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 to lead 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.

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, this is expected to be at similar levels to those 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.

Analysis of North American footprint project costs and benefits

US$ million	**2015 Actual**	2016 Estimate	2017–19 Estimate	Total
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
Total P&L costs	**0.8**	**8.0**	**12.5–14.5**	**21.3–23.3**
Capital expenditure (net)	1.8	6.5	6.0–9.0	14.3–17.3
Total cash costs	**2.5**	**11.5**	**12.5–15.5**	**26.5–29.5**
P&L saving[1]	**—**	**—**	**2.0→7.0**	**10.0**

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.

Key highlights

- More subdued UK market conditions
- Strong growth of Bifold hardware offering
- New products launched in the year performed well
- Disappointing performance in distribution
- Continue to target market share growth from both OEM and distribution channels

Key products

Multipoint door locks

Decorative door and window hardware

Vertical sliding window balances

Bifolding door hardware

Casement window locks

New products

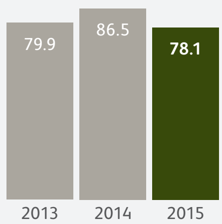
Invincible™ cylinder lock is a security powerhouse which is significantly stronger than a standard double cylinder and provides a visual deterrent to intruders.

Revenue[1]

£78.1m

2014: £86.5m (9.7)%

Revenue[1] at constant exchange rates £'m



Underlying operating profit[1]

£11.6m

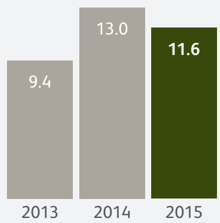
2014: £13.0m (11.1)%

Underlying operating margin

14.8%

2014: 15.1% (23) bps

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



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

Reported ERA segmental results[1]

£'m except where stated	2015	2014[2]	Change
Revenue	**78.1**	86.5	**(9.7)%**
Underlying operating profit	**11.6**	13.0	**(11.1)%**
Underlying operating margin	**14.8%**	15.1%	**(23) bps**

Non statutory ERA results[3]

£'m except where stated	2015	2014	Change
Revenue	**66.7**	67.8	**(1.5)%**
Underlying operating profit	**10.3**	11.3	**(8.7)%**
Underlying operating margin	**15.4%**	16.6%	**(120) bps**

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 Construction Products Association estimates that UK Private Housing RMI overall grew by c. 2.0 per cent during the year (2014: 8.2 per cent) and estimates that new build activity in 2015 increased by approximately 10.0 per cent (2014: 10.0 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, but 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.

Operational review continued

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 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 a 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 focused 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 12 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 market before the half year and we continue to target further market share gains with our Bifold hardware range.

ERA Approved Partner Scheme

During 2015, ERA launched a brand new initiative with the Master Locksmith Association ("MLA") – the ERA Approved Partner Scheme. The scheme allows any homeowner across the UK to have a free home security survey completed by one of the MLA's approved members.

Why ERA and the MLA?

- ERA locking hardware is the first choice for most MLA locksmiths.
- ERA has been securing Britain's homes since 1838.
- The MLA is the longest and largest established locksmiths association in the UK.
- The MLA promotes skills and ethics within the industry and governs the excellence and performance of its members.
- Every MLA member is vetted, inspected and qualified to visit your home.

What is the ERA home security survey?

Homeowners are able to search on the ERA website for a local MLA approved locksmith. The chosen MLA locksmith will visit the homeowner's home, carry out a free security survey and provide recommendations for work that needs to be carried out and the associated cost.

Benefits of the ERA Approved Partner Scheme

This ERA-generated lead and potential upgrade work may give rise to further reach and increased business for the MLA member. For ERA, working closely with the MLA allows the Division to:

- generate product loyalty from the MLA members;
- spread the ERA brand message to homeowners; and
- increase sales through ERA's distribution channels.

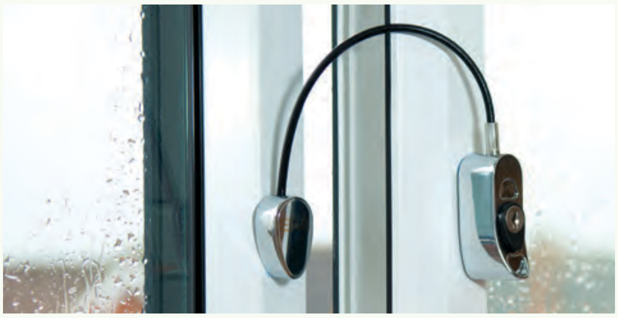
ERA Window and Door Safety Restrictor

ERA's stylishly designed Window and Door Safety Restrictor offers a universal solution for windows and doors where a restricted opening is required.

Ideally suited to homes with families, the locking restrictor is a compliant child resistant locking device for window and balcony doors in accordance with BS EN 16281:2013.

The restrictor has been tested to 50,000 cycles and is classified in accordance with BS EN 13126-1:2011 Grade 3 Impact Resistance.

The aesthetically designed push-to-open cable lock comes with cut key locking for security and has been ergonomically developed for easy operation. To lock, insert the cable into the lock body and turn the key. To unlock, simply insert the key, remove and press the button to release the cable.



Operational review continued

Key highlights

- European markets, other than Russia, generally firmer
- Stronger second halves for our markets in Germany, France and Italy
- Closure of Barcelona, Spain facility and relocation to Newton Aycliffe, UK
- Encouraging performance in Australia
- Brazil impacted by recession but still made meaningful contribution

Key products

Q-Lon foam seals

Poly-Bond brush pile weatherseals

Extruded seals

New products

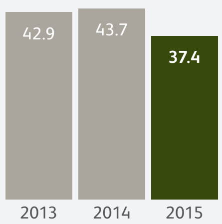
The development of a new power pile process designed to provide improved performance, increased line speed and overall equipment effectiveness.

Revenue[1]

£37.4m

2014: £43.7m (14.5)%

Revenue[1] at constant exchange rates £'m



Underlying operating profit[1]

£1.6m

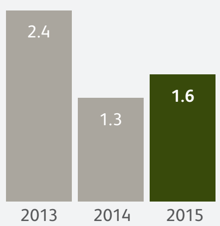
2014: £1.3m +23.5%

Underlying operating margin

4.2%

2014: 2.9% +130 bps

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



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

£'m except where stated	2015	2014[1]	Change	CC LFL
Revenue	**37.4**	43.7	**(14.5)%**	**(4.6)%**
Underlying operating profit	**1.6**	1.3	**+23.5%**	**+1.4%**
Underlying operating margin	**4.2%**	2.9%	**+130 bps**	

1 2014 comparatives for revenue and underlying operating profit have been restated as 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.

Country	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Year on year
UK and Ireland[1]	(2)%	(12)%	+2%	(16)%	**(7)%**
Europe[2]	(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.

Markets and performance continued

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 €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 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.

Schlegel

2015 "Safety First" campaign

Schlegel's commitment to health and safety is based on the principle that, when the work is done, employees go home safe and well to their loved ones.

Extending this theme as a 2015 initiative, employees at our European operations were asked to reinforce this message through the use of the talent and imagination of their children.

Under the heading Safety First, the children were asked what Safety First means to them through illustrations across age categories of up to six, seven to 12 and 13 plus. Numerous entries were received and winners were selected by vote of attendees at the Schlegel European Sales Conference in March 2015.

The winning illustrations were used as part of Schlegel's rolling safety campaign in factories throughout the year and as part of the Division's goal of making Schlegel a safer place to work.

Financial review

Despite a small decrease in volumes overall, we demonstrated good dropthrough during the year with underlying operating margins increasing by 142 bps to 14.6 per cent.

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 dropthrough 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 US.

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).

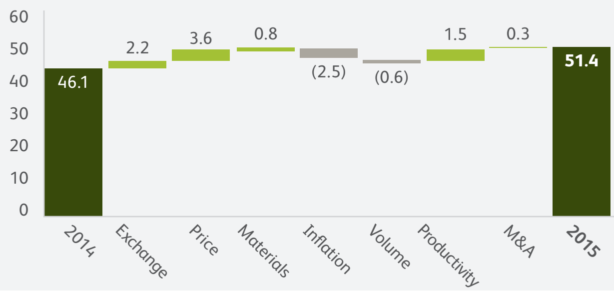
Amendments to operating segment analysis

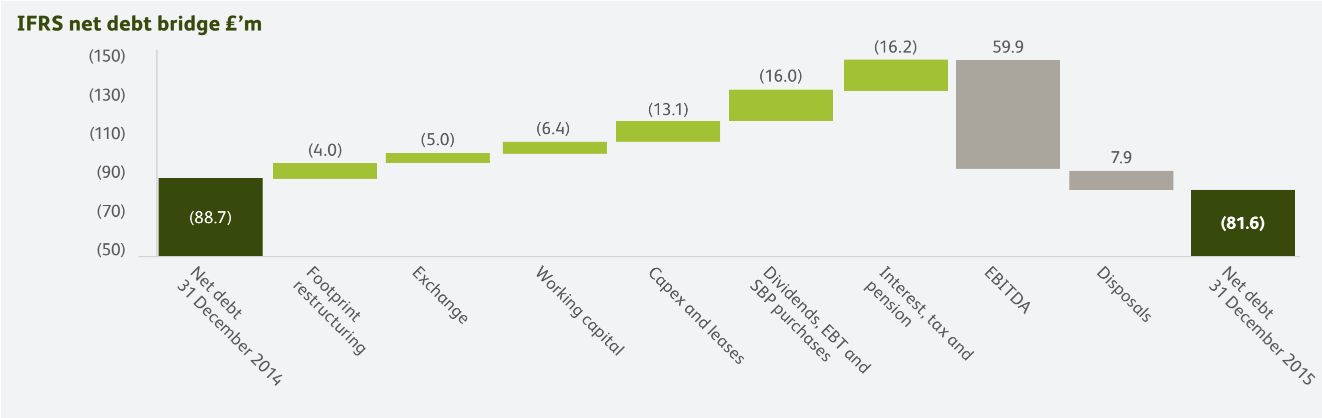
Following the closure of the Group's Barcelona, Spain facility, the Board reviewed the appropriateness of the disclosure of the Group's operating segments. Following this review, the 2015 operating segmental analysis disclosure has been presented under the Group's current organisational structure with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

Under the revised segmental analysis, ERA comprises the Group's UK and Ireland hardware business, together with Ventrolla. Schlegel International comprises all of the Group's other businesses outside the US, 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.

Underlying operating profit bridge £'m





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

We track the pricing of key raw materials closely within the Divisions in order to ensure we are procuring at the best price for the quantities we consume and that we are in a position to secure price increases where necessary.

We focus on three key categories of raw material – steel, oil derivatives and zinc. Our largest raw material and component purchase is steel across a number of different types and grades. Oil derivatives are used in the manufacture of our seal, extrusion and injection-moulded products. Zinc is used in the manufacture of a number of hardware products, most notably Truth casement operators. In addition, we track closely the pricing of a representative basket of those products we source from the Far East into the UK which will be influenced by local labour and overhead rates, raw material price changes and the exchange rate.

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.

Overall category £'m unless stated	2015 materials COS[1]	Tracker purchases	Average tracker price mvt[2]	Spot tracker price mvt[3]
Steel[4]	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 cost of sales excludes 2015 purchases of steel by EWS of £7.9 million and the tracker has been changed to US stainless steel.

Exceptional items

£'000	2015	2014
Footprint restructuring	**4,515**	3,830
M&A and integration	**1,437**	1,718
Loss on disposal of business	**1,381**	—
Redundancy and restructuring	**914**	406
Property provision releases and disposals	**(684)**	(398)
Exceptional items	**7,563**	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 US.

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.

Financial review continued

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 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 policy

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

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

As far as practical, the Group aims to keep its legal and commercial structures straightforward in order to reduce risk and minimise compliance costs. To assist with accurate reporting of taxation data and in order to fulfil our compliance and disclosure obligation we have invested in tax reporting systems and personnel throughout the Group.

The Group's key transfer pricing arrangements comprise commercial agreements relating to trade between Group entities, intragroup financing and the recharging of shared-service administrative costs.

Where Group entities do trade with each other, transfer pricing arrangements are appropriate for the territories involved and are enacted on a consistent basis.

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.

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

The international nature of the Group's operations. In 2015, 76.8 per cent of the Group's operating profits before central cost allocations were generated in North America, 20.4 per cent generated in the UK and 2.8 per cent in Schlegel International's overseas territories. The Group's effective tax rate is therefore a function of the interaction of currency movements with different country, state and local taxation rates and allowances.

The Group has a proactive capital investment programme in each of its Divisions. These investments are amortised for tax purposes in accordance with the laws relating to capital allowances in each country, which may not match with the Group's depreciation policy.

Group companies sometimes generate taxable losses. Where these losses can be relieved or carried forward to be relieved in future periods, the Group does so in accordance with the relevant laws, however this treatment is broadly dependent on sufficient eligible taxable profits being generated in the relevant jurisdiction.

Certain losses, most notably those related to the amortisation and impairment of intangible assets and the write off of goodwill arising on acquisition cannot be relieved against taxable profits. As the Group has developed through acquisition, these charges have a material impact on the Group's statutory tax charge as a proportion of pre-tax profits.

Group share options and LTIPs will generate varying levels of tax relief to the Group dependent on the vesting outcomes of awards and the share price as at the date of vesting. 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.

The Group does not at present make material use of special incentive arrangements that might impact the tax charge such as research and development tax credits or patent box structures however will keep this under review.

Chief Financial Officer's **financial objectives**

James Brotherton talks about the Group's key financial objectives.

Margin management

We regard margin management as an important element in ensuring that the Group delivers the profitability that its quality, service levels, investment and innovation merit. Our blended gross margin target takes into account the range of products that we sell - which vary in complexity and added value – and the different price points that attach to those products. Our operating margin target is to take each Division back to their peak cycle margins through improvements to our operating and manufacturing processes without needing our markets to return to peak cycle volumes.

Leverage target

We have set ourselves a year-end leverage target of between 1.50x to 2.00x net debt to EBITDA. We feel that this target range strikes a balance between retaining an appropriate amount of leverage for a cash generative group, allows Tyman the flexibility to take advantage of investment opportunities as they arise and gives the Group structural headroom on its facilities to be able to cope with unexpected short term downturns in demand.

Cash conversion

We want to convert the profits we generate into cash such that we can fund our investment plans, service our borrowings and finance our dividends. Cash conversion provides a clear indication of how successful we are at managing our working capital and capital investment programmes.

For each of our businesses our starting point is that if we generate operating profit then we expect to convert that profit into cash in the near term. In any one year this may not be achievable due to the investment requirements of the individual business or Division but over a period of time each Division should be capable of cash conversion averaging close to 100 per cent.

Returns on capital employed

ROCE measures the success of the Group in generating returns for stakeholders on the capital it has available for investment. Here we have a medium term target of 15 per cent - which is significantly above the Group's cost of capital. Our target takes into account the opportunities we still have to improve our profitability, to streamline our working capital and to generate increased returns from our manufacturing processes through investment.

Returns on acquisition investment

We regard M&A as a potential route to improve our business and our returns. Our ROAI target of 15 per cent after two years is aligned with our medium term ROCE target and is designed to provide a framework to target returns from acquisitions; taking into account not just the initial expense of acquisition but any investment we are required to make into the acquired business in the first two years of ownership. Two years should give us sufficient time to deliver a measured integration of a newly acquired business and to start to generate synergy benefits that may arise from the combination.

> "Our ROAI measure is designed to provide a framework to target returns from acquisitions."

Financial review continued

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.

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 Renminbi for purchases by ERA from the Far East and Australian Dollar/US Dollar/ Renminbi for purchases by Schlegel International's Australian business from the US 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 1 cent 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 policy

The Board regards dividend payments as an important component of shareholder returns that assist in reinforcing capital discipline and help ensure that the Group's shares appeal to a wide range of potential investors.

As a cash generative business, the Group aims to grow the total dividend year on year in line with earnings and has committed to a target dividend cover of between 2.00x to 2.50x underlying earnings per share. The actual payout ratio in any one year may be above or below the target dividend cover; depending on circumstances.

The Group operates in a cyclical industry and financial performance can be expected to vary from year to year. The cyclical nature of the Group's markets means that in certain years the Board may feel it is appropriate and necessary to reduce the dividend.

The Group pays two dividends each year. The interim dividend, which is paid to shareholders in early September, and the final dividend which is paid to shareholders in late May, following the conclusion of the Annual General Meeting. The interim dividend will typically be set at around one third of that year's total dividend.

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 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.

Translational exposure – impact on revenue and underlying operating profit

Currency	US$	Euro	AUS$	CA$	BR Real	Total[1]
% movement 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)	**12.7**
£'m profit impact[2]	3.1	(0.1)	(0.2)	—	(0.2)	**2.6**
1 cent movement impact[3]	£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 1 cent movement in the currency on underlying operating profit.

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 being 168.2 million (2014: 167.8 million) and the fully diluted weighted average number of shares being 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 management

We retained our strong focus on management of working capital within each of the Divisions, with the aim of achieving an appropriate balance between commercial priorities and financial efficiency.

Each Division is allocated specific cash targets which are monitored throughout the year and flexed according to demand levels and the Divisions are encouraged to seek out opportunities to secure permanent reductions in working capital.

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 excluding 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.

Amendments to cash generating units

Until the 2014 year end, Amesbury and Truth were treated as separate CGUs for the purposes of impairment testing. From January 2015 these two CGUs have been combined and impairment testing for the North American business as at 31 December 2015 has been performed on the basis of a single AmesburyTruth CGU.

The ERA and Schlegel International CGUs have also been amended to reflect the current Group operating structure as it had become increasingly difficult to allocate revenue and cash flows relating to UK-based seal manufacturing plants. 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 reported 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.

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).

In accordance with accounting standards, the Board has reviewed the carrying value of goodwill and other intangible assets across the Group by CGU in light of current trading, prospects and progress towards achieving the Divisions' strategic plans. The Board concluded that the carrying value of goodwill and other intangible assets remained appropriate and that no further impairment had occurred.

The CGU with the lowest headroom is the Schlegel International CGU, which is a function of the current reduced levels of demand currently seen within that Division. However, following the amendments to the Group's CGUs and firmer trading prospects seen within some of Schlegel's key markets in 2015, the headroom within the Schlegel International CGU has increased in both absolute and relative terms year on year. The Board will continue to keep the Schlegel International value in use under close review.

Financial review continued

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:

	2015 £'000	2014 £'000
Net cash generated from operations	**40,065**	33,805
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
Operational cash flow after exceptional cash costs	**39,013**	30,875
Exceptional cash costs	**4,671**	2,212
Operational cash flow	**43,684**	33,087

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

	Maturity	Currency	Committed	Uncommitted
Revolving credit facility	Jun 2019	Multi-currency	£180.0m	£60.0m
4.97% USPP notes	Nov 2021	US$	US$55.0m	—
5.37% USPP notes	Nov 2024	US$	US$45.0m	—

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

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

Covenant performance calculated is 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:

	Date of acquisition	Original acquisition investment '000	ROAI in 2015	Annualised ROAI since date of acquisition
Truth	Jul 2013	US$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, have 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.

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. Giesse 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 will be approximately £1.0 million.

James Brotherton
Chief Financial Officer
8 March 2016

Risk management

Identifying and managing risk

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

Risk Management Structure

Responsibilities for and structure of risk management

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

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

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

The Board has overall responsibility for reviewing the effectiveness of the risk management and internal control systems in the Group. The Audit Committee report on pages 52 to 56 describes the process for achieving this.

Principal risks

The Directors confirm they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The table on pages 33 and 34 sets out the principal risks and uncertainties facing the Tyman Group at the date of this Report and how they are being managed or mitigated. The principal risks do not comprise all the risks that the Group may face and they are not listed in any order of priority.

In accordance with the provisions of the 2014 version of the UK Corporate Governance Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the Viability statement. The Going concern statement can be found on page 50 and Viability statement can be found on page 35 of the Strategic report.

Main developments in risk

The main developments in our principal risk over the last year has been an increase in the footprint rationalisation risk as the implementation of these projects advances further. We are progressing further into the implementation of the AmesburyTruth footprint plan, aiming to complete the first phase in the first quarter of 2017. In addition we are also planning to complete the exit from the Schlegel site in Barcelona and undertake the construction and fit out of ERA's new West Midlands facility. These projects will be a main focus for management in 2016, with progress closely monitored.

Principal risks and uncertainties

Description	Impact on strategy	Mitigation	Trend
Market conditions			
Demand in the building products sector is dependent on levels of activity in new construction and property repair, maintenance, improvement and remodelling markets. This demand can be unpredictable and the Group has a low visibility of future orders from its customers. Subdued market demand in the US and UK coupled with continuing fluctuations in European markets in 2015 have combined to produce an overall neutral impact on this risk.	A B	In recent cyclical downturns management has proved effective in responding to such events and continues to have similar measures ready to deploy, such as: • maintaining appropriate headroom and tenor in its available borrowing facilities; • the geographic spread of our business; • our ability to flex our cost base; • pricing and gross margin management; • planning, budgeting and forecasting processes; and • offering industry-leading customer service.	
Competitors			
The Group may face significant competition in its markets, including competition from global competitors with large capital resources. Competition in the industry is based on: range and quality of products offered, geographical reach, product development, reputation and client relationships. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	A B C	Some of our markets are relatively concentrated with two or three key players, while others are highly fragmented and offer significant opportunities for consolidation and penetration. The Group continues to differentiate itself by its wide range of products, its focus on setting industry-leading standards for delivery on time and in full, its technical support and its geographical spread, strategic focus and reputation. We aim to minimise the impact of aggressive pricing by competitors through a low cost manufacturing strategy supported by our programmes of continual process improvements and building long term relationships with our customers based on value, quality, service and added value technical support.	
Loss of major customers			
The success of the Group will, to some extent, be dependent on the continuation of satisfactory commercial relationships with its major customers.	A B C	The Group aims to build long term relationships with its customers based on value, quality and range of products, industry-leading service and value-added technical support. The Group develops strategic customer plans which include high level engagement through business review meetings to quickly identify service issues and product development opportunities. The top five customers account for 26 per cent of total Group sales.	
Raw material costs and supply chain failures			
The raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel and zinc). The Group's ability to meet customer demands depends on obtaining timely supplies of high quality components and raw materials on competitive terms. Failure by any of the Group's suppliers could significantly limit the Group's sales and increase its costs. The raw material cost backdrop has been relatively benign in 2015.	A C D	The Group continues to invest in and improve its sourcing and procurement capability. The Group manages the risks associated with raw material costs and supply chain failure through strong long term relationships with suppliers, risk assessment and audit of key suppliers, review of make or buy policies, economies of purchasing, multiple suppliers, adequate safety stock and inventory management. The Group maintains product quality by ongoing testing up to and beyond the industry standards. In addition, the Group will mitigate this risk by increasing selling prices or applying surcharges to recover unavoidable input cost increases.	

Principal risks and uncertainties continued

Description	Impact on strategy	Mitigation	Trend
Footprint rationalisation			
The Group has a number of footprint rationalisation projects underway within each of the Divisions. In AmesburyTruth, the US footprint rationalisation project aims to create four manufacturing centres of excellence supported by a number of satellite manufacturing and distribution facilities over the next five years. Schlegel pile seal production is being consolidated in Aycliffe in the UK and the site in Barcelona will be closed. ERA plan to consolidate three distribution sites into one site in the West Midlands. The benefits of rationalisation are expected to include more efficient manufacturing processes, shorter development times for bringing new products to market, a reduction in internal freight costs, a more efficient deployment of personnel and a reduction in divisional overheads. There is a risk that changes will be disruptive, that these projects may cost more than originally planned and may not deliver the expected benefits.	C D E	The Group mitigates this risk by extensive upfront analysis, planning and risk assessment, with multi-disciplined project teams, supported by dedicated professional project management resources.	▲
Key executives and personnel			
The Group's future success is substantially dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel.	C D F	The Remuneration Committee and the Tyman Nominations Committee mitigate the risk of losing key personnel through robust succession planning, strong recruitment processes, long term management incentives and retention initiatives.	▶
Funding and financial risks			
The Group operates internationally and is therefore exposed to transactional and translational foreign exchange risk against Sterling. In 2015, 85 per cent of the Group's underlying operating profit was derived from North American operations. The Group is also exposed to interest rate risks, liquidity risks and credit risks. The continued focus on cash generation in 2015 has helped reduce our funding risk.	C E F	The Group denominates some of its debt in foreign currency to match some of its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are available to manage some of the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments. The Group maintains adequate cash balances and credit facilities with sufficient headroom and tenure to mitigate credit availability risk. Further information on these risks is given in note 18 to the Group's financial statements. The recently announced acquisition of Giesse helps to dilute the concentration of earnings derived from North America.	▶

Our strategy

- **A** Market share gain
- **B** Pricing discipline
- **C** Maximising margins
- **D** Eliminate cost and waste
- **E** Focus on capital allocation
- **F** Focus on cash generation

Viability statement

Strategy and appetite for risk

Tyman's vision is to be a leading international supplier of engineered components to the door and window industry. Our strategy, details of which are set out on page 11, aims to create shareholder value through offering our customers the complete range of door and window components across hardware, seals and extrusions.

Our business model, details of which are set out on pages 4 and 5, is flexible and adaptable and aims to ensure that we service our customers in the most appropriate manner and can provide them with a differentiated product offering at an appropriate price supported by high standards of quality and service.

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

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

Assessment process

The Group's prospects are assessed through the Group's strategic planning process. This includes a review of three-year rolling plans by the Executive Directors with the Tyman Management Committee and all the functional leaders within each division. The Board participates in the process by means of an annual strategic away day. The output of this is a prioritised list of projects and financial projections for the next three years compiled from estimates of the most likely performance after taking account of our principal risks (see pages 33 and 34). A central review of debt covenant compliance and debt headroom is also completed. At the end of the year when the annual budget process is completed for the first year of the three-year strategic plan, the strategic plan financial projections are refreshed. The strategic plan reviewed in 2015 covers the three-year period ended 31 December 2018.

Key assumptions

The key assumptions underpinning the 2015 to 2018 strategic plan include:

- average market growth forecasts in line with market consensus;
- no loss of any significant customers;
- conservative forecast of market share growth and the impact of new product development;
- conservative forecast of the benefits from existing major rationalisation projects;
- no impact from future acquisitions are included; however, a version of the plan taking account of the acquisitions announced between the end of the 2015 financial year and the date of this report has been prepared and reviewed; and
- no assumptions around refinancing were necessary as the maturity of existing current committed funding extends beyond the time range of the current strategic plan.

Assessment of viability

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and the mitigating actions reviewed by the Board and documented on pages 33 to 34 of the Annual Report.

The Directors have determined that a three-year period to 31 December 2018 is an appropriate period over which to provide its viability statement, as this is the timeframe currently adopted by the Board as its strategic planning horizon and the performance measurement period for the Tyman Long Term Incentive Plan under the remuneration policy. In addition demand in our business is ultimately driven by consumer confidence and discretionary spending which is difficult to project accurately beyond a three-year time horizon.

The strategic plan reflects the Directors' best estimate of the future prospects of the business. In addition the plan has been flexed by overlaying the potential financial impact of a number of scenarios over and above those included in the plan. These scenarios are based on aspects of some of the key principal risks namely market conditions, competitors and loss of major customers.

The scenarios tested against severe and prolonged reductions in revenue and earnings, which were in excess of the reduced levels experienced during the last downturn in 2007 to 2009. The results take into account the availability and likely effectiveness of the mitigating actions, including the flexing of working capital, capital expenditure and our cost base, as well as the Group's ability to change its capital structure if necessary through refinancing existing debt facilities and/or raising equity finance. Each of these actions would be potentially available to the Group to take in order to avoid or reduce the impact or occurrence of the identified underlying risks. These scenarios represent 'severe but plausible' circumstances that the Group could experience. The results of this stress testing showed that the Group would be able to withstand the impact of these scenarios by making adjustments to its operating plans within the normal course of business.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

Corporate social responsibility report

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

Our people

Diversity and equal opportunities

All employees have the right to work in an environment that supports diversity and fosters a culture of dignity and respect.

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

Our employment policies and practices ensure that an individual's skills, experience and talent are the sole determinants in recruitment and career development rather than age, beliefs, disability, ethnic origin, gender, marital status, religion and sexual orientation.

Across the Group, management-level employees have participated in local diversity and equality workshops. Any open management opportunities are advertised internally to provide employees with a fair prospect for advancement.

Gender diversity

As at 31 December 2015, the Group had female representation of 29 per cent (2014: 17 per cent) at the Board level and 22 per cent (2014: 23 per cent) in senior management positions.

Across the total workforce, 40 per cent of the profile was female, an improvement of 200 bps on 2014.

Training, development and retention

Operational efficiencies are enhanced by developing the skills, competencies and motivation of all employees.

The Board recognises that the long term growth and enduring success of the Group depends on its ability to attract and retain talented and skilled employees.

Each Division has comprehensive employment policies in place which are designed to attract, retain, appraise and motivate high calibre employees.

As a Group, Tyman supports the continuing professional development of all its employees. Where appropriate, skills development training is provided to employees to enable them to perform their duties and to facilitate career progression opportunities.

During the year, the Group invested in a range of development activities.

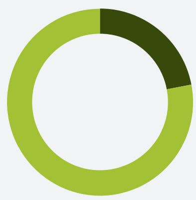
In North America:

- the continuation of the Tuition Reimbursement Program. In 2015, ten employees pursued university or higher education qualifications, in the fields of information technology, tool making, business management and accounting under this programme;
- the establishment of the AmesburyTruth Training Academy, a training programme for new hires at manufacturing sites with the specific goal of improving new hire performance, employee retention and operational performance. The curriculum covers various subjects and includes practical hands-on experience; and
- the Amesbury Truth Internship Program welcomed six interns in 2015, hosted by the finance and engineering departments across AmesburyTruth.

2015 employee gender statistics

Total Group employees:
1,707 (60%)
1,146 (40%)

Senior managers:
80 (78%)
24 (22%)



Board of Directors:
5 (71%)
2 (29%)

Other employees:
1,622 (59%)
1,120 (41%)

Female
Male

In the UK:

- the continuation of the LMI Effective Leadership Development Programme. In 2015, 18 management-level employees successfully completed the programme; and
- workshops, covering topics such as absence and performance management, were held in March 2015 and attended by all management-level employees.

The Group operates the Tyman Long Term Incentive Plan in which senior employees are invited to participate in the long term future of the Group through share ownership. The conditional annual awards of shares under the LTIP are at the discretion of the Remuneration Committee.

In 2015 the Group introduced a Group-wide employee share save scheme. The scheme offers participating employees the opportunity to become shareholders of the Group, which will encourage employee interest and engagement in the broader performance of Tyman.

Human rights

We are committed to respecting human rights across all our operations.

The Group is considered to be in compliance with appropriate legislation in the jurisdictions in which it operates.

Human rights is not considered to be a material risk for the Group owing to the fact that the Group's activities are substantially carried out in developed countries that have strong legislation governing human rights.

Whilst the Group does not have a specific human rights policy at present, careful consideration will be made as to whether a specific human rights policy is required in the future.

Health and safety

Accountability and management

Providing a safe environment in which our employees can work is a key priority for the Group.

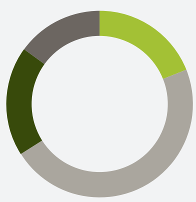
The Group is committed to ensuring a safe, clean and healthy working environment for all employees, customers and other persons with whom the Group has contact.

The Group actively promotes a strong health and safety culture and encourages the collective pursuit of continuous improvement in health and safety standards across all operations.

The Group requires that all accidents, dangerous incidents and near-miss statistics are promptly and thoroughly investigated. The details of incidents as well as the remedial and preventative measures taken are shared between sites as a means of raising awareness and reducing the risk of repetition. Any incidents involving lost time of greater than one working day are reported to the Tyman Management Committee and the Board.

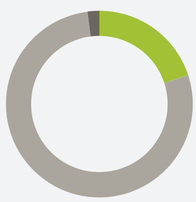
Lost time injuries by injury type

2015: 47



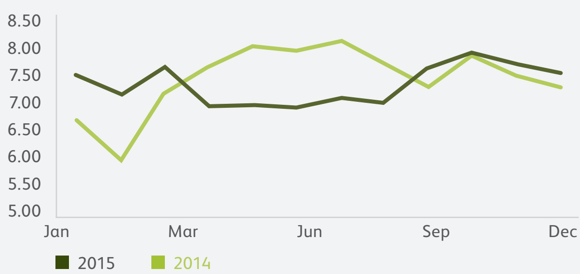
- Slips and trips – 19.1%
- Manual handling – 46.8%
- Cuts and pinches – 19.1%
- Injuries other – 15.0%

2014: 45



- Slips and trips – 20.0%
- Manual handling – 77.8%
- Injuries other – 2.2%

Lost time injury frequency rate



Corporate social responsibility report continued

Health and safety continued

Health and safety management system

Board of Directors

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

Chief Executive Officer

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

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

Tyman Management Committee

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

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

Local management

Local management accountable for its:

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

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

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

Health and safety management systems

Health and safety management systems:

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

2015 performance

The lost time injury rate and the number of lost time injuries are the KPIs used to evaluate the Group's health and safety performance.

As in prior years, 2015 saw a strong focus on improving health and safety in the workplace. This focus included the roll-out of extensive training and safety programmes across all divisions, site audits, as well as implementing required personal protective equipment at most sites.

Despite this, the increase in the number of lost time injuries in 2015 to 47 (2014: 45) was disappointing. The severity of incidents were minor and the majority were preventable.

The focus on near-miss reporting as well as the reporting of minor incidents (for which there was no LTI) continued in 2015. The purpose of this is to identify any potentially hazardous practices or processes which could cause physical harm. In the 2015 year, a total of 6,357 near-miss incidents and 115 minor incidents were reported.

12

manufacturing sites with a recognised health and safety accreditation[1]

1 OHSAS 18001 or OSHA SHARP.

Ethics, anti-corruption and compliance

Accountability and management

The Group is committed to conducting its business with integrity. High standards of professional and ethical conduct are expected throughout its operations.

This will ensure compliance with the laws and regulations in jurisdictions in which the Group operates, protect the business from unforeseen liabilities and maintain a relationship of trust between the business and its stakeholders.

Employees and persons acting on behalf of the Group are expected to implement the Group's policies and procedures such that:

- the legitimate interests of the Group are advanced, having regard to the Group's values and standards;
- they engage in ethical conduct, including the avoidance and reporting of any conflicts of interest;
- the misuse of confidential information for personal gain is prevented;
- all applicable laws and regulations in jurisdictions in which the Group operates are upheld, including the prevention of bribery, corruption and fraud;
- there is a zero-tolerance culture towards discrimination or harassment;
- all employees work in an environment that is healthy and safe;
- all customers are treated fairly, openly and honestly;
- business relationships with suppliers are maintained to high standards of integrity; and
- preferred suppliers are those who operate with the same values and standards as those of the Group.

The Group requires that formal and confidential whistleblowing procedures are in place and advertised at all its operating locations.

Employees are encouraged to report any suspected incidence of non-compliance in accordance with local whistleblowing procedures.

Product integrity

Accountability and management

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

By providing customers with standards of goods and service that have been agreed and by paying suppliers and subcontractors on agreed terms, the Group aims to:

- maintain and grow market share through customer satisfaction;
- achieve cost efficiencies through effective supply chain management; and
- source and supply goods and services that are reliable, safe to use for their intended purpose and meet industry standards.

Relationships with suppliers

Each Division is responsible for negotiating the terms and conditions of trade with suppliers.

In North America, a significant portion of product sourcing is done through domestic suppliers, which are frequently audited and benchmarked to ensure that the AmesburyTruth Division receives the best quality, service and pricing on items procured.

A substantial portion of UK, and a significant portion of North American, product sourcing is conducted through the combined activity of the Group's Chinese operating unit, Tyman Sourcing Asia.

Through Tyman Sourcing Asia, the Group conducts annual quality assessments of its Asian supplier chain. These quality assessments are conducted by suitably qualified employees and involve the scoring of strategic suppliers' procedures and efficiencies in respect of procurement, employee welfare, manufacturing, quality control, health and safety and social and environmental accountability. Appropriate actions are taken to address any underperformers identified from the annual assessment process.

Quality management standards

It is Group policy to maintain accreditation to the quality management standard ISO 9001.

Operating units are encouraged to gain and maintain accreditation to any specific standards required by the markets served.

ISO 9001 certification will ensure that operations maintain and adopt efficient quality management systems that save time and cost, improve efficiency and, ultimately, improve customer relationships.

16

Manufacturing sites with ISO 9001 accreditation

Corporate social responsibility report continued

Environment

Accountability and management

The Board recognises its responsibilities as a manufacturing concern to continue to reduce the environmental impact of its activities.

The Group aims to develop and supply products to help customers meet their own environmental objectives and the demands of their customers and of government.

The most significant areas of environmental impact associated with the Group's operations relate to manufacturing processes and the consequential environmental impact.

The Group encourages the continual improvement in the design, implementation and monitoring of environmentally efficient manufacturing processes.

This includes monitoring the developments in alternative material sources which may reduce the environmental impact of products.

Through internal development and investment, operations across the Group are encouraged to:

- minimise energy consumption;
- reduce waste generation through reuse and recycling;
- make use of recycled materials where possible;
- reduce transportation and their logistics-related carbon footprint; and
- reduce harmful emissions.

2015 performance

The implementation of energy efficient methods and other environmental initiatives continued in the 2015 year.

Energy saving initiatives

Energy saving initiatives implemented during the year include:

- installation of energy efficient lighting;
- upgrade or replacement to more energy efficient machinery and components;
- the implementation of shut-down periods for idle machinery; and
- identifying and fixing leaks in factories to conserve energy.

Waste to landfill and recycling

Many operations across the Group continue to minimise the amount of waste sent to landfill by selling, for recycling, waste that cannot be used internally.

Our Australian operations introduced a waste collection system whereby waste produced from the production of polypropylene material was reused by a local recycling plant. This has minimised the operation's waste to landfill by 30 per cent.

Our Cannon Falls, Minnesota, operation achieved the "Very Small Quantity Hazardous Waste Generator" status from the Minnesota Pollution Control Agency.

Greenhouse gas emissions

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

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

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

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

Green House Gas emissions generated by the Group's operations present considerable risks to both the Group and the environment, including:

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

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

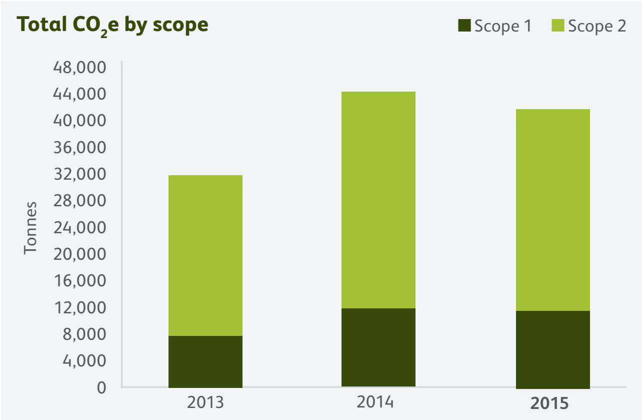
Greenhouse gas emissions

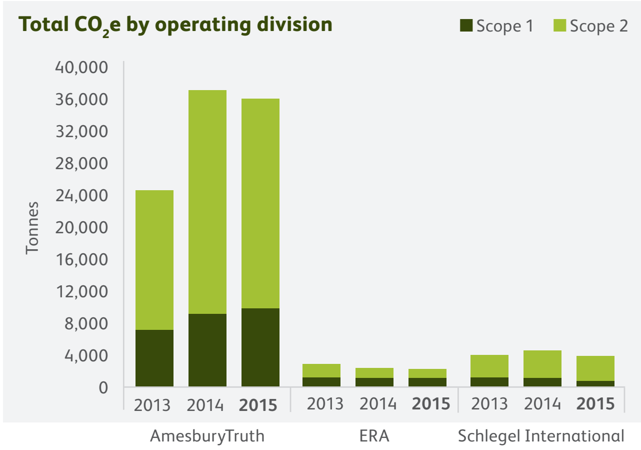
Our GHG emissions, measured as the quantity of CO_2e generated by the Group's activities, for the year ended 31 December 2015 are presented in the table below.

		GHG emissions tonnes CO_2e		
Scope	Description	**2015**	2014	2013
Scope 1	Emissions that arise directly from our operations and comprise the combustion of fuels and process emissions	**11,423**	11,210	8,005
Scope 2	Indirect emissions that arise from our use of electricity	**31,062**	33,132	23,939
Total direct and indirect emissions		**42,485**	44,342	31,944
Intensity ratio: tonne CO_2e per £'m of revenue		**120.21**	126.37	107.18

Data for acquisitions is included for the post acquisition period.

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





Community

Accountability and management

The Group understands the importance of being a contributing member of society and its impact on the long term development and sustainability of the business.

Each operating unit is responsible for managing its relationship with its local community. This includes:

- support of local educational and charitable causes and projects; and
- individual employee volunteering activities and efforts.

Community engagement includes both the provision of financial donations and non-financial community service and participation.

2015 performance

Operations across the Group participated in many community activities during the year.

In AmesburyTruth Division:

- monetary donations of US$68,000 to local charities and community initiatives, including United Way and Make-A-Wish, and local community and Chamber of Commerce programmes;
- participation in local Chamber of Commerce programmes in Minnesota (Owatonna and Cannon Falls), South Dakota (Canton and Sioux Falls), Massachusetts (Amesbury) and North Carolina (Statesville); and
- holiday season and winter months collection campaigns for winter supplies for those in need.

In the ERA Division:

- monetary donation of £14,000 to The Sick Children's Trust, our UK operation's national charity for the 2015 year; and
- supporting The Locksmith's House museum in Willenhall, West Midlands, the home of lock making in the UK. ERA assisted the museum in securing funding for museum improvements.

In the Schlegel International Division:

- various fundraising activities in support of a local charity for Asperger's and autism, Macmillan and the British Heart Foundation.

Board of Directors

Jamie Pike
Non-executive Chairman

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

	Jamie Pike	Louis Eperjesi	James Brotherton
Committee membership	R N		
Date of appointment	November 2009	February 2010	May 2010

Background and experience

Jamie Pike

Mr Pike (aged 60) was chief executive of Foseco plc, an international business serving the foundry and steel making industries, until its acquisition by Cookson Group plc in April 2008. He led the buyout of Foseco from Burmah Castrol in 2001, which culminated in flotation on the Main Market in 2005.

Mr Pike was educated at Oxford, holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers. His early career was as a consultant with Bain and Co and A T Kearney before joining Burmah Castrol in 1991. He rose to chief executive of Burmah Castrol Chemicals before leading the Foseco buyout. He has previously been chairman of the Lafarge Tarmac Joint Venture and a non-executive director of two FTSE 250 companies, RMC Group plc and Kelda Group plc. He is currently chairman of both RPC Group plc and Ibstock plc and a non-executive director of Spirax-Sarco plc.

Louis Eperjesi

Mr Eperjesi (aged 53) has an extensive and successful track record in the building materials and manufacturing sectors, most recently at Kingspan Group plc, the international building products business, where he was an executive director on the main board and divisional managing director of Kingspan Insulated Panels, the Group's largest division.

Prior to joining Kingspan, Mr Eperjesi held a range of senior management positions at subsidiaries of Baxi Group plc, Lafarge, Redland plc and Caradon plc.

James Brotherton

Mr Brotherton (aged 46) joined Tyman as Head of Corporate Development in 2004. He was previously a director in the Investment Banking division of Citigroup, having also worked for HSBC and Ernst & Young. He is a Chartered Accountant.

Committee membership

A Audit Committee

R Remuneration Committee

N Nominations Committee

● Chairman of Committee

Martin Towers
Non-executive Director and the Senior Independent Director

A R N

December 2009

Mr Towers (aged 63) was chief executive of Spice plc until its sale to Cinven in December 2010. Previously, he was group finance director of Kelda Group plc from 2003 until February 2008.

Mr Towers is a fellow of the Institute of Chartered Accountants in England and Wales and began his career with Coopers & Lybrand (now PricewaterhouseCoopers) before moving to the retailer Ward White Group plc. He has served as group finance director of McCarthy & Stone plc, The Spring Ram Corporation plc and Allied Textile Companies plc. He was a non-executive director of Homestyle Group plc from 2004 to 2006 and of KCOM Group plc from 2009 to July 2015.

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

Dr Angelika Westerwelle
Non-executive Director

A R N

November 2012

Dr Westerwelle (aged 53), a German national, is the managing partner of Lanax Management GmbH, an investment and consulting company. She acts as non-executive director of Pinova Capital GmbH and is a member of the German Monopolies Commission.

Dr Westerwelle has extensive operational experience, including her previous roles in mid-sized engineering companies as CEO of RMG Regel- und Messtechnik GmbH, as managing director of the Weidemann Group and as managing director of Karlie Group GmbH, a joint venture of five Euro-Asian companies in the pet accessory market. She has also worked as a management consultant for several years with The Boston Consulting Group and Alix Partners GmbH.

Dr Westerwelle graduated from the University of Aachen and earned a graduate degree from the University of Cambridge and a Master of Public Administration from Harvard University. She later received her Doctorate in Economics from the Aachen Institute of Technology.

Kirsten English
Non-executive Director

A R N

April 2015

Ms English (aged 55) became a Non-executive Director in April 2015. Ms English is an independent director on the trustee board for the Universities Superannuation Scheme Ltd. She also holds a non-executive directorship at Innovate Finance (the UK industry association for financial technology). She is executive chair at Style Research, a leading firm in software and research for asset managers. Ms English previously worked at Terra Firma Capital Partners and was chief executive at Grenfell PAI (a fund of hedge funds) and entrepreneur in residence at Warburg Pincus. An Oxford graduate, Ms English worked for 16 years at Reuters, becoming chief executive of the data provider's Norwegian and Icelandic operations, before co-founding Radianz, a provider of market infrastructure, where she was general manager.

Mark Rollins
Non-executive Director

A R N

April 2015

Mr Rollins (aged 53) became a Non-executive Director in April 2015 and Chairman of the Remuneration Committee in May 2015. He was the chief executive officer of Senior plc, retiring from this role on 31 May 2015. Mr Rollins joined Senior plc in 1998 from Morgan Crucible plc, and became group finance director in 2000 and chief executive officer in 2008. He is a non-executive director of The Vitec Group plc and was formerly a non-executive director of WSP Group from 2006 to 2012. Mr Rollins is a Chartered Accountant and holds a first class degree in engineering.

Tyman Management Committee

The Tyman Management Committee consists of the Executive Directors of the Company together with the following senior management:

Kevin O'Connell
Company Secretary and Group Financial Controller

Jeff Graby
President and Chief Executive Officer – AmesburyTruth

Jeff Johnson
Vice President – Finance and Chief Financial Officer – AmesburyTruth

Background and experience

Mr O'Connell joined Tyman as Group Financial Controller in February 2008 and was appointed Company Secretary in 2011. Prior to this he worked at Datamonitor plc from July 2005 as group financial controller and company secretary. He has many years' experience working in a plc head office environment. He is a Chartered Accountant, having trained with PricewaterhouseCoopers.

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

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

Darren Waters
Chief Executive Officer – ERA

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

Mark Turner
Group Finance Director – ERA

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

Peter Santo
Chief Executive Officer – Schlegel International

Mr Santo joined the Group in January 2012 as Chief Executive Officer of Schlegel International. Mr Santo has held various management positions in manufacturing, sales, marketing and general management and developed his career through Pilkington plc, BP Chemicals, Sentrachem Ltd and Kingspan Group.

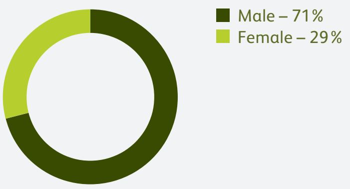
Prior to joining Tyman, in 16 years with Kingspan, Mr Santo held a number of senior general management roles, most recently managing director of the Door Components business in Belgium and head of the Benchmark Architectural Facades business in the UK. Mr Santo has a Masters Degree in Chemical Engineering.

Richard Swan
Chief Financial Officer – Schlegel International

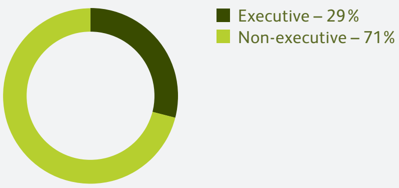
Mr Swan joined Schlegel in 2007 and is responsible for finance and IT for Schlegel International. His career has largely been in finance and he has many years' experience working in the defence sector, wines and spirits, as well as the multinational environment for a FTSE 100 packaging company. He is a Chartered Management Accountant and has a Masters Degree in Finance.

Corporate governance – Chairman's introduction

Board at 31 December 2015 by gender



Board at 31 December 2015 by directorship type



On behalf of the Board, I am pleased to present the Corporate governance report for the year ended 31 December 2015. On the following pages of the Annual Report we set out our governance policies and how these have been put into practice during the year. I believe this demonstrates the effective leadership of the Board and the commitment throughout the Group to promoting the highest standards of corporate governance.

This report, together with the Directors' report, the Audit Committee report, the Directors' remuneration policy report, the Directors' remuneration implementation report and the Nominations Committee report, reviews the operation of the Company by reference to the UK Corporate Governance Code 2014. The Board believes that promoting the highest standards of corporate governance and maintaining an efficient, challenging and diverse Board is essential to enable the business to deliver its strategy. The Board continues to evolve and strengthen its corporate governance framework.

I am pleased to confirm that Tyman plc complies with the Code. The latest edition of the Code published by the Financial Reporting Council contained a number of changes including an increased focus on how risk is governed and managed, with new provisions on the robust assessment of solvency and liquidity, continuing monitoring of systems and a statement on business viability. Details of our going concern and viability statement may be found in the Strategic report on pages 50 and 35 respectively.

In line with our succession planning strategy and with the help of the Nominations Committee, we continued to develop our Board with the announcement in February 2015 that Mark Rollins and Kirsten English would be joining the Board with effect from 1 April 2015. Les Tench retired from the Board in May 2015, following our AGM. Please see pages 42 and 43 for more information on the Board.

In accordance with the Code, we completed an internal evaluation of the Board, its Committees and each individual Director during the year. Details of the review and the findings are included in this report. I confirm that following the evaluation, all of the Directors continue to perform effectively and to demonstrate commitment to their roles. Accordingly, all Directors will offer themselves for re-election at the Annual General Meeting to be held on 13 May 2016.

Jamie Pike
Non-executive Chairman
8 March 2016

Statement of governance

The role of the Board and its Committees

Board

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

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

Read more on pages 42 to 43.

Audit Committee

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

Read more on pages 52 to 56.

Nominations Committee

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

Read more on page 57.

Remuneration Committee

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

Read more on pages 62 to 75.

Tyman Management Committee

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

Read more on pages 44 to 45.

Risk Management Committee

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

Read more on pages 32 to 34.

In accordance with the Financial Conduct Authority UK Listing Rules a statement describing how the Company has applied the Main Principles contained in the Code issued by the FRC (available at www.frc.org.uk) and the statements required by sections 7.1 and 7.2 of the Disclosure and Transparency Rules are set out in this report together with the Directors' report, the Business review, the Corporate social responsibility report and the Remuneration report.

Statement of compliance

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

The Board

How the Board operates

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

Statement of governance continued

The Board continued

How the Board operates continued

Responsibilities of the Board

The Board has a formal schedule of matters specifically reserved for it and this includes the following:

- responsibility for the overall management of the Group, including monitoring the Group's operating and financial performance;
- approval of the Group's long term objectives, commercial strategy and annual budgets;
- making changes to the Group's capital, legal and corporate structure;
- approval of the half-yearly report, the interim management statements, the preliminary results announcement of the final results and the Annual Report and Accounts;
- approval of the dividend policy and declaration of any interim and final dividends;
- approval of accounting and treasury policies, reviewing effectiveness of the Group's internal control systems and undertaking a robust assessment of the Group's principal risks and how they affect the prospects of the Group;
- approval of all acquisitions and disposals of businesses and business lines and material capital investments;
- approval of significant borrowing facilities and other material contracts and transactions;
- approval of resolutions to be put forward for shareholder approval at a general meeting and all communications with shareholders and the market;
- managing membership and approving adequate succession planning for the Board and other senior managers;
- setting the risk appetite for the Group;
- responsibility for the Group's corporate governance, determining the remuneration policy of the Group and Directors' remuneration; and
- approval of the Group's health and safety and sustainability and environmental policies.

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

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. The Company Secretary distributes briefing papers to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board composition

As at 31 December 2015 and as at the date of this report, the Board comprised the Non-executive Chairman and two Executive and four Non-executive Directors and the names and biographical details of all the current Directors are set out on pages 42 and 43. The following Directors served during the year ended 31 December 2015:

Board member	Appointed
James Brotherton	May 2010
Louis Eperjesi	February 2010
Jamie Pike (Chairman)	November 2009
Les Tench (retired 15 May 2015)	December 2009
Martin Towers	December 2009
Angelika Westerwelle	November 2012
Kirsten English	April 2015
Mark Rollins	April 2015

On 1 April 2015 Kirsten English and Mark Rollins joined the Board as independent Non-executive Directors. On 15 May 2015 Les Tench retired from the Board.

Both Mr Eperjesi and Mr Brotherton are engaged exclusively on the Company's business and have no outside interests that conflict with their responsibilities to the Company. The Board considers all the Non-executive Directors to be independent.

The Board actively encourages diversity and equal opportunities throughout its business and applies the same principles to Board appointments. Diversity in all areas, be it gender, race, skills or background, is a key part of strong and effective achievement. There are currently two female Directors on the Board, representing 29 per cent of the total number of Directors of the Company.

During the year ended 31 December 2015 the attendance record of the members of the Board was as follows:

Board meeting attendance	Eligible to attend	Attended
James Brotherton	8	8
Louis Eperjesi	8	8
Jamie Pike (Chairman)	8	8
Les Tench (retired 15 May 2015)	3	3
Martin Towers	8	8
Angelika Westerwelle	8	8
Kirsten English (joined 1 April 2015)	6	6
Mark Rollins[1] (joined 1 April 2015)	6	5

1 Mark Rollins gave advance notice to the Chairman, prior to the start of his appointment, that he would not be able to attend the Board meeting in July 2015.

During 2015 the Board visited two of the Group's operating units, namely ERA in Willenhall in the West Midlands in the UK and AmesburyTruth in Toronto in Canada. In addition, the Board attended the Group management conference held in London during 2015.

Board activity during 2015

The main areas of business dealt with by the Board during the year, other than routine matters, included:

- completing a Board evaluation using an internal facilitator;
- review of acquisition targets in Europe;
- approving the recommendation of the Nominations Committee regarding the appointment of two new independent Non-executive Directors;
- approval of the sale of the EWS business;
- monitoring the integration of Truth with Amesbury in the US and the realisation of the related synergies;
- reviewed the risk appetite of the Group;
- managing the principal risks faced by the Group including the macro-economic environment in the US, the UK and the eurozone, and movements in exchange rates and commodity raw material input prices;
- continued development of the Group's strategy and objectives including exploring opportunities for further organic and acquisitive growth;
- received and reviewed presentations on updated strategic plans from the management of each Division;
- approval of the launch of new employee share plans for the UK and the US; and
- received and reviewed presentations from management on the Group IT strategy, the ERA digital strategy, the AmesburyTruth commercial strategy, ERA branding and new product development, the sales and marketing strategy at AmesburyTruth, footprint rationalisation in AmesburyTruth and restructuring Tyman Sourcing Asia.

Chairman and Chief Executive Officer

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

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

The Chief Executive Officer is responsible for the day-to-day management of the Group, provides leadership for the executive team and develops and implements the Group's strategic objectives. He is assisted by the Tyman Management Committee. The Chief Executive Officer does not have any external directorships.

The CFO

The CFO is responsible for the financial reporting and management of the Group. In addition to the finance, audit, tax and treasury functions, he is also jointly responsible with the Chief Executive Officer for the Group's M&A strategy, and investor relations. The CFO does not have any external directorships.

The Senior Independent Director

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

Non-executive Directors

At the date of this report Independent non-executive directors comprise 67 per cent of the Board, excluding the Chairman. The Board believes that the Non-executive Directors possess strong independent character and judgement and bring a wide range of business experience in some areas related to and in other areas complementary to the activities of the Group. The Board has considered whether Mr Towers's directorship of RPC Group plc, where Mr Pike serves as Chairman, compromises the independence of Mr Towers in any way and has concluded that he discharges his duties with independence of both character and judgement which are in no respect adversely affected by the common directorship. The Board considered that all the Non-executive Directors met the criteria for independence set out in provision B.1.1 of the Code and there were no other relationships or circumstances which were likely to affect, or could appear to affect, the Directors' judgement.

Directors' insurance cover

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

Statement of governance continued

The Board continued

Board performance

In accordance with the Code, a review of the Board's performance and that of its Committees is carried out annually to ensure they continue to be effective and that each Director demonstrates commitment to his or her respective role.

During March 2015 a Board review was undertaken and co-ordinated by the Company Secretary, which continued to utilise Independent Audit's Thinking Board questionnaire platform. The review covered key areas of Board performance including:

- the Board's role and responsibilities;
- composition, skills and dynamics;
- strategy and risk;
- the focus of the Board's work;
- meetings;
- information and decision-making; and
- internal and external communications.

The review concluded that the Board displays a good mix of skills and that the Board dynamics are very good. The Non-executive Directors display a good balance of challenge to and support for the Executive Directors and this has created a constructive and open working relationship.

The evaluation highlighted some areas for the Board to devote more time to, namely understanding the competitive environment, developing longer term strategic objectives and the Group's risk framework and processes. The Board agreed that these recommendations could enhance its performance and has responded by holding a strategic away day in July 2015, it has increased presentations on the competitive environment from divisional management and it has arranged more external input into the Board's assessment of the Group's risk systems.

Drawing on the Board review, the Chairman undertook a review of the performance of each of the Directors. The Senior Independent Director undertook a review of the performance of the Chairman after taking into account the views of all the Directors. The results of these individual reviews and any improvements or personal objectives were discussed with the relevant Directors on a one-to-one basis.

The Board evaluation for 2016 is now underway and is being co-ordinated by the Company Secretary, continuing to utilise Independent Audit's Thinking Board questionnaire platform. The Board intends to engage an external facilitator again in 2017, with reviews in the intervening years conducted internally.

Relations with shareholders

We maintain an active engagement with our key financial audiences including institutional shareholders and sell side analysts as well as potential shareholders. During the year the Executive Directors had regular presentations to, and meetings with, institutional investors and analysts to discuss the Company's past performance and strategy. The Board is provided with brokers' reports, surveys on shareholders' views and regular feedback from shareholder meetings. The Chairman and Non-executive Directors have the opportunity to attend meetings with major shareholders and expect to attend meetings at their request.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. Details of resolutions to be proposed at the Annual General Meeting can be found in the Directors' report. The Company has set up a website, www.tymanplc.com, which shareholders, investors and other interested parties may access. The website permits users to download copies of published financial reports, presentations, press releases and stock exchange announcements.

Board Committees

The Board has an Audit Committee, a Remuneration Committee and a Nominations Committee, each comprised of all four Non-executive Directors. The Chairman is also a member of the Remuneration and Nominations Committees. The existence of the Committees ensures that time is allocated on a formal basis to consider relevant issues. Terms of reference for the Board and each of the Board Committees are available for inspection on the Group website.

Internal control and risk management

The Directors acknowledge that they are responsible for the Group's internal control and risk management systems and for reviewing their effectiveness. Details of this review process are set out in the Audit Committee report on page 56.

Going concern

The Group's strategic plan covers the period to 31 December 2018 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 1.50x to 2.00x is designed to ensure that the Group has structural headroom on its financial covenants as it comes into each financial year such that it could withstand a material downturn in its end markets and any normalisation of interest rates.

In order to satisfy themselves that the Group has adequate resources for the future, the Board reviewed the Group's committed funding and liquidity positions, its ability to generate cash from trading activities and its ability to raise external funding in the future. The operational performance, as described in the Financial review on pages 24 to 31, the future plans for the Group and the risks facing the Group, described on pages 10, 33 and 34, were also reviewed. In addition, note 18 to the consolidated financial statements includes the Group's policies and processes for managing capital, liquidity and credit risks as well as details of its financial instruments and hedging strategies.

In performing their reviews, the Board acknowledged the current level of growth prospects in global markets and has considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group.

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

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with IFRSs as adopted by the EU and the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively.

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

The Directors are responsible for the maintenance and integrity of the Company's website (www.tymanplc.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed on pages 42 and 43, confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU with respect to the Group and UK GAAP with respect to the Company, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and
- the Directors' report, together with the Operational review, Financial review, Risk management and Principal risks and uncertainties contained in the Strategic report presents a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Jamie Pike
Non-executive Chairman
8 March 2016

Audit Committee report

Chairman's letter

Dear Shareholder

I am pleased to present to you the Committee's report for the financial year ended 31 December 2015.

I would like to welcome two new Committee members, Kirsten English and Mark Rollins, who both joined in April 2015. Their experience will help the Committee to continue to assess effectively the external and internal audits of the Group and to challenge the performance of the governance systems and the internal controls and risk management systems.

The new requirements in governance and reporting contained in the revised UK Corporate Governance Code, issued by the FRC in September 2014, applied for the first time this year. Consequently during the year the Committee has reviewed and advised the Board on the assurance process and the risk management framework to ensure that it remains appropriate and does provide a robust assessment of the principal risks facing the Group.

In addition to the going concern report, the Committee has also helped the Board prepare the viability statement and consider the appropriateness of the three-year period over which the viability statement will apply.

The Committee reviewed the Annual Report to ensure it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

Further details of the Committee's activities during the year are set out on page 53.

Martin Towers
Chairman, Audit Committee

Committee membership

The members of the Committee during the year ended 31 December 2015 were as follows:

Audit Committee member	Appointed
Martin Towers (Chairman)	December 2009
Les Tench (until 15 May 2015)	December 2009
Angelika Westerwelle	November 2012
Kirsten English	April 2015
Mark Rollins	April 2015

All members are independent Non-executive Directors. Given his extensive international business career, including senior finance roles, the Board is satisfied that Mr Towers, Chairman of the Audit Committee, has both current and relevant financial experience.

Meetings and attendance

The Committee met three times during the financial year ended 31 December 2015. The meetings were timed to coincide with the financial reporting and audit cycles of the Company, namely the approval of the Annual Report in March, the approval of the interim report in July and the approval of the audit plan of the external auditors in November. The attendance record of the members of the Committee was as follows:

Audit Committee meeting attendance	Eligible to attend	Attended
Martin Towers (Chairman)	3	3
Les Tench	1	1
Angelika Westerwelle	3	3
Kirsten English (joined 1 April 2015)	2	2
Mark Rollins[1] (joined 1 April 2015)	2	1

1 Mark Rollins gave advance notice to the Chairman, prior to the start of his appointment, that he would not be able to attend the Committee meeting in July 2015.

In order to maintain effective communications between all relevant parties, the following attended certain meetings of the Committee by invitation:

- the Executive Directors;
- the Group Chairman; and
- representatives of the external and internal auditors.

The Chairman of the Committee meets separately with the external auditor, the internal auditor and the Group CFO and his team during the course of the year.

The Committee receives and reviews regular reports from the external auditor, the internal auditor and the Group CFO. The Committee is authorised to seek independent advice should it wish to do so; however, it did not require this in 2015.

Audit Committee priorities in 2015

The priorities for the Audit Committee in 2015 are summarised below:

2015 objectives	Achievements
Review new requirements of the Code	The Committee considered changes to the Code and the Guidance on Audit Committees issued by the FRC, the new narrative reporting regulations and how these should be reflected in the 2013 and subsequent annual reports. The Committee also reviewed developments in the regulation of audit tendering.
Review our principal risk disclosures and our risk management framework	Systems and controls were monitored throughout 2015 and the Committee reviewed reports from internal audit, external audit and management.
Review the Viability statement and the period over which it will apply	The Committee reviewed the strategic plans and the related sensitivity analysis reviewed by the Board in preparing the viability statement and considered the appropriateness of the three-year review period over which the viability statement will apply.
Review the Going concern statement	On behalf of the Board, the Committee reviewed the future funding and liquidity resources, operational plans and forecasts and the Group's policies and processes for managing capital, liquidity, credit risks and financial instruments.
Report to the Board that the Annual Report is fair, balanced and understandable	The Committee reviewed the Annual Report to ensure it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

Role and responsibilities

The Committee's terms of reference were reviewed during the year, a copy of which is available on the Company's website under Corporate Governance. The key responsibilities of the Audit Committee are set out below:

Role of the Audit Committee

- Monitor the integrity of the financial statements, including annual and half-year reports, interim management statements and any formal announcements relating to the Company's financial performance.
- Review the Company's compliance with legal and regulatory requirements.
- Review any changes in accounting principles and consider the appropriateness of accounting policies and judgements adopted by the Company.
- Review the content of the Annual Report and advise the Board whether taken as a whole it is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy.
- Review and advise the Board on the Going concern and Viability statements.
- Review the effectiveness and independence of the Group's external auditor, audit fees, scope and terms of engagement and audit plan including the auditors' audit risk assessment and the threshold levels of materiality for the Group financial statements.
- Review the policy for the provision of non-audit services by the external auditor.
- Recommend to the Board, for approval by shareholders, the appointment, reappointment or removal of the external auditor.
- Monitor and review the effectiveness of the Company's internal audit function.
- Review and monitor the effectiveness of the risk management and internal control systems across the Group.

Activities of the Committee in 2015

An overview of the work undertaken by the Committee regarding the financial year ended 31 December 2015 is set out below:

Audit Committee main activities	Jul 2015	Nov 2015	Mar 2016
Financial reporting and significant judgements			
Full-year results and announcement			•
Half-year results and announcement	•		
Going concern and Viability statements	•	•	•
External audit			
Review and consideration of PwC's report on their audit			•
Board representation letter			•
Evaluation of external audit function			•
Reappointment recommendation to Board			•
Fees for non-audit activities			•
External audit plan		•	
Internal audit			
Internal control and internal audit reports	•	•	•
Evaluation of internal audit function		•	
Internal audit plan		•	
Other			
Compliance with UK Corporate Governance Code			•
Review of risk management systems and principal risks		•	•
Review of terms of reference and Committee effectiveness			•

Audit Committee report continued

Role and responsibilities continued

1 Financial reporting and significant judgements

The Committee is responsible for monitoring the integrity of the financial statements including significant judgements. This includes review through the year of the following areas:

- the appropriateness of Group accounting principles, practices and policies and changes to, and compliance with, accounting standards on an ongoing basis;
- prior to recommending to the Board their publication, the Committee reviewed the half-year results for the six months ended 30 June 2015 with the external auditor and compared the results with management accounts and budgets, focusing on key areas of judgement;
- at the half and full year ends, reviewing the Group's committed funding and liquidity positions, cash flow projections and trading performance in order to recommend to the Board that the Group and Tyman plc continue to adopt the going concern basis in preparing the financial statements;
- the review, prior to advising the Board, of the prospects of the Company over the three-year period chosen for the viability statement, after taking account of the Company's current position and principal risks; and
- the review, prior to advising the Board, on whether the Committee believes the Annual Report and Accounts for the year ended 31 December 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

In undertaking this review, the following critical accounting policies and judgements were discussed with management and the external auditor:

Carrying value of goodwill and intangibles

As set out in note 10 to the Group financial statements, at 31 December 2015, the Group had goodwill of £253.7 million with intangible assets amounting in total to £86.8 million. In order to satisfy itself that these balances were appropriately stated, the Committee considered the impairment reviews carried out by management. These reviews involve the discounting of the forecasted cash flows of each cash generating unit, using appropriate discount rates relative to the Company's cost of capital. These assumptions are then subjected to sensitivity analysis. The auditor provided the Committee with their review of the impairment review process and, following discussion, the Committee was satisfied that the assumptions used were appropriate and that there was sufficient headroom on all calculations thus obviating the need for any impairment.

The CGU with the lowest headroom remains the Schlegel International CGU, which is a function of the current levels of demand currently seen within that Division. In the event that there is a further material contraction in demand for Schlegel International's products that leads to an expectation of a future permanent reduction in EBITDA levels, then a further impairment might be required. The Board will keep this under review.

Exceptional items

During the year ended 31 December 2015 the Group incurred £7.6 million of non-recurring and exceptional items (see note 6 of the financial statements) which primarily relate to the AmesburyTruth footprint rationalisation programme, closure of Schlegel pile seal production in Spain and the ERA restructuring programme partly offset by the profit on the sale of surplus property in the UK. The Committee considered the accounting treatment and disclosure of these costs in the financial statements through a detailed review of management's plans for the related programmes, and also sought the views of the external auditor as to the appropriateness and consistency of the accounting treatment and disclosures. On the basis of this review the Committee concluded that the accounting treatment and disclosure of these items were appropriate.

Provisions

The Group has provisions of £11.5 million at 31 December 2015 as outlined in note 19 to the Group financial statements which, by their nature, are uncertain and highly judgemental in nature. The Committee considered the nature of the provisions, the potential outcomes, any developments relating to specific claims, and the prior history of lease obligations, provisions and warranty claims in order to assess whether the provisions recorded are appropriate and suitably conservative. The Committee discussed with management and with the auditor the key elements of judgement to assure themselves as to the adequacy and appropriateness of the provisions. Following this discussion, the Committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the annual accounts.

Carrying value of inventory

As set out in note 12 to the Group financial statements, as at 31 December 2015, the Group had gross inventories of £51.4 million and provisions for slow-moving and obsolete inventories of £5.4 million. Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives. The auditor provided the Committee with their review of inventories and following discussion, the Committee was satisfied that the inventory valuation was consistent with our accounting policy and previous practice and that the resultant valuation was reasonable.

Carrying value of trade receivables

As set out in note 13 to the Group financial statements, at 31 December 2015, the Group had gross trade receivables of £31.5 million and provisions for bad debts of £2.0 million. Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write downs required which is based on current assessments of the creditworthiness of current customers. The auditor provided the Committee with their review of trade receivables and, following discussion, the Committee was satisfied that the book value of trade receivables was consistent with our accounting policy and previous practice and that the resultant valuation was reasonable.

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

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

2 External audit

Appointment of external auditor

The Committee has reviewed the EU legislation to reform the statutory audit market, which came into force in April 2014 and is expected to apply to Tyman from mid-June 2016. The proposal includes the requirement to rotate auditors every 10 years and to cap the non-audit fees paid to auditors at 70 per cent of the three-year average audit fees at Group level. The FRC in the UK will determine how stringently this legislation shall be applied and the Committee will continue to keep prospective amendments under review to ensure the Company continues to comply with prevailing legislation and best practice.

PwC were appointed for the first time as the Group's auditors in 2012, following a competitive tender process. The 2015 year-end audit is the fourth full-year audit that PwC has conducted. The Committee is satisfied with PwC's performance, independence and effectiveness and their fees are regularly compared with peer companies by the Committee. Accordingly, the Committee has recommended to the Board that PwC should be reappointed as the Group's auditors at the AGM. In determining whether to recommend the reappointment of PwC as auditors without a formal tender process, the Committee took into account the relatively recent full tender process undertaken by the Group that resulted in a new external audit firm being appointed in 2012. There are no contractual restrictions on the Group with regard to PwC's appointment.

External audit effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. In November 2015 the Committee reviewed a detailed audit plan from PwC, identifying their assessment of these key risks. For the 2015 financial year the primary risks identified were in relation to the carrying value of goodwill and intangibles and the carrying value of provisions. The Committee reviews the work performed by the auditors to test management's assumptions and estimates around these primary risk areas and assesses the effectiveness of the audit process in addressing these matters.

The Committee's review of the performance of PwC included consideration of the views and opinions of the Executive Directors and senior management on PwC's effectiveness in a number of areas including independence and objectivity, audit strategy, planning and effective execution, conduct and communication, audit findings and feedback, and expertise and supporting the work of the Committee.

For the 2015 financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good and that the auditor objectivity and independence are properly safeguarded.

The Chairman of the Committee also meets with the external lead audit partner outside the formal Committee process during the year to provide additional opportunity for open dialogue and feedback from the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism.

The Group Audit Partner, currently Simon O'Brien, is required to rotate after a maximum of five years, key audit partners after a maximum of seven years, and all other partners and senior team members after a maximum of 10 years. Simon O'Brien has completed four full audits and the Committee discusses audit partner rotation with PwC on a regular basis.

Non-audit services

The Audit Committee reviews any non-audit services provided by the auditors. In accordance with best practices and FRC guidelines, the Company policy in relation to non-audit services is kept under regular review, outlines which non-audit services are pre-approved, which services require prior approval of the Audit Committee and which services the auditor is excluded from.

The prohibited non-audit services include bookkeeping and accounting, internal audit, design or implementation of financial information systems, payroll, actuarial, legal and recruitment services. Permitted non-audit services requiring pre-authorisation include due diligence, tax planning, advice on IT projects and advice on corporate and reporting structures. The Committee is satisfied that the provision of such services does not in any way prejudice the objectivity and independence of the auditors.

Professional firms other than the auditors also provide tax compliance work and tax advice. Fees for permitted non-audit services can be pre-authorised by the CFO for fees up to £100,000 and by the CFO, after consultation with the Chair of the Committee, for fees up to £400,000. Where fees for permitted non-audit services exceed £400,000 or where the aggregate of such fees in a financial year exceeds 100 per cent of estimated Group audit fees for that financial year, the Committee will review and approve these non-audit services in advance.

Non-audit fees and services are reported to the Committee regularly. During 2015 total non-audit fees paid to PwC were 171 per cent (2014: 23 per cent) of the annual Group audit fee, as outlined in note 4 to the Group financial statements. These fees were significantly higher than prior year and were mainly due to due diligence work performed by PwC in connection with the acquisition of Giesse which was approved by the Committee in advance on the basis that PwC was the best placed adviser to provide these services.

External audit independence

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

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

The Committee continued to be satisfied with the external auditor's independence and objectivity.

Audit Committee report continued

Role and responsibilities continued

3 Internal audit

During 2015 a specialist team from BDO provided internal audit services to the Group to complete an internal audit programme, visiting nine operating units in the Group. The Committee reviews reports from BDO detailing their audit findings together with divisional management responses and action plans. Progress on completing these action plans is reviewed by the Committee at every meeting.

In November 2015, the Committee conducted the annual review of the effectiveness of the Group's internal audit function, including its terms of reference, its audit plans, its general performance and its relationship with the external auditors. The Committee was satisfied with the overall effectiveness of the internal audit function. The internal audit programme for 2016 was reviewed and approved by the Committee. The programme is structured to ensure that every operating unit will have an internal audit visit at least once every three years, with the largest operating units being audited at least once every two years.

4 Review the effectiveness of the risk management and internal control systems in the Group

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to achieve business objectives. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Throughout the year and up to the date of approval of this Annual Report and Accounts there has been in place an established, ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has been regularly reviewed by the Audit Committee and the Board, and is in accordance with the Internal Control: Revised Guidance for Directors on the Combined Code. The Group's assessment of its principal risks and uncertainties is set out on pages 33 and 34.

The key features of the Group's process for reviewing the effectiveness of internal controls are set out below:

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

The Directors confirm that they have carried out their annual review of the effectiveness of the system of internal control as it has operated throughout the year ended 31 December 2015 and up to the date of approval of the Annual Report and Accounts. The directors also confirm that no significant failings or weaknesses have been identified from that review.

Audit Committee priorities for 2016

The priorities for the Committee for 2016 are set out below:

- continue to review the effectiveness of the Company's overall risk management framework, including the generic procedures for risk identification, assessment, mitigation, monitoring and reporting;
- prepare for and implement any relevant regulatory changes to Audit Committee governance, including the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the EU Audit Regulation;
- review with PwC plans for future partner rotation; and
- continue to monitor the effectiveness of the internal audit function and internal controls.

Committee effectiveness

The effectiveness of the Committee is reviewed on an annual basis by both the Board and the Committee itself and the Committee is considered to continue to operate effectively and efficiently.

On behalf of the Audit Committee

Martin Towers
Chairman, Audit Committee
8 March 2016

Nominations Committee report

Dear Shareholder

I am pleased to present to you the Nominations Committee's report for the financial year ended 31 December 2015.

Committee membership

The members of the Nominations Committee during the year ended 31 December 2015 were as follows:

Nominations Committee members	Appointed
Jamie Pike (Chairman)	November 2009
Martin Towers	December 2009
Les Tench (retired 15 May 2015)	December 2009
Angelika Westerwelle	November 2012
Kirsten English	April 2015
Mark Rollins	April 2015

All members are independent Non-executive Directors. The attendance record of the members of the Committee during the financial year was:

Nominations Committee meeting attendance	Eligible to attend	Attended
Jamie Pike (Chairman)	1	1
Martin Towers	1	1
Les Tench (retired 15 May 2015)	1	1
Angelika Westerwelle	1	1
Kirsten English	—	—
Mark Rollins	—	—

Responsibilities

Role of the Nominations Committee

The key responsibilities of the Committee are as follows:

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

Activities of the Committee during 2015

The following matters were considered by the Committee during 2015:

- evaluated the balance of skills, diversity, knowledge and experience of the Board and completed the final stage of the Non-executive recruitment plan approved by the Board in 2014;
- recommended the appointment of Kirsten English and Mark Rollins as Non-executive Directors. Korn Ferry, the external search firm, which has no connection to the Company, worked with the Chairman in 2014 to devise a longlist of candidates. A shortlist was then compiled and the Committee, together with the Executive Directors, met with these candidates during the end of 2014 and was able to formulate its recommendation to the Board in early 2015; and
- reviewed the succession planning for the Board and recommended to the Board that Mark Rollins should succeed Les Tench as Chairman of the Remuneration Committee after the 2015 AGM, when Les Tench retired from the Board.

Diversity of the Board

The aim of the Committee is to ensure that the Board is well balanced and appropriate for the needs of the business and the achievement of its strategy, comprising Directors who are appropriately experienced and are independent of character and judgement. Before recommending new candidates to the Board, the Nominations Committee takes account of the balance of skills, knowledge, experience and diversity of psychological type, background and gender. However, all Board appointments will always be made on merit.

Committee effectiveness

The effectiveness of the Committee is reviewed on an annual basis by both the Board and the Committee itself and the Committee is considered to continue to operate effectively and efficiently.

On behalf of the Nominations Committee

Jamie Pike
Chairman, Nominations Committee
8 March 2016

Directors' report

Principal activities

The principal activities of the Group are unchanged from last year. The Group is a leading international supplier of engineered components to the door and window industry. The Company is a holding company.

Business review

The Directors' report of Tyman plc for the year ended 31 December 2015 comprises the information and pages referred to in the table below, all of which are incorporated into this report by reference.

Information incorporated into the Directors' report

Information	Location in Annual Report
Strategic report and business model	• Strategy on page 11 • Business model on pages 04 to 05
Business review including financial performance and future business developments	• Chief Executive Officer's review on pages 08 to 10 • Operational review on pages 16 to 23 • Financial review on pages 24 to 31
Key financial and non-financial performance indicators	• Key performance indicators on pages 12 to 15
Principal risks and uncertainties	• Principal risks and uncertainties on pages 33 to 34
Environmental matters, employees and social, community and human rights issues (including information about the Company's policies in relation to these matters)	• Corporate social responsibility report on pages 36 to 41
The corporate governance statement on compliance with the UK Corporate Governance Code and information on how the Company has applied the Main Principles of the Code in accordance with the Listing Rules and section 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority and other corporate governance matters	• Corporate governance report on pages 46 to 51 • Audit Committee report on pages 52 to 56 • Remuneration policy report on pages 64 to 67 • Remuneration implementation report on pages 68 to 75 • Nominations Committee report on page 57
Employment policy for disabled persons and employee engagement throughout the workforce	• Corporate social responsibility report on pages 36 to 41
Greenhouse gas emissions	• Corporate social responsibility report on pages 36 to 41
Gender diversity of the Board	• Corporate social responsibility report on pages 36 to 41

Results and dividends

The total Group profit for the year after taxation amounted to £7,691,000 (2014: £9,331,000).

The Board is recommending a final dividend of 6.09 pence per ordinary share (2014: 6.00 pence) to be paid on 20 May 2016, subject to approval at the forthcoming Annual General Meeting ("AGM") of the Company on 13 May 2016, to shareholders on the register on 22 April 2016. The ex-dividend date will be 21 April 2016. This, together with the interim dividend of 2.67 pence per share paid in September 2015, brings the total dividends for 2015 to 8.75 pence per ordinary share (2014: 8.00 pence).

Directors

The names and biographical details of all the current Directors are set out on pages 42 and 43. Kirsten English and Mark Rollins joined the Board on 1 April 2015 and Les Tench resigned on 15 May 2015. There were no other changes to the Board up to the date of this report and all the current Directors served throughout the period from the later of the start of the 2015 financial year or their date of appointment. Except for their shareholdings, the Non-executive Directors are entirely independent. There were no contracts subsisting during or at the end of the year in which a Director was or is materially interested. The Company maintains a policy of insurance against Directors' and officers' liabilities.

A description of the Board's method of operation, its work during the year and that of its Committees is given in the Corporate governance report on pages 46 to 51. Details of the Directors' remuneration, notice periods under their service contracts or terms of appointment and their interests in the share capital of the Company are shown in the Remuneration implementation report on pages 68 to 75. The service contracts for Executive Directors and terms of appointment for Non-executive Directors are available for inspection at the Company's registered office and at the AGM.

Re-election of Directors
In accordance with best practice under the UK Corporate Governance Code, each Director will stand for re-election at each AGM. Accordingly, Mr Pike, Mr Eperjesi, Mr Brotherton, Dr Westerwelle, Mr Towers, Ms English and Mr Rollins will offer themselves for re-election at the 2016 AGM.

Share capital
The Company's shares are listed in the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Company had 170,104,385 ordinary shares of 5 pence each in issue at 31 December 2015. Full details of the Company's issued share capital, including the rights, obligations and restrictions attaching to the shares, are set out in note 23 to the financial statements.

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

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

Divestments
On 7 September the Company announced the sale of its steel reinforcer business, EWS, to Arc Specialist Engineering Limited for a net cash consideration of approximately £7.25 million. Full details of the Disposal are set out in note 22 to the financial statements.

Purchase of the Company's own shares
A resolution concerning the purchase of the Company's own shares was approved at the AGM on 15 May 2015. The Directors believe that the Company should continue to have an authority to purchase shares of the Company. They will therefore propose a special resolution, in accordance with best practice, at the forthcoming AGM to obtain authority to make market purchases up to the date of the AGM in 2017. The authority will be limited to 14.99 per cent of voting shares in issue (that is, excluding shares held in Treasury).

Allotment of shares
The Companies Act 2006 provides that the Directors may not allot ordinary shares unless authorised to do so by the Company in general meeting or by its Articles. At the forthcoming AGM the Directors will seek renewal, for a further period expiring at the earlier of the close of the next AGM or 13 August 2017, of the authority previously granted to the Directors at last year's AGM held on 15 May 2015.

The Act gives holders of ordinary shares, with limited but important exceptions, certain rights of pre-emption on the issue for cash of new equity securities. The Directors believe that it is in the best interests of the Company that, as in previous years, the Board should have limited authority to allot some shares for cash without first having to offer such shares to existing shareholders. The Directors' current authority expires at the close of the forthcoming AGM and, accordingly, they will seek to renew this authority on similar terms for a further period, expiring at the earlier of the close of the next Annual General Meeting or 13 August 2017.

Substantial shareholders
As at 31 December 2015 the Company had been notified of, or had identified, the following direct or indirect interests comprising 3 per cent or more of its voting share capital (the issued share capital less shares held by the Company in Treasury):

	Ordinary shares	%
Standard Life Investments	20,125,812	11.9
Wellington Management Co	15,729,720	9.3
Aviva Investors	14,585,694	8.6
GVQ Investment Management	13,441,095	7.9
Columbia Threadneedle Investments	11,994,012	7.1
BMO Global Asset Management	8,854,010	5.2
BlackRock Investment Management	8,803,762	5.2
Schroder Investment Management	8,480,595	5.0
GMO	5,994,016	3.5

During the period from 1 January to 8 March 2016 the Company had been notified of, or had identified, the following direct or indirect interests comprising 3 per cent or more of its voting share capital (the issued share capital less shares held by the Company in Treasury):

	Ordinary shares	%
Standard Life Investments	20,125,812	11.9
Wellington Management Co	15,729,720	9.3
Aviva Investors	14,009,373	8.1
GVQ Investment Management	13,305,868	7.8
Columbia Threadneedle Investments	11,994,012	7.1
BMO Global Asset Management	8,854,010	5.2
BlackRock Investment Management	8,803,762	5.2
Schroder Investment Management	8,480,595	5.0
GMO	5,994,016	3.5

Directors' report continued

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

Safety, health and the environment
The Board recognises that the highest standards in safety, health and environmental issues are an essential part of sound business practice. The Board is committed to improving the impact on the environment from any of its operations and to incorporating the principles of sustainable development. A full description of the Group's policies with respect to health and safety and the environment is given in the Corporate social responsibility report on pages 36 to 41.

Employees
The Group's excellent performance would not be possible without employees of the highest calibre with the motivation to perform to their full potential. The Group operates on a decentralised structure, reflecting the organisation of the Group. This underscores our belief that localised teams, operating under common principles, are best equipped to deal with the varying cultures, operating structures and geographic locations that exist in the Group.

Each operating entity in the Group is encouraged to implement comprehensive employment policies designed to attract, retain and motivate the highest quality of staff and to determine ways in which their knowledge and skills can best contribute towards the success of the business.

We are committed to ensuring that all our employees are treated equally, regardless of gender, age, colour, nationality, ethnic origin, race, disability, marital status, sexual orientation or religion. We are committed to regular communication and consultation with our employees and we encourage employee involvement in our performance. Each company in the Group endeavours to provide equality of opportunity in recruiting, training, promoting and developing the careers of disabled people.

A full description of the Group's policies with respect to ethics, communication, training and development in respect of the Group's employees is given in the Corporate social responsibility report on pages 36 to 41.

Disclosure table pursuant to Listing Rule LR9.8.4C

Listing Rule	Information required	Disclosure
9.8.4(1)	Interest capitalised by the Group	None
9.8.4(2)	Unaudited financial information (LR9.2.18)	None
9.8.4(3)	Smaller related party transactions entered into before 16 May 2014	None
9.8.4(4)	Long term incentive scheme only involving a Director (LR9.4.3)	None
9.8.4(5)	Directors' waivers of emoluments	None
9.8.4(6)	Directors' waivers of future emoluments	None
9.8.4(7)	Non pro-rata allotments for cash (issuer)	None
9.8.4(8)	Non pro-rata allotments for cash (major subsidiaries)	None
9.8.4(9)	Parent participation in placing of equity securities	Not applicable
9.8.4(10)	Contracts of significance involving a Director	None
9.8.4(11)	Contracts of significance involving a controlling shareholder	Not applicable
9.8.4(12)	Waivers of dividends	Waiver by Tyman plc of all dividends held in treasury (541,814 shares) and by the Tyman Employee Benefit Trust of all but £0.01 total dividend for their holding of shares (1,284,116 shares)
9.8.4(13)	Waivers of future dividends	See above
9.8.4(14)	Agreement with a controlling shareholder (LR9.2.2AR(2)(a))	Not applicable

Additional information pursuant to LR9.8.6

Listing Rule	Information to be included	Disclosure
9.8.6(1)	Directors' (and their connected persons') interests in Tyman shares at year end and at not more than one month prior to date of the AGM Notice	See page 71
9.8.6(2)	Interests in Tyman shares disclosed under DTR5 at year end and not more than one month prior to the date of the AGM Notice	See page 71
9.8.6(3)	The Going concern statement	See page 50
9.8.6(4)(a)	Amount of the authority to purchase own shares available at year end	Authority available in full at year end
9.8.6(4)(b)	Off-market purchases of own shares during the year	None
9.8.6(4)(c)	Information equivalent to Part 2 of Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of off-market purchases of own shares, options or contracts to make such purchases	None
9.8.6(4)(d)	Non pro-rata sales of treasury shares during the year	None
9.8.6(5)	Compliance with the Main Principles of the UK Corporate Governance Code	See page 47
9.8.6(6)(b)	Details of non-compliance with UK Corporate Governance Code	See page 47
9.8.6(7)	Regarding Directors proposed for re-election: the unexpired term of any Director's service contract and a statement about Directors with no service contracts	Details of the Executive Directors' service contracts are given in the Directors' remuneration report on page 71. The Chairman and the Non-executive Directors serve under letters of appointment – see page 71

Electronic communications at www.tymanplc.com

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

Auditors and disclosure of information to auditors

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

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

Financial reporting

The Annual Report and Accounts and the Interim Report are intended to provide a balanced and clear assessment of the Group's past performance, present position and future prospects. A statement by the Directors on their responsibility for preparing the financial statements is given on page 51 and a statement by the auditors on their responsibilities is given on page 80.

Annual General Meeting

The Notice of the Company's AGM to be held on 13 May 2016 and related explanatory notes accompany this Annual Report and Accounts. As mentioned above, all the Directors are submitting themselves for re-election. The other business to be considered at the AGM is to renew the Directors' authority to allot shares, to disapply pre-emption rights in certain limited circumstances and to purchase its own shares and other routine matters.

Further information on these resolutions is given in the explanatory notes to the Notice of AGM, which is also available on the Company's website.

By order of the Board

Kevin O'Connell
Company Secretary
8 March 2016

Company registration number: 02806007

Remuneration report

Annual statement

Dear Shareholder

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

The Remuneration report, which provides details on the delivery of this objective, is split into three sections:

- an Annual statement;
- a summary of the remuneration policy (the "Policy") which was approved at the AGM in 2014, where 99.8 per cent of the votes cast were in support of the Policy. A summary of the Policy is set out in the Remuneration policy report on pages 64 to 67. The Policy can be found on the Tyman website. It is the intention that a revised remuneration policy will be put to shareholders for approval at the 2017 AGM. The committee will consult with major shareholders in advance of making any material changes; and
- the Annual report on remuneration, which sets out the remuneration paid to Directors in 2015 and provides details on how the Committee intends to implement the remuneration policy for 2016. Shareholders will have the opportunity for an advisory vote on the Annual report on remuneration at the 2016 AGM.

This Annual statement on remuneration sets out the Remuneration Committee's activities during 2015 and its overall approach to Directors' remuneration. This is my first Annual statement, having taken over as Chairman of the Remuneration Committee in May 2015 following the retirement of Les Tench from the Tyman plc Board. On behalf of the Board, I would like to express sincere thanks to Les for chairing the Remuneration Committee in a dedicated, diligent and professional manner throughout his five years in the role.

Remuneration Committee activities

The principal activities undertaken by the Remuneration Committee over the past 12 months were as follows:

- induction of two new Non-executive Directors, myself and Kirsten English, onto the Remuneration Committee and the subsequent transfer of the chairmanship of the Committee from Les Tench to myself;
- review of the normal activities of the Remuneration Committee and the consequent introduction of a formal and structured rolling calendar for its activities;
- setting of earnings per share thresholds for Tyman's Long Term Incentive Plan share award made on 22 June 2015, along with the approval of the proposed participants and the number of shares awarded to them. The award was made later in the year than normal due to the timing of the change in chairmanship of the Committee;
- consideration of market trends and corporate governance developments in listed company remuneration. This exercise included presentations and input from the Group's remuneration consultants, Kepler Associates. During 2015, Kepler joined forces with Mercer, one of the world's leading HR consulting firms;
- review of a benchmarking exercise on the remuneration structure for the two Executive Directors and the absolute level of the elements of their remuneration packages. This review was carried out in December 2015 by Kepler, on the direction of the Remuneration Committee, and indicated that the structure of the Executive Directors' remuneration packages was appropriate and broadly in line with best practice, although their base salaries, particularly that of the CFO, were well below comparative median levels;
- determining the level of bonus payable for 2015 to the Executive Directors and other senior managers;
- consideration and approval of the extent to which the 2013 awards under Tyman's Long Term Incentive Plan, whose performance period was the three years ended 31 December 2015, would vest;
- approval of the launch of the Tyman Sharesave Plan and the Tyman US Sharesave Plan under which awards were granted to 208 employees of the Company at exercise prices ranging from £2.7612 to £2.7730 over a total of 175,750 ordinary shares. Vesting of the awards granted in 2015 under the UK ESSP will be on 1 November 2018 and under the US ESSP will be 1 November 2016;
- approval of the level of base salaries to be paid to the Executive Directors and 25 other senior managers from 1 January 2016;
- establishing the 2016 bonus arrangements and bonus thresholds for the Executive Directors and other senior managers;
- consideration of the share awards to be made in mid-March 2016, shortly after the release of the Group's financial results for 2015, under Tyman's Long Term Incentive Plan. Approval was given for the proposed participants and the approximate number of shares to be awarded to them, with the exact number of shares to be dependent upon Tyman's share price in the days immediately prior to the date of the award;
- in conjunction with the full Board, consideration and approval of the 2016 fees to be paid to the Chairman and Non-executive Directors, with interested parties taking no part in the decisions taken; and
- overseeing the preparation of this 2015 Remuneration report.

Directors' remuneration in respect of 2015
As highlighted in the Chairman's statement, Tyman delivered a 3 per cent increase in underlying earnings per share during 2015, despite generally challenging trading conditions. Delivery of the planned US$8.5 million of synergies from the Truth acquisition (acquired in July 2013) was the principal driver behind this positive result, along with some beneficial currency movements. Cash generation was healthy during the year, with the result that leverage (the ratio of net debt to adjusted EBITDA) fell to 1.35x at the year end (31 December 2014: 1.56x). This is now below the Group's year-end target range of 1.50x to 2.00x.

The Group's underlying profit before taxation and amortisation of £44.9 million achieved during 2015 was ahead of the minimum threshold target of £41.3 million but below the maximum threshold of £50.4 million, resulting in 39.9 per cent of the bonus relating to underlying PBTA becoming payable. Operational cash flow of £43.7 million for 2015 was above both the lower and upper threshold targets of £35.2 million and £43.0 million respectively such that 100.0 per cent of the bonus relating to cash flow was achieved. Both the PBTA and the cash flow targets were adjusted for the impact of businesses disposed of during the year, most notably EWS and for the US footprint project which was approved during the year. Overall, this resulted in the Executive Directors receiving a bonus equal to 57.9 per cent of 2015 salary for the year (2014: 31.0 per cent), of which 50 per cent will be deferred until March 2019 under the rules of the Deferred Share Bonus Plan.

The announcement of the Group's results for 2015 was the trigger event for the vesting of the 2013 LTIP awards. Cumulative earnings per share over the three-year performance period was 51.57 pence, which is slightly above the upper end of the performance range of 45.00 pence ("Meets" performance) to 51.50 pence ("Stretch" performance). The actual outcome represents an average annual growth rate in earnings per share of 22.5 per cent over the three-year performance period. The Remuneration Committee was satisfied that this underlying earnings per share performance was a fair reflection of the performance of the Company over the period, having regard to a number of factors including the Company's total shareholder return performance during that time. Accordingly, 100.0 per cent of the 2013 awards will vest.

Directors' remuneration in future periods
The salaries of the two Executive Directors, together with 25 of the Group's senior management team, were reviewed in December 2015. The weighted average increase awarded for the group of senior managers was 3.0 per cent, reflecting local market conditions in the various geographies where Tyman operates together with a handful of market comparison-led increases. The Executive Directors were awarded a similar average increase, with the salary of the Group Chief Executive increasing by 2.6 per cent from £387,000 to £397,000 and that of the CFO by 3.4 per cent from £237,000 to £245,000. All increases took effect from 1 January 2016. In line with the remuneration packages of their direct reports and in accordance with the structure of the Group's remuneration policy, the Executive Directors were each awarded a car allowance of £15,000 per annum with effect from the same date.

Apart from one small modification, the structure of the annual bonus scheme for Executive Directors and other senior managers during 2016 is to remain unchanged from that operated in recent years. As a reminder, under the annual bonus scheme the Executive Directors can earn a maximum of 100 per cent of their salary dependent upon the achievement of certain financial measures: profit (maximum of 70 per cent of salary) and cash flow (maximum of 30 per cent of salary). 50 per cent of any bonus earned is paid in cash with the other 50 per cent being remunerated by shares deferred for three years, ensuring that focus on long term growth in shareholder value is encouraged. During 2016, the profit measure is to be related to internal financial targets and to prior year financial outcomes whilst the cash flow measure is to be linked to internal financial targets and cash conversion ratios. In prior years the linkages were to internal financial targets only.

On 22 June 2015 the Remuneration Committee granted share awards to 27 senior employees, including the two Executive Directors. The Executive Directors were awarded shares to the value of 100 per cent of salary. Vesting of these LTIPs is dependent upon the Company's three-year cumulative underlying earnings per share for the years 2015 to 2017 and is subject to a holding period on vested shares (net of tax) of five years from the date of award. The performance measure is in line with prior year awards and the Group's remuneration policy. In respect to the 2015 LTIPs no awards will vest if cumulative earnings per share is less than 69.90 pence, 25 per cent will vest at the 69.90 pence level and 100 per cent will vest at a level of 78.45 pence or higher. The maximum threshold represents average annual growth in underlying earnings per share of 18 per cent, whilst achievement of the minimum payout level would require average annual growth of 12 per cent. The Remuneration Committee considered these thresholds as stretching targets at the time of the award and, with market conditions since the time of award being poorer than anticipated, they are regarded as being even more so today.

The fees paid to the Chairman and Non-executive Directors were reviewed in December 2015, with the previous review having taken place in July 2014. The future intention is for the level of fees paid to Non-executives to be reviewed annually at the same time as the review of Executive Directors' and senior managements salaries is undertaken. The outcome of the review was that the fees paid to the Chairman, the Non-executive Directors and the Audit and Remuneration Committee Chairs would increase by 2.0 per cent with effect from 1 January 2016.

Annual General Meeting
As set out above, the Annual remuneration report will be put to shareholders for an advisory vote at the Annual General Meeting to be held on Friday 13 May 2016. I will be in attendance at the meeting and will be available to answer questions on the Remuneration report and the Group's executive remuneration policy.

Mark Rollins
Chairman, Remuneration Committee
8 March 2016

Remuneration report continued
Policy report

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

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

This policy statement was submitted and approved by shareholders at the Annual General Meeting held on 16 May 2014 and took effect from the conclusion of the 2014 AGM and remains in effect until the 2017 Annual General Meeting, or earlier if amended by the shareholders. The policy has remained unchanged from the policy approved at the 2014 AGM.

The full remuneration policy is published on the Tyman website. A summary of the key components of the remuneration policy and associated arrangements for Board members is shown below.

Executive Directors' remuneration policy

Purpose and link to strategy	Operation and opportunity
Base salary	
To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved. The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and management of its business in the international environment in which it operates.	Salaries are reviewed annually by the Committee. In normal circumstances, annual increases in salary will be limited to the general annual salary increase received by Group employees in the relevant Director's country of residence. The Committee may consider it appropriate and necessary to award larger increases, for example, in circumstances where the nature or complexity of the Group has increased materially or if an individual assumes significantly more responsibility. If there were a material change in business size or complexity (up or down), then this would be reflected in the market comparability.
Benefits	
To provide a range of market-competitive benefits to encourage retention and which enable an Executive Director to perform his or her duties.	Eligible for a range of benefits that may include: • life assurance cover; • critical illness cover; • private medical and dental cover; • car allowance; and • professional tax and financial advice.
Pension	
To provide a market-competitive benefit for retirement which rewards sustained contribution and encourages retention.	The maximum opportunity, either by way of a contribution to a Group pension arrangement or payment of a cash salary supplement, is 20 per cent of base salary.
Annual bonus	
To reward achievement of annual financial goals consistent with the strategic direction of the business.	The maximum annual bonus opportunity is 100 per cent of salary. In normal circumstances, the Committee would expect to set annual bonus targets of 100 per cent dependent on the achievement of defined financial performance targets. Any bonus payable under the annual bonus scheme is paid 50 per cent in cash and 50 per cent in shares deferred for three years under the Deferred Share Bonus Plan and is not pensionable.

Executive Directors' remuneration policy continued

Purpose and link to strategy	Operation and opportunity
Long term incentive plans	
To align interests of senior executives and those of shareholders in developing the long term growth of the business and execution and delivery of the Group's strategy. To facilitate share ownership by Executive Directors and other senior management to provide further alignment with shareholders.	Awards are determined by the Committee at its discretion, with a maximum annual performance share award under the current plan of 100 per cent of salary or 150 per cent of salary in exceptional circumstances. Awards are subject to the Company meeting underlying EPS targets over three financial years, starting with the financial year in which the grant takes place. A percentage of the award, typically 25 per cent, vests for threshold performance (0 per cent below threshold) increasing pro rata to 100 per cent vesting for stretch performance. More recent LTIP awards have incorporated a discretionary TSR underpin and the Committee has introduced a two-year holding period from the date of vesting. This will make the aggregate holding period for an LTIP award five years from date of grant to permitted disposal.
Minimum shareholding requirement	
To require Executive Directors to retain a minimum shareholding in the Company to ensure alignment with shareholders' interests as a whole.	Expected to retain a minimum shareholding equivalent to 100 per cent of basic salary.

Remuneration outcomes in different performance scenarios

The charts overleaf set out an illustration of the remuneration policy for 2016. The charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component.

Three scenarios have been illustrated for each Executive Director:

Below threshold performance	• Fixed remuneration • No annual bonus payout • No vesting of LTIP awards
Meets performance	• Fixed remuneration • 50 per cent annual bonus payout • 25 per cent of LTIP awards vest
Stretch performance	• Fixed remuneration • 100 per cent annual bonus payout • 100 per cent of LTIP awards vest

The fixed pay element is based on the following elements:

- Base salary is the base salary effective for the year ended 31 December 2016, as set out on page 75.
- Benefits are the value of benefits paid in the year ended 31 December 2015, as set out in the table of Directors' remuneration on page 68.
- Car allowance (£15,000 per annum for each of the Executive Directors) and cash contribution in lieu of pension (20 per cent of base salary for the CEO and 15 per cent of base salary for the CFO) effective for the year ended 31 December 2016.

Remuneration report continued

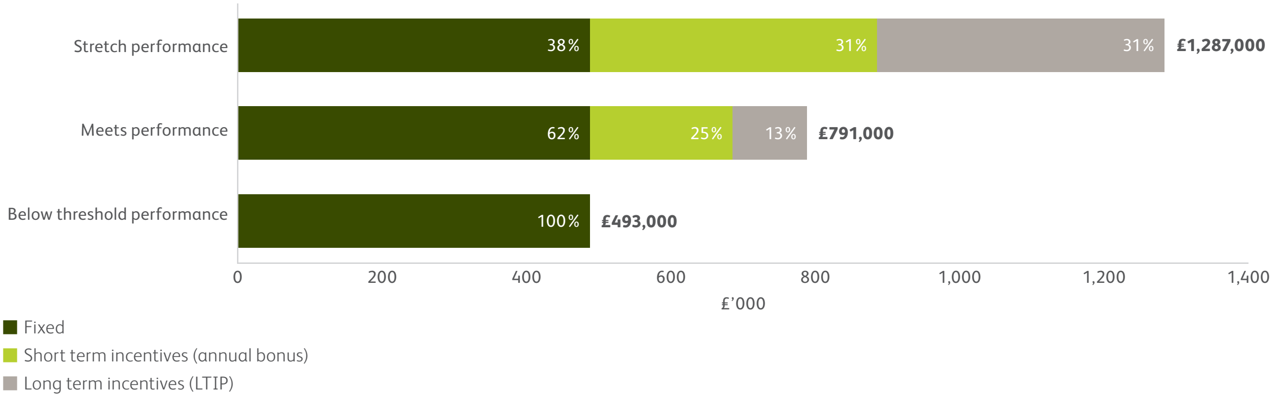
Policy report continued

Executive Directors' remuneration policy continued

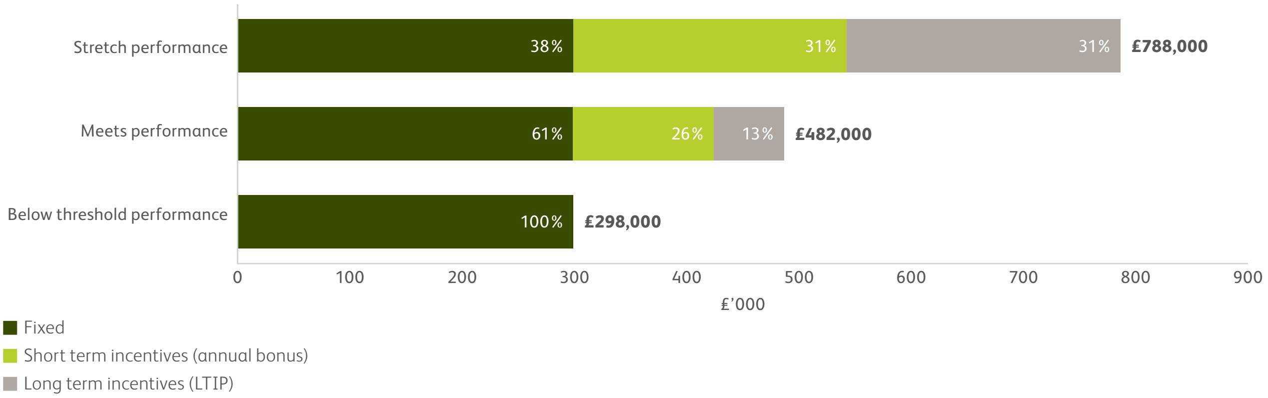
Remuneration outcomes in different performance scenarios continued

Actual pay delivered will be further influenced by share price appreciation and dividends, which the scenarios below do not take into account:

CEO



CFO



Non-executive Directors' remuneration policy

Purpose and link to strategy	Operation and opportunity
Fees	
Attract and retain high calibre Non-executive Directors.	Fees are reviewed annually. Additional fees may be paid to Chairmen of Board Committees and to the Senior Independent Director. No eligibility to receive bonuses or retirement benefits or to participate in the Group's long term incentive plans or employee share plans.

Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment.

Non-executive Directors are employed for terms of three years' duration, terminable on a month's notice by the Company or the Director. All Non-executive Directors are required to undertake that they will submit themselves for re-election at each Annual General Meeting occurring during their term of office and no Non-executive Director will serve more than three terms of three years without prior shareholder approval.

Non-executive Directors' shareholding guidelines

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

Other policies

Recruitment of Non-executive Directors

Non-executive Directors who are recruited to the Board will be employed on a letter of appointment of three years' duration, terminable on a month's notice by the Company or the Director.

The remuneration for Non-executive Directors consists of annual fees for their services as members of the Board and, where relevant, for their work on selected Committees. New Non-executive Directors recruited to the Board will be paid the same rates and be subject to the same provisions concerning annual re-election and shareholdings as the then current Non-executive Directors.

Recruitment of Executive Directors

The Committee's general policy on recruitment remuneration is that new Executive Directors should be offered a contract on similar terms to the existing Executive Directors.

In exceptional and unforeseen circumstances it may prove necessary for the Committee to exercise discretion and offer a variable pay opportunity (excluding buyouts) in the first year of employment to a new Executive Director that contains elements of variable remuneration which are in excess of the normal maxima stated in the policy table; however, the overall total variable pay opportunity on recruitment (excluding buyouts) would remain within the overall limit on variable pay of 250 per cent of base salary.

For a new CEO or CFO, their annual bonus framework and LTIP awards will normally be no more than those available to the current CEO or CFO, as applicable, at the date of recruitment. The Committee may agree that the Company will meet certain relocation and associated expenses of a new Executive Director, subject to circumstances.

Where individuals are promoted to the Board from within the Group, the terms and conditions of their existing share grants or awards will not normally be amended; however, any new grants or awards would be subject to the same framework as the other Executive Directors.

In certain circumstances, and in order to secure the services of an outstanding candidate, it may be necessary to make an award to a new Executive Director to "buy out" unvested performance plan share or cash awards forfeited on leaving their previous employment. Any such reimbursement would be subject to independent confirmation of the existence, forfeiture on departure and probability of these historic awards vesting had the new Executive Director remained in post. In doing so, the Committee will seek to do no more than match the fair value of the awards forfeited, taking account of performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

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

Exit payment policy for Executive Directors

The service agreements of the Executive Directors entitle them on termination of their contract by Tyman to a payment equal to salary and the value of benefits, pension allowance (including life cover), health cover, dental cover and car allowance (but not annual bonus or grants under long term incentive plans) until the earlier of 12 months from notice of termination or the Director obtaining full time employment, with an obligation on the part of the Director to mitigate.

Payments will normally be made monthly, although the Committee retains discretion to agree settlement terms, which may include a bonus in respect of the period worked by the Executive Director up until the date of termination.

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

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

Policy on external appointments

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

As at 8 March 2016, neither Louis Eperjesi nor James Brotherton held any external directorships.

Other share plans

The Executive Directors may participate in any all-employee share plans on the same basis as other employees in their country of residence.

Consultation with employees

Although the Committee does not consult directly with employees on the Directors' remuneration policy, the Committee does consider the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining remuneration policy for the Executive Directors.

Consultation with shareholders and shareholder bodies

The Committee is committed to regular engagement with shareholders and shareholder bodies and enters into extensive consultations in advance of implementing any material changes to the Executive Directors' remuneration.

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

Dilution

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

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

Remuneration report continued

Annual report on remuneration

Remuneration Committee

The members of the Remuneration Committee during the year ended 31 December 2015 were as follows:

Remuneration Committee member	Appointed
Les Tench (Chairman until 15 May 2015)	December 2009
Jamie Pike	November 2009
Martin Towers	December 2009
Angelika Westerwelle	November 2012
Kirsten English	April 2015
Mark Rollins (Chairman from 15 May 2015)	April 2015

Les Tench was Chairman of the Committee during 2015 up to the date of his retirement from the Company on 15 May 2015, when Mark Rollins became the Chairman of the Committee. The Executive Directors may, by invitation, attend meetings and provide advice to the Committee, except when their own remuneration is discussed.

During 2015 the attendance record of the members of the Committee was:

Remuneration Committee meeting attendance	Eligible to attend	Attended
Les Tench (Chairman until 15 May 2015)	1	1
Jamie Pike	3	3
Martin Towers	3	3
Angelika Westerwelle	3	3
Kirsten English	2	2
Mark Rollins (Chairman from 15 May 2015)	2	2

Role of the Remuneration Committee

The Remuneration Committee is responsible for:

- setting, reviewing and recommending to the Board for approval the Company's overall remuneration policy and strategy;
- determining and reviewing the terms of appointment and the remuneration arrangements of the Executive Directors of the Company and the Chairman;
- determining and reviewing the terms of appointment and the remuneration arrangements of the Company Secretary and the members of the Tyman Management Committee; and
- approving any Company share, share option or cash-based incentive plan, and the grant, award, allocation or issue of shares, share options or payments under any such plan.

The Committee continues to receive advice from Kepler Associates, a firm of remuneration consultants appointed by the Committee after consultation with the Board. During 2015, Kepler joined forces with Mercer, one of the world's leading HR consulting firms.

During the year, Kepler advised the Committee on developments in market practice, corporate governance and institutional investor views and on the development of the Company's incentive arrangements. Total fees for advice provided to the Committee during the year were £10,820. Kepler are members of the Remuneration Consultants Group, and, as such, voluntarily operates under the Code of Conduct, which sets out guidelines to ensure that its advice is independent and free of undue influence.

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

The Committee is satisfied that the advice it has received has been objective and independent.

Executive Directors' remuneration 2015

The key components of the remuneration of Executive Directors are set out below.

Single figure remuneration table (audited)

The table below sets out a single figure of remuneration for each Director for 2015:

Directors' remuneration for the year ended 31 December 2015	Salary/fees 2015 £'000	Salary/fees 2014 £'000	Annual cash bonus 2015 £'000	Annual cash bonus 2014 £'000	Annual bonus settled with deferred shares 2015 £'000	Annual bonus settled with deferred shares 2014 £'000	Cash payments in lieu of pension 2015 £'000	Cash payments in lieu of pension 2014 £'000	Non-cash benefits 2015 £'000	Non-cash benefits 2014 £'000	LTIP awards[1] 2015 £'000	LTIP awards[1] 2014 £'000	Total remuneration 2015 £'000	Total remuneration 2014 £'000
Executive Directors														
James Brotherton	**237**	226	**69**	35	**69**	35	**36**	34	**1**	1	**236**	479	**648**	810
Louis Eperjesi	**387**	334	**112**	52	**112**	52	**77**	67	**2**	2	**311**	630	**1,001**	1,137
Non-executive Directors														
Jamie Pike	**125**	113	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**125**	113
Les Tench[2]	**19**	45	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**19**	45
Martin Towers[3]	**50**	45	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**50**	45
Angelika Westerwelle	**45**	40	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**45**	40
Kirsten English	**34**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**34**	—
Mark Rollins[4]	**37**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**37**	—
Total	**934**	803	**181**	87	**181**	87	**113**	101	**3**	3	**547**	1,109	**1,959**	2,190

1 The estimated value of the LTIP awards for 2015, which vest on 8 March 2016, is based on the average share price over the three months ended 31 December 2015 of £2.7345. The comparative value of LTIP awards for 2014 has been trued-up using the actual share prices at vesting and is different to the value shown in the 2014 Remuneration report.

2 These fees include £2,000 in respect of chairmanship of the Remuneration Committee.

3 These fees include £5,000 in respect of chairmanship of the Audit Committee.

4 These fees include £3,000 in respect of chairmanship of the Remuneration Committee.

Additional disclosures for single figure remuneration table

Base salary

As explained in the Remuneration report in the 2013 Annual Report, following consultation with major shareholders, the Committee decided to phase-in salary increases for the two Executive Directors to narrow the substantial gap from median levels in the market over two years. The Committee completed the second phase of the agreed plan in 2015, increasing the CEO's base salary by 16 per cent to £387,000 per annum and the CFO's base salary by 5 per cent to £237,000 per annum from 1 January 2015. This was in excess of the general level of salary increases of 2.5 per cent in the Group's UK business.

Non-cash benefits

The benefits provided to the Executive Directors included private medical insurance, permanent health insurance and life assurance. The Executive Directors are not members of any of the Group pension schemes. There were no changes to the benefits policies or levels during the year.

Cash payments in lieu of pension

The cash payments in lieu of pension were non-bonusable.

Performance related remuneration

Annual bonus

For 2015, like 2014, the annual bonus scheme for Executive Directors was based 70 per cent on underlying PBTA targets and 30 per cent on free cash flow. 50 per cent of Executive Director bonuses are delivered in the form of nil-cost options under the Deferred Share Bonus Plan, to strengthen alignment with shareholders' interests. These awards will normally vest (together with dividend equivalents in cash or shares) after three years and are not subject to any performance conditions. Other senior employees are also required to defer a proportion of their bonuses pursuant to the Deferred Share Bonus Plan.

2015 bonus outcome

As highlighted in the Chairman's statement, Tyman saw healthy earnings growth in AmesburyTruth, despite low growth in underlying market demand, as operational efficiency improvements and the synergies anticipated at the time of the Truth acquisition in July 2013 were both delivered. This improved performance was partly offset by continued difficult market conditions in the Schlegel International markets, particularly in Russia and Brazil, and a weaker performance from the Group's UK business, ERA. Despite the increased finance costs reflecting the full-year impact of the higher cost US private placement finance, the Group delivered PBTA of £44.9 million for 2015. This was ahead of the minimum threshold target of £41.3 million but below the maximum threshold of £50.4 million, resulting in 39.9 per cent of the bonus relating to underlying PBTA becoming payable.

Strong management of working capital helped the Group's leverage decrease further in the year to 1.35x net debt:adjusted EBITDA. The operational cash flow of £43.7 million for 2015 was above both the lower and upper threshold targets of £35.2 million and £43.0 million respectively such that 100.0 per cent of the bonus relating to cash flow was achieved. Both the PBTA and the cash flow targets were adjusted for the impact of businesses disposed of during the year, most notably EWS and for the US footprint project which was approved during the year.

Overall, this resulted in the Executive Directors receiving a bonus equal to 57.9 per cent of 2015 salary for the year (2014: 31.0 per cent), of which 50 per cent will be deferred until March 2019 under the rules of the Deferred Share Bonus Plan. This compares to an average bonus in 2015, for the 20 most senior managers, of 29.4 per cent of maximum potential (2014: 29.3 per cent). This comparator is considered by the committee to be the most relevant comparator group for bonus purposes.

The calculation of the 2015 bonus, showing the target ranges and outcomes for each element of the bonus scheme, is set out below:

	Target £'m					
Measure	Threshold 0%	Meets 50%	Exceeds 100%	Performance £'m	Achievement % over threshold of target	Bonus as % of salary
Underlying profit before taxation and amortisation – 70% weighting	41.3	45.9	50.4	44.9	39.9%	27.9%
Operational cash flow – 30% weighting	35.2	39.1	43.0	43.7	100.0%	30.0%

The current remuneration policy provides that, for deferred bonus shares, malus provisions apply during the deferral period in the exceptional circumstance of gross misconduct. However, the Executive Directors have voluntarily agreed to be bound by broader malus provisions covering the exceptional circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.

Remuneration report continued

Annual report on remuneration continued

Performance related remuneration continued

LTIP awards vesting

The announcement of the Group's results for the year ended 31 December 2015 was the trigger event for the vesting of the 2013 LTIP awards made in November 2013. The awards covered the performance period from 1 January 2013 to 31 December 2015, with awards dependent on the cumulative underlying EPS from continuing operations for the three years measured against a defined target range.

The underlying basic EPS achieved over the three-year performance period ending in December 2015 is set out below:

Performance year	Earnings per share
2013	13.71p
2014	18.61p
2015	19.25p
Underlying cumulative EPS	**51.57p**

The percentage of awards vesting for the 2013 awards is set out below:

Award	Performance target range	Achievement	% of award to vest
2013 awards	45.00 – 51.50p	51.57p	100.0%

The Remuneration Committee has satisfied itself that the recorded underlying cumulative EPS is a genuine reflection of the underlying business performance of the Group over the performance period, having regard to the Company's total shareholder return performance during that time, and accordingly has approved the vesting of the 2013 awards at the calculated percentage of 100.0 per cent. As a result a total of 800,178 share awards, excluding dividend shares, vested in March 2016.

The number of awards that vested for the Executive Directors and senior managers, excluding dividend shares where eligible, were:

Award	Executive Directors	Senior managers	Total
2013 awards, excluding dividend shares	199,857	600,321	800,178

In addition, dividend shares to the following values were also awarded:

Award	Executive Directors £'000	Senior managers £'000	Total £'000
2013 award dividend shares	30	91	121

Awards will be satisfied, in accordance with Group policy, through the issuance of shares from the Tyman Employees' Benefit Trust, shares out of Group treasury and new shares.

LTIP awards granted in 2015

On 22 June 2015 (the "Award Date") the Remuneration Committee granted nil or nominal-cost options over 692,562 ordinary shares in the Company to 27 senior managers, executives including Executive Directors. Vesting of the 2015 LTIPs is based on the Company's three-year cumulative underlying EPS for the financial years 2015 to 2017 and is subject to a compulsory holding period on vested shares (net of tax) of five years from the Award Date.

With respect to the vesting of the 2015 LTIPs, if over the three financial years 2015 to 2017, cumulative underlying EPS is less than 69.60 pence, no 2015 LTIPs will vest; 25 per cent of 2015 LTIPs will vest for cumulative underlying EPS of 69.60 pence, rising on a straight-line basis to full vesting for cumulative underlying EPS of 78.45 pence or higher.

In addition, if the Remuneration Committee considers that the recorded EPS is not a genuine reflection of the underlying business performance of the Company over the three-year performance period, it may, at its absolute discretion, reduce the number of vested award shares to the extent it considers appropriate (the "Financial Underpin"). In applying this Financial Underpin, the Committee shall (without limitation) have regard to:

- Tyman's TSR relative to the FTSE All-Share Index and the TSR of the median company in a list of pre-determined comparator companies (set out in the order of their TSR performance over the three calendar years 2015, 2016 and 2017) using such methodology for TSR calculations as the Committee shall consider appropriate;
- the actual EPS achieved in financial year 2017 and the extent to which this exceeds the EPS achieved in financial year 2014;
- whether, in the Committee's opinion, any inappropriate risk taking has occurred; and
- whether, in the Committee's opinion, the three-year cumulative EPS target has been mostly achieved through the increased and inappropriate gearing of the balance sheet.

The 2015 LTIPs are expected to vest in March 2018, following the announcement of the Company's results for the year ended 31 December 2017 and the holding requirement is expected to lapse on 22 June 2020.

Employee Sharesave Plan awards granted in 2015

Tyman encourages employee share ownership through share options issued under the ESSP. On 24 September 2015 the Company granted share awards ("2015 ESSP Awards") under the Tyman Sharesave Plan and under the Tyman US Sharesave Plan, in the form of options over ordinary shares of 5 pence each in the Company ("Ordinary Shares"). The 2015 ESSP Awards, which were granted to 208 employees of the Company, totalled of 175,750 Ordinary Shares at exercise prices ranging from £2.7612 to £2.7730. Vesting of the 2015 ESSP Awards will be on 1 November 2018 for those granted under the UK ESSP and on 1 November 2016 for those granted under the US ESSP.

Dilution limit

Generally, it is the intention that LTIP awards will be satisfied through the transfer of existing shares by the Tyman Employees' Benefit Trust unless the Remuneration Committee, in its discretion, feels that a new issue of shares would be more appropriate. In the event that LTIP awards are satisfied through new issue shares, the Company will operate within the Investment Association guideline dilution limit of 10 per cent in 10 years for all share-based incentive schemes.

The Remuneration Committee has the flexibility to operate outside the Investment Association guideline of 5 per cent in 10 years dilution limit for discretionary share-based incentive schemes to accommodate LTIP awards for a broader employee population. In managing dilution, the Company will nevertheless be mindful of the 5 per cent in 10 years guideline and will be prudent in managing the flow rates, keeping shareholders informed of actual and anticipated dilution levels over time. The majority of the 2013, 2014 and 2015 LTIP awards are likely to be satisfied through the transfer of existing shares rather than the issue of new shares.

Assuming that all performance targets are met in full, the Remuneration Committee currently envisages that none of the 2,065,661 shares subject to the Awards outstanding will be satisfied through new issue shares.

As at 31 December 2015, shares equivalent to 1.6 per cent of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Employee and Executive Share Plans, assuming maximum vesting.

Tyman Employees' Benefit Trust

The EBT held 1,284,116 Tyman ordinary shares at 31 December 2015. The outstanding LTIP awards at 31 December 2015 are as follows:

LTIP awards granted in	Performance target range	Vesting date[1]	Number of shares
2013	45.00 – 51.50p	March 2016	800,178
2014	61.00 –68.00p	March 2017	587,921
2015	69.60 – 78.45p	March 2018	677,562
			2,065,661

1 Vesting is conditional upon financial performance targets over a three-year period being met.

The outstanding Deferred Share Bonus Plan awards at 31 December 2015 are as follows:

DSBP awards granted in respect of bonuses for the years ended 31 December	Vesting date[1]	Number of shares
2012	March 2016	114,600
2013	March 2017	156,217
2014	March 2018	79,235
2015	March 2019	115,691[2]
		465,743

1 Vesting is not conditional upon any performance targets.

2 The estimated value of the DSBP awards for 2015 is based on the average share price over the three months ended 31 December 2015 of £2.7345.

Summary of Directors' service contracts

The following table shows details of the service contracts for the Executive Directors who were in office at 31 December 2015:

	Commencement date	Notice period
James Brotherton	07/03/14	12 months
Louis Eperjesi	07/03/14	12 months

The Executive Directors' service contracts are terminable on 12 months' notice to or from the Company and contractual termination provisions are limited to salary and benefits over the notice period.

The Non-executive Directors have letters of appointment, which provide a notice period of one month in either direction.

	Commencement date	Notice period
Jamie Pike	23/11/09	1 month
Martin Towers	17/12/09	1 month
Angelika Westerwelle	30/11/12	1 month
Mark Rollins	01/04/15	1 month
Kirsten English	01/04/15	1 month

Directors' shareholdings and interests (audited)

Shares

The interests of each person who was a Director of the Company as at 31 December 2015 (together with interests held by his or her connected persons) were:

	Ordinary shares at 31 December 2015	Ordinary shares at 31 December 2014/ date of appointment
James Brotherton	**399,999**	354,133
Louis Eperjesi	**511,031**	404,628
Jamie Pike	**507,362**	507,362
Martin Towers	**62,984**	62,984
Angelika Westerwelle	**131,318**	131,318
Kirsten English	**6,113**	—
Mark Rollins	**—**	—

There was no change in the interests of the Directors and their connected persons between 31 December 2015 and the date of this report.

Remuneration report continued

Annual report on remuneration continued

Directors' shareholdings and interests (audited) continued

Executive Directors' minimum shareholding requirement

The table below sets out the minimum shareholding required by the remuneration policy and the level of shareholding achieved for each Executive Director at 31 December 2015:

Directors' minimum shareholding	Salary[1] £'000	Value of shareholding[2] £'000	Minimum shareholding as % of salary	Actual shareholding as % of salary
James Brotherton	237	1,208	100%	510%
Louis Eperjesi	387	1,543	100%	399%

1 Base salary as at 31 December 2015.
2 Based on the closing price of a Tyman plc ordinary share of £3.02 on 31 December 2015.

Executive Directors' interests in share awards (audited)

Executive Directors' interests in share awards are set out below:

Award scheme	Award date	Share price at award date	Shares over which awards held at 1 Jan 2015	granted during the year	vested during the year[1]	lapsed during the year	held at 31 Dec 2015	Exercise price	Market value at grant date	Market value at vesting date	Normal vesting date[2]	Expiry date
James Brotherton												
LTIP	03/07/12	£1.2950	153,193	—	(144,428)	(8,765)	**—**	—	£198,385	£452,334	Mar 2015	03/07/22
DSBP	16/03/12	£1.2300	17,580	—	(17,580)	—	**—**	—	£21,623	£55,059	Mar 2015	16/03/22
LTIP	14/11/13	£2.2800	86,302	—	—	—	**86,302**	—	£196,769	—	Mar 2016	14/11/23
DSBP	08/05/13	£2.0500	32,986	—	—	—	**32,986**	—	£67,621	—	Mar 2016	08/05/23
DSBP	11/03/14	£2.6700	34,001	—	—	—	**34,001**	—	£90,783	—	Mar 2017	11/03/24
LTIP	26/06/14	£2.7000	88,508	—	—	—	**88,508**	—	£238,972	—	Mar 2017	26/06/24
DSBP	10/03/15	£3.2300	10,865	—	—	—	**10,865**	—	£35,094	—	Mar 2018	10/03/25
LTIP	22/06/15	£3.2400	—	74,181	—	—	**74,181**	—	£240,346	—	Mar 2018	22/06/25
UK ESSP	24/09/15	£2.9300	—	2,608	—	—	**2,608**	£2.7612	£7,641	—	01/11/18	24/09/25
Louis Eperjesi												
LTIP	03/07/12	£1.2950	201,570	—	(190,038)	(11,532)	**—**	—	£261,033	£595,180	Mar 2015	03/07/22
DSBP	16/03/12	£1.2300	23,132	—	(23,132)	—	**—**	—	£28,452	£72,447	Mar 2015	16/03/22
LTIP	14/11/13	£2.2800	113,555	—	—	—	**113,555**	—	£258,905	—	Mar 2016	14/11/23
DSBP	08/05/13	£2.0500	43,402	—	—	—	**43,402**	—	£88,974	—	Mar 2016	08/05/23
DSBP	11/03/14	£2.6700	44,736	—	—	—	**44,736**	—	£119,445	—	Mar 2017	11/03/24
LTIP	26/06/14	£2.7000	118,912	—	—	—	**118,912**	—	£321,062	—	Mar 2017	26/06/24
DSBP	10/03/15	£3.2300	16,057	—	—	—	**16,057**	—	£51,864	—	Mar 2018	10/03/25
LTIP	22/06/15	£3.2400	—	121,131	—	—	**121,131**	—	£392,464	—	Mar 2018	22/06/25

1 The number of shares over which awards vested during the year above excludes the additional awards made in respect of dividend shares and for the impact of the bonus element of the open offer for the Truth acquisition. The result of these adjustments was the award of 8,557 and 11,259 additional shares to Mr Brotherton and Mr Eperjesi respectively relating to the 2012 LTIP Awards and the award of 1,232 and 1,622 additional shares to Mr Brotherton and Mr Eperjesi respectively relating to the 2011 DSBP Awards.
2 The exact date in March that LTIP and DSBP awards will vest will depend on the date of the Group's results announcement for the year ended on the previous 31 December.

Market value at grant date is calculated using the closing mid market share price of Tyman plc on the date in question. Awards under both the DSBP and LTIP are made using average historic share prices calculated over a number of days prior to grant (LTIP 30 days and DSBP 5 business days).

Non-executive Directors' fees and Chairman fees

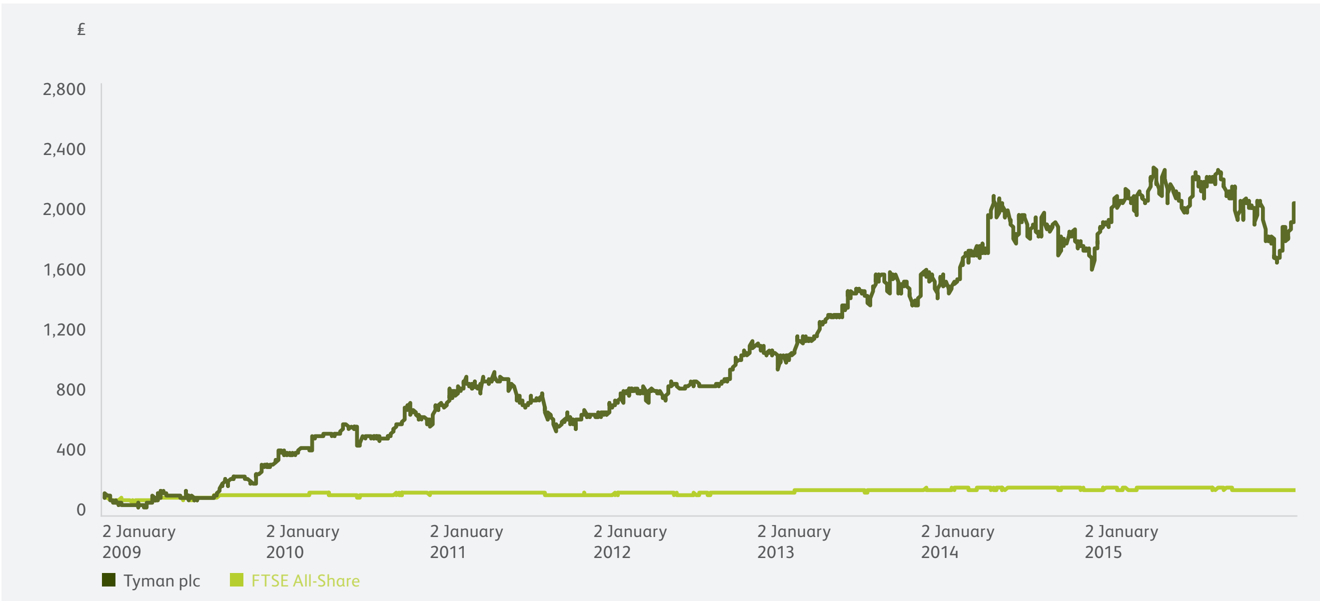
The Board deferred its review of the fees paid to the Chairman, the Non-executive Directors and the Audit and Remuneration Committee Chairs, from July 2015 until December 2015, to align it with the timing of the review of salaries for the Executive Directors and other senior managers. The review resulted in the approval of a 2 per cent increase in all non-executive fees, in line with average employee salary increases across the UK Group, with effect from 1 January 2016 as set out below:

Position/role	Annual rate of fees payable during year starting 1 January 2016 £	Annual rate of fees payable during year ended 31 December 2015 £	Increase
Chairman	127,500	125,000	2%
Non-executive Director	45,900	45,000	2%
Chairman of the Audit Committee	5,100	5,000	2%
Chairman of the Remuneration Committee	5,100	5,000	2%

TSR performance

The graph below shows the total shareholder return of the Group and the FTSE All-Share Index over the last seven years. This index is, in the opinion of the Directors, the most appropriate index against which the TSR of the Group should be measured.

Seven-year historical TSR performance growth in value of hypothetical £100 holding



Remuneration report continued

Annual report on remuneration continued

Historical Chief Officer Executive remuneration outcomes

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

Year	CEO	Single figure of total remuneration £'000	Annual bonus payout %	LTIP vesting £'000	LTIP payout %
2015	Louis Eperjesi	1,001	58%	311	100%
2014	Louis Eperjesi	1,137[1]	31%	630[1]	94%
2013	Louis Eperjesi	1,821	90%	1,260	100%
2012	Louis Eperjesi	493	68%	Nil	Nil
2011	Louis Eperjesi	338	22%	Nil	Nil
2010	Louis Eperjesi	394	100%	Nil	Nil
	Denis Mulhall	438	0%	Nil	Nil
	Keith Taylor	73	n/e	n/e	n/e
2009	Keith Taylor	572	100%	n/e	n/e
	Greg Hutchings	713	0%	Nil	Nil

1 The comparative value of the LTIP awards for 2014 has been trued-up using the actual share prices at vesting. Consequently both the single figure of remuneration and the LTIP awards figure for 2014 are different to the values shown in the 2014 Remuneration report.

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

Louis Eperjesi

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

Former Directors

Denis Mulhall

Appointed as acting Chief Executive Officer for the Group for the period between Keith Taylor's resignation and Louis Eperjesi's appointment. Denis Mulhall was not paid any incremental salary or benefits for the period of time that he was acting CEO and did not receive any bonus or long term incentive plan or equivalent in respect of that appointment. Denis Mulhall's single figure of remuneration includes payments made for loss of office.

Keith Taylor

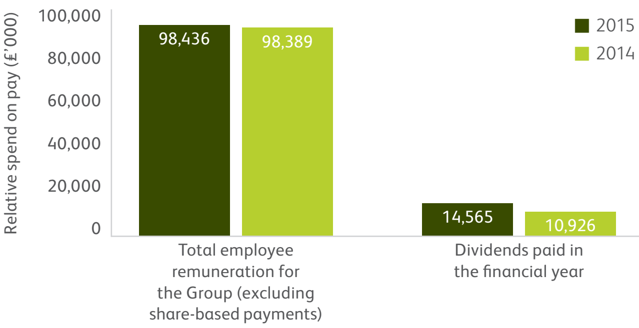
Appointed as Interim Chief Executive Officer on 1 July 2009 and resigned from the Board on 22 January 2010. Keith Taylor did not participate in any of the Group's long term incentive plans, but was eligible for a cash bonus for 2009 tied to certain objectives. Keith Taylor's remuneration was paid to Crispins Partnership Limited.

Greg Hutchings

Employed as Executive Chairman of the Group until 1 July 2009. His single figure remuneration for 2009 includes payments made for loss of office.

Relative spend on pay

The chart below sets out, for the years ended 31 December 2015 and 31 December 2014, the total cost of employee remuneration for the Group together with the total distributions made to shareholders by way of dividends.



Shareholder votes

The table below summarises the results of the voting at the 2015 AGM in respect of remuneration resolutions:

2015 AGM resolution	Votes for	Votes at discretion	Votes against	Total votes cast	Votes withheld
To approve the Directors' remuneration report for the financial year ended 31 December 2014	129,770,042 (99.78%)	38,701 (0.03%)	240,842 (0.19%)	130,049,585 (100%)	7,772,153
To approve the establishment of the Tyman Sharesave Plan	137,629,619 (99.86%)	36,651 (0.03%)	146,162 (0.11%)	137,812,432 (100%)	9,306
To approve the establishment of the Tyman US Sharesave Plan	137,625,036 (99.86%)	36,651 (0.03%)	147,173 (0.11%)	137,808,860 (100%)	12,878

Statement of implementation of remuneration policy for the year ending 31 December 2016

Remuneration for 2016 at a glance

Current salary	CEO – £397,000 CFO – £245,000
Pension allowance	CEO – 20 per cent of base salary CFO – 15 per cent of base salary
Benefits	Typically life assurance cover, critical illness cover, private medical and dental cover, car allowance and professional tax and financial advice.
Annual bonus	100 per cent of base salary, with 50 per cent in cash and 50 per cent in shares deferred for three years. Targets for 2016 will be all based on financial objectives.
LTIP	Normally nil-cost options of up to 100 per cent of base salary, but exceptionally 150 per cent. Performance metrics based on cumulative underlying EPS measured over a three-year period, with a discretionary total shareholder return underpin. Typically, 25 per cent vests for threshold performance (zero per cent below threshold) increasing pro rata to 100 per cent vesting for stretch performance. LTIP awards to be retained for two years after vesting.

Basic salary

The salaries of the two Executive Directors, together with 25 of the Group's senior management team, were reviewed in December 2015. The weighted average increase awarded for the group of senior managers was 3.0 per cent, reflecting local market conditions in the various geographies where Tyman operates together with a handful of market comparison-led increases. The Executive Directors were awarded a similar average increase, with the salary of the Group Chief Executive increasing by 2.6 per cent from £387,000 to £397,000 and that of the CFO by 3.4 per cent from £237,000 to £245,000. All increases took effect from 1 January 2016.

Car allowance

In line with the structure of the remuneration packages of their direct reports and in accordance with the Group's remuneration policy, the Remuneration Committee awarded both Executive Directors a car allowance of £15,000 per annum with effect from 1 January 2016.

Cash allowance in lieu of pension

The cash allowances to be paid in lieu of pension remain unchanged for 2016, with the CEO receiving 20 per cent of base salary and the CFO 15 per cent of base salary.

Annual bonus

The maximum opportunity for the two Executive Directors under the 2016 annual bonus plan remains unchanged at 100 per cent of basic salary. The performance measures for 2016 also remain unchanged at 70 per cent linked to profitability (PBTA) and 30 per cent linked to cash flow measures. During 2016, the profit measure is to be related to internal financial targets and to prior year financial outcomes whilst the cash flow measure is to be linked to internal financial targets and cash conversion ratios. In prior years the linkages were to internal financial targets only. It is expected that targets for the 2016 annual bonus plans will be disclosed in the 2016 Annual Report provided they are not deemed to be commercially sensitive at that time.

LTIP awards

It is anticipated that an award of shares will be made under Tyman's Long Term Incentive Plan in mid-March 2016, shortly after the release of the Group's financial results for 2015 (the "2016 Awards"), with the two Executive Directors being awarded shares to the value of 100 per cent of their respective base salaries. The measurement period for the 2016 Awards will be from 1 January 2016 to 31 December 2018.

The 2016 Awards are expected to vest (to the extent that the performance conditions have been satisfied) in March 2019; however, in line with the Group's policy on the vesting of LTIPs, Executive Directors will ordinarily be required to hold all vested awards under the 2016 Awards for a further two years until March 2021. The performance measures are anticipated to be unchanged, and in line with the remuneration policy, being cumulative underlying earnings per share over the three-year performance period supplemented with a discretionary underpin in line with that used for the 2015 Award as set out on page 70.

The Committee will report back on the actual 2016 Awards granted, along with the absolute level of the performance measures, in its 2016 Annual report on remuneration.

Share price

The market price of ordinary shares in Tyman plc at 31 December 2015 was £3.0200 and the range during the year was £2.3875 to £3.4000.

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

Mark Rollins
Chairman, Remuneration Committee
8 March 2016

Independent auditors' report

To the members of Tyman plc

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

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

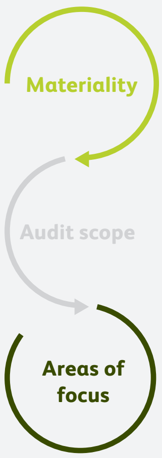
- the consolidated balance sheet as at 31 December 2015;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Overview



- Overall Group materiality: £2.5 million which represents 5 per cent of underlying operating profit before tax.

- Five operating units subject to full scope audits on the basis of financial significance.
- Specific procedures over certain transactions and balances at eight further operating units where the particular balances were financially significant.
- Components where full scope audits performed accounted for 71 per cent of Group revenue and 67 per cent of Group underlying operating profit before tax.

- Goodwill and intangible asset impairment assessments, particularly in respect of the Schlegel International Cash Generating Unit ("CGU").
- Carrying value of provisions, particularly property related provisions and warranty provisions.

The scope of our audit and our area of focus

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

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

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

Report on the group financial statements

Area of focus	How our audit addressed the area of focus
Goodwill and intangible assets impairment assessment	
There is £253.7 million of goodwill and £86.8 million of intangible assets on the balance sheet, predominantly arising from past acquisitions. The Group operates in the building products market and therefore future results are impacted by fluctuations in the housing market and wider economy. We focused on these balances because the determination of whether or not an impairment charge was necessary involved significant judgements about the future results of the business. In particular, we focused on the estimated value in use calculations of the Schlegel International cash generating unit ("CGU") (£18.1 million goodwill) for which there is limited headroom as a result of it having a high degree of exposure to European markets, where the housing market and wider economic environment continues to be difficult. The Schlegel International CGU has not met budget for the last three years, predominantly due to these market factors. The value in use calculation to support the carrying value of goodwill and intangibles in the Schlegel International CGU includes the impact of some anticipated improvement in European housing markets and realisation of the benefits of investment made by the Group over the last two years in consolidating the manufacturing footprint and closure of loss-making business units and strengthening the management structure. The Group's other CGUs, ERA and AmesburyTruth, operate in the UK or US markets which have experienced positive growth and each have significant headroom relative to the CGU carrying value.	For all CGUs, including Schlegel International, we evaluated management's future cash flow forecasts and tested the underlying value in use calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management's forecasting. Whilst Schlegel International have not met budget for the last three years, we have evaluated the reasons for this and management have reduced growth expectations compared to previous years. Based on this, we considered the forecasts to be balanced. The key assumptions in the calculations were growth in revenue and EBITDA margins. In assessing these assumptions we considered external construction industry outlook reports and economic growth forecasts from a variety of sources, as these are the main drivers of building product sales. Where management's growth assumptions were in excess of these external forecasts, we evaluated management's rationale, being the benefit of restructuring and closure of loss-making business units and investment made over the last two years and consider the forecasts to have been prepared on a supportable basis. We also tested: • management's assumption in respect of the long term growth rates in the forecasts by comparing them to long term average growth rates of the economies in the relevant territories; and • the discount rate by assessing the cost of capital for the Company and comparable organisations. We were satisfied these assumptions were appropriate. Sensitivity analysis was also performed in respect of the key assumptions, which were flexed within a reasonable range, and determined at what level this would eliminate the headroom in the model. The Schlegel International CGU was the only CGU which was highly sensitive to changes in the key assumptions, as outlined in the disclosure in note 10. We are satisfied the disclosures in note 10 highlight the limited headroom and the sensitivity of Schlegel International to changes in key assumptions.

Independent auditors' report continued

To the members of Tyman plc

Report on the group financial statements continued

Area of focus	How our audit addressed the area of focus
Carrying value of provisions The Group holds a number of provisions which are inherently judgemental, including: Property related provisions (£4.6 million) The Group has been built up through acquisition and is in the process of going through a footprint rationalisation programme which has resulted in the exit and consolidation of manufacturing and warehouse facilities. Consequently there are a number of manufacturing and warehouse sites which are no longer used. Provisions have therefore been made in relation to onerous leases. In addition, a number of leasehold properties require the Group to reinstate them to their original state of repair, for which dilapidation provisions have been made. We focused on these because there is inherent judgement in assessing the cost of repairs at the end of a lease term.	Property related provisions Onerous lease provisions are based on the residual lease period and contractual lease payments, discounted for the time value of money. Our approach to onerous lease provision calculations included agreeing remaining rental costs to lease agreements and assessing the reasonableness of discount rates applied against the risk free interest rate in each applicable country. We were satisfied the onerous lease provisions were made on a reasonable basis. The Group has implemented a rolling programme of obtaining updated external valuations for costs of reinstating leasehold properties to their original state of repair. We reviewed available external valuation reports, assessed the competence of the valuer by reviewing qualifications, and agreed the estimate by the expert to management's calculation. Where no external valuations were available, we considered the reasonableness of the items included in the calculation, being the estimated removal costs of equipment, and repair costs considering the relative size and complexity of work across sites. We also compared the provisions made by management in prior years to the external valuations to assess the accuracy of management's estimations, noting that there was no significant difference between management's previous estimate and the external valuation. Based on the work performed, we were satisfied that the property related provisions had been made on a reasonable basis.
Warranty provisions (£1.9 million) The provision is based on the estimated costs of warranty claims on products sold. We focused on this provision as the estimation and timing of costs in respect of future warranty claims requires judgement, and, as such, there is a risk that the provision may be understated.	Warranty provisions We tested the accuracy of management's calculation of forecast claims, which contain a general element based on historic claims experience, and specific elements for known warranty issues, and compared the level of historic warranty claims to that forecast. Based on the work performed, we were satisfied that the provision was made on a reasonable basis.

How we tailored the audit scope

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

The Group is structured along three business lines being AmesburyTruth, ERA, and Schlegel International along with centralised functions covering Group treasury and central costs. The Group financial statements are a consolidation of the 46 reporting units for the Group's operating businesses, which map into the three business lines and centralised functions.

Of the Group's 46 reporting units, we identified five which, in our view, required an audit of their complete financial information, due to their size. The units were based in the United Kingdom ("UK") and the United States ("US").

Specific audit procedures on certain balances and transactions were performed at a further eight reporting units, as while overall the units were not financially significant, certain transactions and balances were material or considered to be higher risk, including provisions, borrowings, cash, operating expenses, exceptional expenses, and interest expense. This included PwC Spain undertaking specific procedures on the exceptional redundancy expense arising from the closure of Schlegel Taliana.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each of the reporting units either by us, as the Group engagement team, or the US and Spain PwC network firms operating under our instruction. Where work was performed by the US firm, the UK engagement leader and Senior Manager visited the US component team, reviewed audit work papers related to areas of focus, and participated in the US component clearance meetings.

Report on the group financial statements continued

How we tailored the audit scope continued

In addition to the site visits we held regular phone calls with the US team and obtained formal reporting. The US engagement leader also attended the Group Audit Committee meeting in the UK. Where work was performed by the Spanish firm, we have held regular calls and obtained formal reporting. We concluded sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Components where we performed full scope audits accounted for 71 per cent of Group revenue and 67 per cent of Group underlying operating profit before tax. Further coverage was provided through the work over specified balances and transactions at the additional eight reporting units where these transactions or balances were financially significant. We considered the quantitative and qualitative characteristics of the remaining reporting units which comprise a large number of small units in which we consider the risk of material misstatement to the Group to be low. The Group team performed appropriate analytical procedures over these remaining units. Together with additional procedures performed at the Group level on balances such as goodwill, intangible assets, and taxation, this gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

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

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

Overall Group materiality	£2.5 million (2014: £2.0 million).
How we determined it	5% of underlying operating profit before tax.
Rationale for benchmark applied	Underlying operating profit before tax is the key measure used internally by management in assessing the performance of the Group, externally by analysts, and is the measure disclosed as a key performance indicator in the Annual Report. This measure provides us with a consistent year on year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items. Underlying operating profit excludes net finance costs, exceptional items, amortisation of acquired intangible assets, and impairment of acquired intangible assets and goodwill.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £125,000 (2014: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 50, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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

• information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 51, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 53, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

Independent auditors' report continued

To the members of Tyman plc

Other required reporting continued

Consistency of other information continued

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

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

• the Directors' confirmation on page 56 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 35 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

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

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of Tyman plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	3	**353,425**	350,899
Cost of sales	3	**(233,982)**	(236,129)
Gross profit		**119,443**	114,770
Administrative expenses		**(96,944)**	(95,833)
Operating profit		**22,499**	18,937
Analysed as:			
Underlying[1] operating profit	3	**51,425**	46,077
Exceptional items	6	**(7,563)**	(5,556)
Amortisation of acquired intangible assets	10.3	**(19,567)**	(17,814)
Impairment of acquired intangible assets	10.3	**—**	(359)
Impairment of acquired goodwill	10.2	**(1,796)**	(3,411)
Operating profit		**22,499**	18,937
Finance income	7	**154**	454
Finance costs	7	**(7,077)**	(7,487)
Net finance costs	7	**(6,923)**	(7,033)
Profit before taxation		**15,576**	11,904
Income tax charge	8.2	**(7,885)**	(2,573)
Profit for the year		**7,691**	9,331
Basic earnings per share	9	**4.57p**	5.56p
Diluted earnings per share	9	**4.55p**	5.50p
Non-GAAP measure			
Basic earnings per share	9	**19.25p**	18.61p
Diluted earnings per share	9	**19.16p**	18.40p
Underlying[1] profit before taxation	9	**44,929**	41,629

1 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.

The notes on pages 85 to 119 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the year		**7,691**	9,331
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	20	**73**	(1,081)
Total items that will not be reclassified to profit or loss		**73**	(1,081)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on retranslation of foreign operations		**5,910**	11,719
Effective portion of changes in value of cash flow hedges	17	**165**	518
Total items that may be reclassified subsequently to profit or loss		**6,075**	12,237
Other comprehensive income for the year, net of tax		**6,148**	11,156
Total comprehensive income for the year		**13,839**	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 8.

The notes on pages 85 to 119 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Other reserves[1] £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 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[2]	—	—	—	—	—	—	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[2]	—	—	—	—	—	—	590	590
Dividends paid	—	—	—	—	—	—	(14,565)	(14,565)
Issue of own shares to Employee Benefit Trust	—	—	—	3,070	—	—	(3,070)	—
Purchase of own shares for Employee Benefit Trust	—	—	—	(2,649)	—	—	—	(2,649)
At 31 December 2015	**8,505**	**63,256**	**8,920**	**(4,321)**	**(85)**	**31,384**	**198,572**	**306,231**

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

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

The notes on pages 85 to 119 are an integral part of these consolidated financial statements.

Consolidated balance sheet
As at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Goodwill	10.2	**253,718**	254,375
Intangible assets	10.3	**86,772**	101,290
Property, plant and equipment	11	**42,845**	42,854
Deferred tax assets	8.3	**12,944**	15,028
		396,279	413,547
Current assets			
Inventories	12	**45,990**	47,579
Trade and other receivables	13	**34,836**	36,708
Cash and cash equivalents	14	**29,975**	39,332
Derivative financial instruments	17	**178**	355
		110,979	123,974
TOTAL ASSETS		**507,258**	537,521
LIABILITIES			
Current liabilities			
Trade and other payables	15	**(37,488)**	(45,563)
Derivative financial instruments	17	**(17)**	—
Current tax liabilities		**(1,475)**	(1,113)
Provisions	19	**(5,395)**	(5,597)
		(44,375)	(52,273)
Non-current liabilities			
Borrowings	16	**(111,558)**	(128,017)
Derivative financial instruments	17	**(68)**	(250)
Deferred tax liabilities	8.3	**(27,395)**	(30,115)
Retirement benefit obligations	20	**(9,927)**	(9,742)
Provisions	19	**(6,060)**	(6,597)
Other payables	15	**(1,644)**	(1,511)
		(156,652)	(176,232)
TOTAL LIABILITIES		**(201,027)**	(228,505)
NET ASSETS		**306,231**	309,016
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	23	**8,505**	8,505
Share premium	23	**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
TOTAL EQUITY		**306,231**	309,016

The notes on pages 85 to 119 are an integral part of these consolidated financial statements.

The financial statements on pages 81 to 84 were approved by the Board on 8 March 2016 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Tyman plc
Company registration number: 02806007

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flow from operating activities			
Profit before taxation		**15,576**	11,904
Adjustments	26	**41,265**	41,207
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Inventories		**2,162**	(4,922)
Trade and other receivables		**(1,104)**	(818)
Trade and other payables		**(5,635)**	(5,156)
Provisions utilised	19	**(2,397)**	(1,141)
Pension contributions	20	**(933)**	(1,012)
Income tax paid		**(8,869)**	(6,257)
Net cash generated from operations		**40,065**	33,805
Cash flow from investing activities			
Purchases of property, plant and equipment	11	**(8,872)**	(9,342)
Purchases of intangible assets	10.3	**(2,918)**	(2,122)
Proceeds on disposal of property, plant and equipment		**936**	1,265
Acquisition of subsidiary undertakings, net of cash acquired		**—**	(6,535)
Proceeds on disposal of subsidiary undertakings	22	**6,754**	—
Interest received		**148**	101
Net cash used in investing activities		**(3,952)**	(16,633)
Cash flow from financing activities			
Interest paid		**(6,353)**	(4,696)
Dividends paid	25	**(14,565)**	(10,926)
Purchase of own shares from Employee Benefit Trust		**(2,649)**	(4,337)
Proceeds from borrowings		**—**	63,922
Repayments of borrowings		**—**	(126,642)
Refinancing costs paid		**(12)**	(2,280)
Proceeds from drawdown of revolving credit facility		**16,178**	91,665
Repayments of revolving credit facility		**(37,566)**	(29,578)
Net cash used in financing activities		**(44,967)**	(22,872)
Net decrease in cash and cash equivalents		**(8,854)**	(5,700)
Exchange (losses)/gains on cash and cash equivalents		**(503)**	1,425
Cash and cash equivalents at the beginning of the period	14	**39,332**	43,607
Cash and cash equivalents at the end of the period	14	**29,975**	39,332

The notes on pages 85 to 119 are an integral part of these consolidated financial statements.

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 engineered 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 they relate. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

2.2 Going concern
The Group's strategic plan covers the period to 31 December 2018. The Group's banking and private placement facilities are committed beyond the period of the strategic plan and contain significant covenant headroom. The Group's published year-end leverage target of 1.50x to 2.00x is designed to ensure that the Group has structural headroom on its financial covenants as it comes into each financial year such that it could withstand a material downturn in its end markets and any normalisation of interest rates.

In order to satisfy itself that the Group has adequate resources for the future, the Board reviewed the Group's committed funding and liquidity positions, its ability to generate cash from trading activities and its ability to raise external funding in the future. The operational performance, the future plans for the Group and the risks facing the Group were also reviewed. In addition, note 18 to the consolidated financial statements includes the Group's policies and processes for managing capital, liquidity and credit risks as well as details of its financial instruments and hedging strategies.

In performing its reviews, the Board acknowledges the current level of growth prospects in global markets and has considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group.

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

2.3 Accounting judgements and estimates

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

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

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

- the carrying amount of goodwill and intangible assets (note 10);
- the carrying amount of inventories (note 12);
- the carrying amount of trade receivables (note 13); and
- provisions (note 19).

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

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

2.4 Changes in accounting policy and disclosures
2.4.1 New, revised and amended EU endorsed accounting standards
There were no new or amended accounting standards relevant to the Group's results that are effective for the first time in 2015 that have a material impact on the Group's consolidated financial statements.

Notes to the financial statements continued
For the year ended 31 December 2015

2. Accounting policies and basis of preparation continued

2.4 Changes in accounting policy and disclosures continued

2.4.2 New, revised and amended accounting standards currently EU endorsed but not yet effective
A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have material impact on the consolidated financial statements of the Group, except the following:

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

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

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

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

2.6 Foreign exchange

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

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

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

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

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 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 are 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 in 2015, 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 Ventrolla. Schlegel International comprises all of the Group's other business outside of the US, 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 the Group'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 UK and International operations respectively. In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits apart from those disclosed in notes 3.2.1 and 3.2.4. 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

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

Included within the Schlegel International segment is revenue attributable to the UK 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.

Notes to the financial statements continued

For the year ended 31 December 2015

3. Segment reporting continued

3.2 Segment information continued

3.2.2 Result

	Note	2015 £'000	2014 £'000 (restated)
AmesburyTruth		43,541	36,446
ERA		11,578	13,020
Schlegel International		1,574	1,274
Operating segment result		56,693	50,740
Centrally incurred costs		(5,268)	(4,663)
Underlying operating profit		51,425	46,077
Exceptional items	6	(7,563)	(5,556)
Amortisation of acquired intangible assets	10.3	(19,567)	(17,814)
Impairment of acquired intangible assets	10.3	—	(359)
Impairment of acquired goodwill	10.2	(1,796)	(3,411)
Operating profit		22,499	18,937
Net finance costs	7	(6,923)	(7,033)
Profit before taxation		15,576	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)
Total	(233,982)	(236,129)	(8,013)	(7,676)

3.2.4 Segment assets and liabilities

	Segment assets		Segment liabilities[1]		Non-current assets[2]	
	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)	—	—
Total	507,258	537,521	(201,027)	(228,505)	383,335	398,519

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 UK.

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
Total	8,872	9,342	2,918	2,122

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
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	—	—
Total	253,718	254,375	86,772	101,290	(9,927)	(9,742)

4. Operating profit

Operating profit is stated after (charging)/crediting the following:

	Note	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	11	**(8,013)**	(7,676)
Amortisation of intangible assets	10.3	**(19,997)**	(18,151)
Impairment of intangible assets	10.3	**—**	(386)
Impairment of acquired goodwill	10.2	**(1,796)**	(3,411)
Operating lease rentals		**(4,760)**	(4,955)
Foreign exchange (loss)/gain		**(157)**	14

Analysis of auditors' remuneration:

	2015 £'000	2014 £'000
Audit of Parent Company and consolidated financial statements	**(114)**	(100)
Audit of subsidiaries	**(391)**	(425)
Total audit	**(505)**	(525)
Audit related assurance services	**(25)**	(25)
Other assurance services	**(68)**	(59)
Total assurance services	**(598)**	(609)
Tax compliance services	**(15)**	(23)
Tax advisory services	**(5)**	(14)
Total tax services	**(20)**	(37)
Corporate finance services	**(750)**	—
Other non-audit services	**—**	—
Total non-audit services	**(863)**	(121)
Total fees	**(1,368)**	(646)

5. Employees and employee costs

5.1 Accounting policy

5.1.1 Wages and salaries

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

5.1.2 Termination benefits

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

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

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

5.1.3 Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

5.2 Number of employees

The average monthly number of employees, including Directors, of the Group during the financial year was:

	2015	2014
Administration	**275**	270
Operations	**2,450**	2,417
Sales	**222**	210
	2,947	2,897

Notes to the financial statements continued

For the year ended 31 December 2015

5. Employees and employee costs continued

5.2 Number of employees continued

The number of employees, including Directors, of the Group as at 31 December was:

	2015	2014
Administration	**299**	276
Operations	**2,325**	2,437
Sales	**229**	220
	2,853	2,933

5.3 Employment costs

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

	Note	2015 £'000	2014 £'000
Wages and salaries		**(88,269)**	(87,819)
Social security costs		**(7,436)**	(7,583)
Share-based payments	24	**(968)**	(903)
Pension costs – defined benefit schemes	20	**(637)**	(433)
Pension costs – defined contribution schemes		**(1,939)**	(2,339)
Other post-retirement benefits – defined benefit schemes	20	**(155)**	(215)
		(99,404)	(99,292)

Full details of Directors' remuneration are set out in the Remuneration report on pages 62 and 75.

6. Exceptional items

6.1 Accounting policy

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

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

6.2 Exceptional items

	Note	2015 £'000	2014 £'000
Footprint restructuring		**(4,515)**	(3,830)
M&A and integration		**(1,437)**	(1,718)
Loss on disposal of business	22	**(1,381)**	—
Redundancy and restructuring		**(914)**	(406)
Property provision releases and disposals		**684**	398
		(7,563)	(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 quarter three 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 intangibles associated with EWS of £5,921,000. A summary of the loss on disposal and the net cash inflow on disposal are disclosed in note 22.

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 into 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 US.

7. Finance income and costs

	Note	2015 £'000	2014 £'000
Finance income			
Income from short term bank deposits		**154**	99
Gain on revaluation of fair value hedge	17	**—**	355
		154	454
Finance costs			
Interest payable on bank loans, private placement senior notes and overdraft		**(6,122)**	(4,601)
Amortisation of borrowing costs		**(409)**	(1,260)
Accelerated amortisation of borrowing costs		**—**	(1,283)
Unwinding of discount on provision	19	**(18)**	(42)
Pension interest costs	20	**(351)**	(301)
Loss on revaluation of fair value hedge	17	**(177)**	—
		(7,077)	(7,487)
Net finance costs		**(6,923)**	(7,033)

8. Taxation

8.1 Accounting policy

Income tax charge comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in 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; or
- an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

8.1.1 Key source of estimation uncertainty: deferred tax assets

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

Notes to the financial statements continued

For the year ended 31 December 2015

8. Taxation continued

8.2 Taxation – income statement and other comprehensive income

8.2.1 Tax on profit on ordinary activities

	Note	2015 £'000	2014 £'000
Current taxation			
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
Total current taxation		**(9,703)**	(5,885)
Deferred taxation			
Origination and reversal of temporary differences		**2,018**	3,404
Adjustments in respect of prior years		**(200)**	(92)
Total deferred taxation	8.3	**1,818**	3,312
Income tax charge in the income statement		**(7,885)**	(2,573)
Total (charge)/credit relating to components of other comprehensive income			
Deferred tax (charge)/credit on actuarial gains and losses		**(72)**	982
Deferred tax charge on share-based payments		**(436)**	(51)
Income tax (charge)/credit in the statement of other comprehensive income	8.3	**(508)**	931
Total current taxation		**(9,703)**	(5,885)
Total deferred taxation		**1,310**	4,243
Total taxation		**(8,393)**	(1,642)

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 corporate 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 change has not been material in the 2015 year.

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

8.2.2 Reconciliation of the total tax charge

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

	2015 £'000	2014 £'000
Profit before taxation	**15,576**	11,904
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 year	**(205)**	2,408
Income tax charge in the income statement	**(7,885)**	(2,573)

8.3 Taxation – balance sheet

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

	2015 £'000	2014 £'000
Deferred tax assets	**12,944**	15,028
Deferred tax liabilities	**(27,395)**	(30,115)
Deferred tax liabilities (net)	**(14,451)**	(15,087)

8. Taxation continued

8.3 Taxation – balance sheet continued

The net movement in deferred tax is as follows:

	Note	2015 £'000	2014 £'000
At 1 January		**(15,087)**	(17,190)
Acquisition of subsidiary		**—**	(1,288)
Income statement credit	8.2	**1,818**	3,312
Reclassification to current taxation		**(236)**	—
Tax (charge)/credit relating to components of other comprehensive income	8.2	**(508)**	931
Exchange difference		**(438)**	(852)
At 31 December		**(14,451)**	(15,087)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Accelerated tax depreciation £'000	Post-retirement benefit provisions £'000	Purchased goodwill £'000	Other timing differences £'000	Total £'000
At 1 January 2014	48	2,548	6,221	3,285	12,102
Reclassification to deferred tax liabilities	(9)	—	—	2,146	2,137
Reclassification between deferred tax categories	22	33	(458)	403	—
Income statement credit/(charge)	438	(6)	(494)	(674)	(736)
Tax credit/(charge) relating to components of other comprehensive income	—	982	—	(51)	931
Exchange difference	(26)	218	205	197	594
At 31 December 2014	473	3,775	5,474	5,306	15,028
Income statement charge	(166)	(3)	(1,012)	(822)	(2,003)
Tax charge relating to components of other comprehensive income	—	(72)	—	(436)	(508)
Exchange difference	(14)	183	149	109	427
At 31 December 2015	**293**	**3,883**	**4,611**	**4,157**	**12,944**

Deferred tax liabilities	Accelerated tax depreciation £'000	Intangible assets on acquisition £'000	Other timing differences £'000	Total £'000
At 1 January 2014	(2,746)	(26,382)	(164)	(29,292)
Reclassification to deferred tax assets	9	—	(2,146)	(2,137)
Reclassification between deferred tax categories	(898)	(1,013)	1,911	—
Acquisition of subsidiary	—	(1,288)	—	(1,288)
Income statement (charge)/credit	(150)	4,607	(409)	4,048
Exchange difference	(233)	(1,200)	(13)	(1,446)
At 31 December 2014	(4,018)	(25,276)	(821)	(30,115)
Income statement (charge)/credit	(913)	4,980	(246)	3,821
Reclassification to current taxation	—	(236)	—	(236)
Exchange difference	(228)	(641)	4	(865)
At 31 December 2015	**(5,159)**	**(21,173)**	**(1,063)**	**(27,395)**

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

Deferred tax liabilities of £23,718,000 (2014: £25,351,000) are expected to fall due after more than one year and deferred tax assets of £8,132,000 (2014: £9,568,000) are expected to be recovered after more than one year.

8.3.1 Factors that may affect future tax charges

The estimated tax losses within the Group are as follows:

	2015 £'000	2014 £'000
Capital losses	**3,992**	3,992
Trading losses	**16,443**	16,578
	20,435	20,570

Notes to the financial statements continued

For the year ended 31 December 2015

8. Taxation continued

8.3 Taxation – balance sheet continued

8.3.1 Factors that may affect future tax charges continued

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

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

Tax effect	2015 £'000	2014 £'000
Capital losses	**(719)**	(798)
Trading losses	**(4,307)**	(3,780)
	(5,026)	(4,578)

No deferred tax liability is recognised on temporary differences of £57,799,000 (2014: £53,800,000) relating to the unremitted earnings of overseas subsidiaries. As a result of UK legislation, which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional UK corporate taxes. Furthermore, although the remittance to the UK of those earnings could still result in a tax liability, arising as a result of withholding taxes levied by some overseas tax jurisdictions in which those subsidiaries operate, such jurisdictions provide currently for zero dividend withholding tax in their tax agreements with the UK.

9. Earnings per share

9.1 Non-GAAP 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.

9.2 Earnings per share

	2015 £'000	2014 £'000
Profit for the year	**7,691**	9,331
Basic earnings per share	**4.57p**	5.56p
Diluted earnings per share	**4.55p**	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.

9.2.1 Weighted average number of shares

The weighted average number of shares was:

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

9. Earnings per share continued

9.2 Earnings per share continued

9.2.2 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 before 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		**15,576**	11,904
Exceptional items	6	**7,563**	5,556
Amortisation of borrowing costs	7	**409**	1,260
Accelerated amortisation of borrowing costs	7	**—**	1,283
Unwinding of discount on provisions	7	**18**	42
Amortisation of acquired intangible assets	10.3	**19,567**	17,814
Impairment of acquired intangible assets	10.3	**—**	359
Impairment of acquired goodwill	10.2	**1,796**	3,411
Underlying profit before taxation		**44,929**	41,629
Income tax charge	8.2	**(7,885)**	(2,573)
Add back: adjustment due to exceptional prior year adjustments	8.2	**—**	(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		**(4,662)**	(6,132)
Underlying profit after taxation		**32,382**	31,224

Underlying earnings per share is summarised as follows:

	2015	2014
Basic earnings per share	**19.25p**	18.61p
Diluted earnings per share	**19.16p**	18.40p

10. Goodwill and intangible assets

10.1 Accounting policy

10.1.1 Goodwill

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

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

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

10.1.2 Intangible assets

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

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

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

Notes to the financial statements continued

For the year ended 31 December 2015

10. Goodwill and intangible assets continued

10.1 Accounting policy continued

10.1.2 Intangible assets continued

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

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

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

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

10.1.3 Impairment of goodwill and intangible assets

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

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

As at 31 December 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.

10.2 Carrying amount of goodwill

	Note	£'000
Cost and net carrying value		
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	22	(5,668)
Impairment charge for the year		(1,796)
Exchange difference		6,807
At 31 December 2015		**253,718**

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

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

10. Goodwill and intangible assets continued

10.2 Carrying amount of goodwill continued

The ERA and Schlegel International 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.

10.2.1 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	**13.6%**	13.2%	**10.1%**	10.1%
ERA	**8.9%**	9.4%	**9.4%**	8.3%
Schlegel International	**13.4%**	12.7%	**20.3%**	32.9%

Impairment review results: 2015

The closure of the manufacturing facility in Taliana, Spain 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 intangible assets across the Group has been carried out at year end in light of current trading conditions and future prospects. Apart from an impairment charge noted above, the annual impairment review did not result in any further impairment losses being recognised in the 2015 year.

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.

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

A 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 onwards 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 to 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 would be 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 Schelgel 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 dates 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 attributable to the Schelgel 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.

Notes to the financial statements continued

For the year ended 31 December 2015

10. Goodwill and intangible assets continued

10.3 Carrying amount of intangible assets

	Note	Computer software £'000	Acquired brands £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 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	22	(115)	—	(1,410)	(1,525)
Exchange difference		308	1,362	4,702	6,372
At 31 December 2015		**8,019**	**46,125**	**171,201**	**225,345**
Accumulated amortisation					
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	22	97	—	1,175	1,272
Exchange difference		(68)	(773)	(2,743)	(3,584)
At 31 December 2015		**(1,195)**	**(29,301)**	**(108,077)**	**(138,573)**
Carrying value					
At 1 January 2014		2,435	23,193	83,967	109,595
At 31 December 2014		4,076	20,172	77,042	101,290
At 31 December 2015		**6,824**	**16,824**	**63,124**	**86,772**

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.

10.3.1 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.

11. Property, plant and equipment

11.1 Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost of the 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 to 5 per cent
- Plant and machinery – 7.5 to 33 per cent

The carrying amounts of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. The assets' residual values, useful lives and 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.

11. Property, plant and equipment continued

11.2 Carrying amount of property, plant and equipment

	Note	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 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	22	—	(5,105)	(5,105)
Reclassification between fixed asset categories		261	(261)	—
Transfers to intangible assets		—	(44)	(44)
Exchange difference		487	2,779	3,266
At 31 December 2015		**18,921**	**56,868**	**75,789**
Accumulated depreciation				
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	22	—	4,590	4,590
Exchange difference		(81)	(2,066)	(2,147)
At 31 December 2015		**(4,663)**	**(28,281)**	**(32,944)**
Carrying value				
At 1 January 2014		14,744	25,125	39,869
At 31 December 2014		14,123	28,731	42,854
At 31 December 2015		**14,258**	**28,587**	**42,845**

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

12. Inventories

12.1 Accounting policy

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

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

12.1.1 Critical accounting estimates and judgements: carrying amount of inventories

The carrying amounts of inventories are stated with due allowance for excess, obsolete or slow-moving items. Group management exercises judgement in assessing net realisable value and provisions for slow-moving and obsolete inventory which is based on current assessments of future demand, market conditions and new product development initiatives.

Notes to the financial statements continued

For the year ended 31 December 2015

12. Inventories continued

12.2 Carrying amount of inventories

	2015 £'000	2014 £'000
Raw materials and consumables	**15,696**	15,189
Work in progress	**3,458**	3,189
Finished goods	**26,836**	29,201
	45,990	47,579

The cost of materials charged to the income statement during the year was £150,247,000 (2014: £153,616,000).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £5,375,000 (2014: £6,217,000).

An impairment charge of £1,056,000 (2014: £741,000) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2014: £Nil).

13. Trade and other receivables

13.1 Accounting policy

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets.

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts (provision for impairment).

13.1.1 Critical accounting estimates and judgements: carrying amount of trade receivables

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flows. Group management exercises judgement in assessing the amount of any write downs required which is based on current assessments of the creditworthiness of current customers.

13.2 Carrying amounts of trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**31,485**	33,645
Less: provision for impairment of trade receivables	**(1,977)**	(2,179)
Trade receivables – net	**29,508**	31,466
Other receivables – net	**2,091**	2,025
Accrued income	**112**	62
Prepayments	**3,125**	3,155
	34,836	36,708

All trade and other receivables are current. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

The ageing of net trade receivables is as follows:

	Within normal payment terms		Past due		
	Fully performing £'000	Not fully performing £'000	Within three months £'000	Three to twelve months £'000	Over 12 months £'000
At 31 December 2015					
Trade receivables	**26,560**	**—**	**2,889**	**59**	**—**
At 31 December 2014					
Trade receivables	29,123	34	1,932	278	99

All of the Group's trade and other receivables have been reviewed for impairment at 31 December 2015. Net trade receivables of £2,948,000 (2014: £2,309,000) were past due but not impaired. These relate to customers for whom there is no recent history of default. Trade receivables of £1,977,000 (2014: £2,179,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic circumstances.

13. Trade and other receivables continued

13.2 Carrying amounts of trade and other receivables continued

Movement in the provision for impairment of trade receivables is as follows:

	2015 £'000	2014 £'000
At 1 January	(2,179)	(2,139)
Provision for receivables impairment	(546)	(646)
Receivables written off during the year as uncollectible	241	493
Unused amounts reversed	385	321
Disposal of business	71	—
Acquisition of subsidiary	—	(200)
Exchange difference	51	(8)
At 31 December	(1,977)	(2,179)

The creation of provision for impairment of trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables is as follows:

	2015 £'000	2014 £'000
Trade receivables within normal terms not fully performing	(80)	(192)
Trade receivables past due date and aged up to three months from invoice date	(1,072)	(1,092)
Trade receivables past due date and aged between three and 12 months after invoice date	(46)	(328)
Trade receivables past due date and aged beyond 12 months after invoice date	(779)	(567)
	(1,977)	(2,179)

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2015 £'000	2014 £'000
British Pounds	9,994	13,051
US Dollars	19,981	17,907
Euros	2,377	2,806
Other currencies	2,484	2,944
	34,836	36,708

14. Cash and cash equivalents

14.1 Accounting policy

In the consolidated statement of cash flows and balance sheet, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less and bank overdrafts.

14.2 Carrying amounts of cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	42,809	54,165
Short term deposits	2,237	134
Bank overdrafts	(15,071)	(14,967)
	29,975	39,332

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2015 £'000	2014 £'000
British Pounds	15,611	11,089
US Dollars	7,996	21,089
Euros	3,012	2,923
Other currencies	3,356	4,231
	29,975	39,332

Notes to the financial statements continued

For the year ended 31 December 2015

15. Trade and other payables

15.1 Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

15.2 Carrying amounts of trade and other payables

	2015 £'000	2014 £'000
Trade payables	**(19,839)**	(26,758)
Other taxes and social security costs	**(1,881)**	(2,295)
Accruals	**(17,296)**	(18,021)
Deferred income	**(116)**	—
	(39,132)	(47,074)
Analysed as:		
Current liabilities	**(37,488)**	(45,563)
Non-current liabilities	**(1,644)**	(1,511)
	(39,132)	(47,074)

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

The carrying amounts of trade and other payables are denominated in the following currencies:

	2015 £'000	2014 £'000
British Pounds	**(12,857)**	(17,012)
US Dollars	**(22,380)**	(24,765)
Euros	**(1,682)**	(2,706)
Other currencies	**(2,213)**	(2,591)
	(39,132)	(47,074)

16. Interest-bearing loans and borrowings

16.1 Accounting policy

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

16.2 Carrying amounts of interest-bearing loans and borrowings

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

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

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

	2015 £'000	2014 £'000
British Pounds	**(15,207)**	(33,610)
US Dollars	**(94,509)**	(94,407)
Euros	**(1,842)**	—
	(111,558)	(128,017)

16. Interest-bearing loans and borrowings continued

16.2 Carrying amounts of interest-bearing loans and borrowings continued

16.2.1 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 and is unsecured and guaranteed by Tyman plc and its principal subsidiary undertakings.

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

	2015 £'000	2014 £'000
Floating rate		
Expiring beyond 12 months	**(135,112)**	(114,742)

16.2.2 Private placement notes

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

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.

17. Derivative financial instruments

17.1 Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

For those instruments designated as hedges, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

17.1.1 Fair value hedges

Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

17.1.2 Cash flow hedges

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

17.1.3 Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Notes to the financial statements continued

For the year ended 31 December 2015

17. Derivative financial instruments continued

17.2 Carrying amount of derivative financial instruments

	2015 Assets £'000	2015 Liabilities £'000	2014 Assets £'000	2014 Liabilities £'000
Forward exchange contracts – fair value hedges	**178**	**—**	355	—
Interest rate swaps – cash flow hedges	**—**	**(85)**	—	(250)
Total	**178**	**(85)**	355	(250)
Less: non-current portion				
Interest rate swaps – cash flow hedges	**—**	**(68)**	—	(250)
Non-current portion	**—**	**(68)**	—	(250)
Current portion	**178**	**(17)**	355	—

17.2.1 Fair value hedges

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were £7,357,000 (2014: £5,973,000).

During the year a loss of £177,000 (2014: gain of £355,000) was recognised in the income statement for the changes in value of the fair value hedges.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

17.2.2 Cash flow hedges

The notional principal amounts of the outstanding interest rate swap at 31 December 2015 were £41,052,000 (2014: £46,501,000).

During the year a gain of £165,000 (2014: £518,000) was recognised in the statement of comprehensive income and £Nil (2014: £Nil) in the income statement for the ineffective portion of changes in the value of cash flow hedges.

Details of the interest rate swaps are as follows:

	Notional amount '000	Fixed interest rate paid	Floating interest rate received	Fair value '000
At 31 December 2015				
Swaps – British Pounds	£14,100	1.2476%	0.6877%	£(64)
Swaps – US Dollars	$39,900	1.1776%	0.4631%	$(31)
At 31 December 2014				
Swaps – British Pounds	£16,500	1.2075%	0.6609%	£(97)
Swaps – US Dollars	$46,600	1.1357%	0.3373%	$(238)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the balance sheet.

Refer to note 18.4 for the fair value measurement methodology.

17.2.3 Net investment hedges

The Group uses foreign currency denominated debt to hedge the value of its US Dollar denominated net assets which may change due to movements in US Dollar exchange rates. At 31 December 2015, the value of the net investment hedge was £94,501,000 (2014: £94,380,000). This hedge is considered highly effective and no ineffective portion has been recognised in the income statement.

18. Financial risk management and financial instruments

18.1 Accounting policy

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold or cancelled or expires.

18.1.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (note 13) and "cash and cash equivalents" (note 14) in the balance sheet.

18.1.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "trade and other payables" (note 15) and "interest-bearing loans and borrowings" (note 16).

18. Financial risk management and financial instruments continued

18.2 Financial instruments: by category

Assets as per balance sheet:

	31 December 2015			31 December 2014		
	Loans and receivables £'000	**Derivatives used for hedging £'000**	**Total £'000**	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Trade and other receivables[1]	**29,508**	**—**	**29,508**	31,466	—	31,466
Cash and cash equivalents	**29,975**	**—**	**29,975**	39,332	—	39,332
Derivative financial instruments	**—**	**178**	**178**	—	355	355
Total	**59,483**	**178**	**59,661**	70,798	355	71,153

Liabilities as per balance sheet:

	31 December 2015			31 December 2014		
	Derivatives used for hedging £'000	**Other financial liabilities at cost £'000**	**Total £'000**	Derivatives used for hedging £'000	Other financial liabilities at cost £'000	Total £'000
Borrowings[2]	**—**	**(113,154)**	**(113,154)**	—	(130,010)	(130,010)
Derivative financial instruments	**(85)**	**—**	**(85)**	(250)	—	(250)
Trade and other payables[3]	**—**	**(37,135)**	**(37,135)**	—	(44,779)	(44,779)
Total	**(85)**	**(150,289)**	**(150,374)**	(250)	(174,789)	(175,039)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1,596,000 (2014: £1,993,000).

3 Excludes non-financial liabilities.

18.3 Financial instruments: risk profile

18.3.1 Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (note 14), interest-bearing loans and borrowings (note 16) and equity attributable to the shareholders of the Parent as disclosed in the consolidated statement of changes in equity.

18.3.2 Financial management

The Group's principal financial instruments comprise bank loans, private debt and cash and short term deposits. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken.

The Board reviews and agrees policies for managing each financial instrument risk and they are summarised below.

18.3.3 Liquidity and credit risk

The Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow.

The Group manages liquidity risk by the pooling of cash resources and depositing funds available for investment in approved financial instruments with financial institutions. Counterparty risk with respect to cash and cash equivalents is managed by only investing in banks and financial instruments with independently assessed credit ratings of at least A2 as published by Standard and Poor's. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance of these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from customers. Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In order to mitigate credit risk the Group utilises credit insurance in those areas of its operations where such insurance is available. In areas where such insurance is not available or it is uneconomical to purchase, management monitors the utilisation of credit limits by customers, identified either individually or by group, and incorporates this information in credit risk controls. The diverse nature of the Group's customer base means that the Group has no significant concentrations of credit risk.

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. Management considers all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

During the year ended 31 December 2015 the Group operated within its borrowing facilities.

Notes to the financial statements continued

For the year ended 31 December 2015

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.3 Liquidity and credit risk continued

The table below analyses the present value of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Not less than one year £'000	Later than one year but not later than two years £'000	Later than two years but not later than five years £'000	Over five years £'000	Total £'000
Borrowings[1]	**—**	**—**	**(45,605)**	**(67,549)**	**(113,154)**
Derivative financial instruments	**(17)**	**—**	**(68)**	**—**	**(85)**
Trade and other payables[2]	**(35,491)**	**(1,644)**	**—**	**—**	**(37,135)**
At 31 December 2015	**(35,508)**	**(1,644)**	**(45,673)**	**(67,549)**	**(150,374)**
Borrowings[1]	—	—	(65,631)	(64,379)	(130,010)
Derivative financial instruments	—	(109)	—	(141)	(250)
Trade and other payables[2]	(43,268)	(1,511)	—	—	(44,779)
At 31 December 2014	(43,268)	(1,620)	(65,631)	(64,520)	(175,039)

1 Excludes capitalised borrowing costs of £1,596,000 (2014: £1,993,000).

2 Excludes non-financial liabilities.

18.3.4 Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2015 was as follows:

	Floating rate borrowings[1] £'000	Fixed rate borrowings[2] £'000	Total £'000
At 31 December 2015			
British Pounds	**(16,803)**	**—**	**(16,803)**
US Dollars	**(26,960)**	**(67,549)**	**(94,509)**
Euros	**(1,842)**	**—**	**(1,842)**
Total	**(45,605)**	**(67,549)**	**(113,154)**
At 31 December 2014			
British Pounds	(35,603)	—	(35,603)
US Dollars	(30,028)	(64,379)	(94,407)
Total	(65,631)	(64,379)	(130,010)

1 Excludes capitalised borrowing costs of £1,203,000 (2014: £1,547,000).

2 Excludes capitalised borrowing costs of £393,000 (2014: £446,000).

The interest rate on the floating bank loans are linked to LIBOR. The Board periodically reviews any exposure the Group may have to interest rate fluctuations. The Group has used interest rate swaps to fix the cost of a proportion of these floating rate borrowings.

	Floating rate borrowings[1] £'000	Covered by swaps £'000	Swap fixed rate
At 31 December 2015			
British Pounds	**(16,803)**	**(14,100)**	**1.2476%**
US Dollars	**(26,960)**	**(39,900)**	**1.1776%**
Euros	**(1,842)**	**—**	**n/a**
Total	**(45,605)**	**(54,000)**	
At 31 December 2014			
British Pounds	(35,603)	(16,500)	1.2075%
US Dollars	(30,028)	(30,001)	1.1357%
Total	(65,631)	(46,501)	

1 Excludes capitalised borrowing costs of £1,203,000 (2014: £1,547,000).

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £300,000 (2014: £500,000) impact on profits. This impact would be reduced by the tax effect on such a change.

Interest rate risk of financial assets

The weighted average interest rate received on deposited funds was 0.5 per cent during the year (2014: 0.3 per cent).

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.5 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's functional currency and net investments in overseas entities.

The Group has a number of overseas subsidiaries, whose net assets are subject to currency translation risk. The Group borrows in local currencies as appropriate to minimise the impact of this risk on the balance sheet.

Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into British Pounds at the closing rate, are as follows:

	British Pounds £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2015					
Financial assets					
Trade and other receivables[1]	**8,547**	**16,671**	**2,094**	**2,196**	**29,508**
Cash and cash equivalents	**15,612**	**7,996**	**3,012**	**3,355**	**29,975**
Derivative financial instruments	**178**	**—**	**—**	**—**	**178**
Total	**24,337**	**24,667**	**5,106**	**5,551**	**59,661**
Financial liabilities					
Borrowings[2]	**(16,803)**	**(94,509)**	**(1,842)**	**—**	**(113,154)**
Derivative financial instruments	**(64)**	**(21)**	**—**	**—**	**(85)**
Trade and other payables[3]	**(11,491)**	**(22,217)**	**(1,562)**	**(1,865)**	**(37,135)**
Total	**(28,358)**	**(116,747)**	**(3,404)**	**(1,865)**	**(150,374)**
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		**(2,694)**	**886**	**(131)**	**(1,939)**
10% decrease in functional currency		**1,143**	**(487)**	**162**	**818**
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		**8,371**	**(155)**	**(312)**	**7,904**
10% decrease in functional currency		**(10,231)**	**189**	**382**	**(9,660)**

	British Pounds £'000	US Dollars £'000	Euros £'000	Other £'000	Total £'000
At 31 December 2014					
Financial assets					
Trade and other receivables[1]	11,637	15,132	2,305	2,392	31,466
Cash and cash equivalents	11,089	21,089	2,923	4,231	39,332
Derivative financial instruments	—	239	—	116	355
Total	22,726	36,460	5,228	6,739	71,153
Financial liabilities					
Borrowings[2]	(35,603)	(94,407)	—	—	(130,010)
Derivative financial instruments	(97)	(153)	—	—	(250)
Trade and other payables[3]	(15,468)	(24,594)	(2,532)	(2,185)	(44,779)
Total	(51,168)	(119,154)	(2,532)	(2,185)	(175,039)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(1,035)	843	(86)	(278)
10% decrease in functional currency		1,002	(456)	94	640
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		5,002	(196)	(115)	4,691
10% decrease in functional currency		(5,690)	229	124	(5,337)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1,596,000 (2014: £1,993,000).

3 Excludes non-financial liabilities.

The 10 per cent movements in exchange rates are considered to be indicative of the historic average movements in exchange rates.

Notes to the financial statements continued

For the year ended 31 December 2015

18. Financial risk management and financial instruments continued

18.3 Financial instruments: risk profile continued

18.3.6 Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and benefits to stakeholders. The Group defines its capital as total equity plus net debt.

In maintaining the capital structure, the Group may adjust the amount paid as dividends to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors its financial capacity by reference to financial covenant ratios, including leverage and interest cover. If the Group fails to meet its key financial ratios required by its lenders, this could impact the Group's average interest rate of borrowings and the future availability of credit to the Group.

The Group is in compliance with the financial covenants contained within its credit facilities, and has been in compliance throughout the financial year.

	Note	2015 £'000	2014 £'000
Total borrowings[1]		**113,154**	130,010
Less: cash and cash equivalents	14	**(29,975)**	(39,332)
		83,179	90,678
Total equity		**306,173**	309,016
Total capital		**389,352**	399,694

1 Excludes capitalised borrowing costs of £1,596,000 (2014: £1,993,000).

18.4 Fair value estimation

The Group's derivative financial instrument used for hedging is measured at fair value. The Group uses the following hierarchy for measuring fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

Derivatives shown at fair value in the balance sheet have been valued by reference to level 2 techniques described above.

There were no transfers between levels during the year.

18.4.1 Valuation techniques used to derive level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives. The fair value of the derivative financial instruments at 31 December 2015 is a net liability of £93,000 (2014: net asset of £105,000).

There were no changes in valuation techniques during the year.

18.4.2 Group's valuation process

The Group has a team that performs the valuations of financial assets required for financial reporting purposes. This team reports to the CFO and the Audit Committee.

18.4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	2015 £'000	2014 £'000
Non-current liabilities	**(112,642)**	(129,272)

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

19. Provisions

19.1 Accounting policy

Provisions are recognised when:

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

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

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

19.1.1 Critical accounting estimates and judgements: carrying amount of provisions

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

19.2 Carrying amounts of provisions

	Note	Property related £'000	Restructuring £'000	Warranty £'000	Other £'000	Total £'000
At 1 January 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	7	(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	22	(825)	—	—	—	(825)
Unwinding of discount	7	(18)	—	—	—	(18)
Exchange difference		(6)	159	(32)	56	177
At 31 December 2015		**(4,627)**	**(3,504)**	**(1,910)**	**(1,414)**	**(11,455)**

Analysed as:

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

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

19.2.1 Property related

Property provisions include provisions for onerous leases of £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 disclosed in note 28.

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

The transfer of economic benefits will occur at the end of the leases set out in note 28.

Notes to the financial statements continued

For the year ended 31 December 2015

19. Provisions continued

19.2 Carrying amounts of provisions continued

19.2.2 Restructuring

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

19.2.3 Warranty

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

19.2.4 Other

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.

20. Retirement benefit obligations

20.1 Accounting policy

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

20.1.1 Pension obligations

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Past service costs are recognised immediately in income.

20.1.2 Other post-employment obligations

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

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

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

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

20. Retirement benefit obligations continued

20.2 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee-administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due. The Group had no unpaid pension contributions included within employee benefit liabilities (2014: £Nil).

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

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

	2015 £'000	2014 £'000
Balance sheet obligation for:		
Defined pension benefits	**(6,509)**	(6,495)
Post-retirement medical benefits	**(3,418)**	(3,247)
Net liability on the balance sheet	**(9,927)**	(9,742)
Income statement charge for[1]:		
Defined pension benefits	**(637)**	(433)
Post-retirement medical benefits	**(155)**	(215)
	(792)	(648)
Remeasurements for:		
Defined pension benefits	**187**	(3,021)
Post-retirement medical benefits	**(42)**	958
	145	(2,063)

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

The Group's principal defined benefit pension scheme and post-employment medical benefit scheme are operated in the US. The defined benefit schemes provide benefits to members in the form of guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

For US plans, pensions in payment do not receive inflationary increases. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in the US, as is the nature of the relationship between the Group and the trustees and their composition.

Responsibility for governance of the plans, including investment and contribution schedules, lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Company and plan participants in accordance with the plan's regulations.

The current service cost, past service costs and expenses relating to the administration of the defined benefit schemes are included in the income statement within administrative expenses. Net expense is included within net finance income and costs.

Actuarial gains and losses from participant experience, changes in demographic assumptions, changes in financial assumptions and net return on plan assets are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

20.3.1 Balance sheet disclosures

Amounts recognised on the balance sheet are as follows:

	2015 £'000	2014 £'000
Present value of funded obligations	**(25,429)**	(24,944)
Fair value of plan assets	**15,502**	15,202
Net liability on the balance sheet	**(9,927)**	(9,742)

Notes to the financial statements continued

For the year ended 31 December 2015

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

20.3.1 Balance sheet disclosures continued

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

	Present value of obligations £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2014	(21,090)	13,612	(7,478)
Current service cost	(233)	—	(233)
Interest (expense)/income	(958)	657	(301)
Administrative expenses	—	(114)	(114)
	(1,191)	543	(648)
Remeasurements:			
Return on plan assets, excluding amounts included in interest income	—	11	11
Loss from change in demographic assumptions	(997)	—	(997)
Loss from change in financial assumptions	(1,326)	—	(1,326)
Experience gain	249	—	249
	(2,074)	11	(2,063)
Exchange difference	(1,447)	882	(565)
Contributions:			
Employers	—	1,012	1,012
Plan participants	(49)	49	—
Payments from plans:			
Benefit payments	907	(907)	—
At 31 December 2014	(24,944)	15,202	(9,742)
Current service cost	(258)	—	(258)
Interest (expense)/income	(951)	600	(351)
Administrative expenses	—	(183)	(183)
	(1,209)	417	(792)
Remeasurements:			
Loss on plan assets, excluding amounts included in interest income	—	(622)	(622)
Loss from change in demographic assumptions	(110)	—	(110)
Gain from change in financial assumptions	1,054	—	1,054
Experience loss	(177)	—	(177)
	767	(622)	145
Exchange difference	(1,205)	734	(471)
Contributions:			
Employers	—	933	933
Plan participants	(57)	57	—
Payments from plans:			
Benefit payments	1,219	(1,219)	—
At 31 December 2015	**(25,429)**	**15,502**	**(9,927)**

Plan assets comprise the following asset classes:

	2015		2014	
	£'000	**%**	£'000	%
Equity instruments	**4,040**	**26.1%**	3,697	24.3%
Large US equity	**2,523**		2,243	
Small/mid US equity	**590**		550	
International equity	**927**		904	
Balanced/asset allocation	**711**	**4.6%**	738	4.9%
Fixed income	**10,751**	**69.3%**	10,767	70.8%
Total	**15,502**		15,202	

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

20.3.1 Balance sheet disclosures continued

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The US plans hold a significant proportion of fixed income investments, comprising a mixture of government and corporate bonds, and provide an acceptable level of investment risk to better match liabilities. The Group believes that given the long term nature of plan liabilities, and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. Equities are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancies	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The significant actuarial assumptions were as follows:

	2015	2014
Discount rate	**4.2%**	3.8%
Inflation	**2.3%**	2.3%
Salary growth rate	**n/a**	n/a
Pension growth rate	**0.0%**	0.0%
Healthcare cost trend[1]	**7.0% to 4.5%**	7.0% to 4.5%

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

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

	2015	2014
Retiring at the end of the reporting year:		
Male	**21.4**	21.3
Female	**23.0**	22.9
Retiring in 20 years after the end of the reporting year:		
Male	**22.6**	22.6
Female	**24.1**	24.1

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

	Impact on defined benefit pension obligation	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	Decrease by 2.96%	Increase by 3.11%

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

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

The pension scheme is closed to new entrants; as a result the service costs to the Group will rise in future years. The expected level of contributions to the defined benefit pension scheme and post-employment medical benefits in the year to December 2016 is £865,000.

The weighted average duration of the defined benefit obligation is 12 years.

Notes to the financial statements continued

For the year ended 31 December 2015

20. Retirement benefit obligations continued

20.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

20.3.1 Balance sheet disclosures continued

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

	No later than one year £'000	Between one and two years £'000	Between two and five years £'000	Later than five years £'000	Total £'000
Defined pension benefits	1,047	1,074	3,519	6,687	12,327
Post-retirement medical benefits	257	257	790	1,202	2,506
Total	**1,304**	**1,331**	**4,309**	**7,889**	**14,833**

20.3.2 Amounts recognised in the consolidated income statement

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

	Note	2015 £'000	2014 £'000
Current service cost		**(258)**	(233)
Expected administrative expense		**(183)**	(114)
Net interest expense	7	**(351)**	(301)
		(792)	(648)

Of the total charge £441,000 (2014: £347,000) and £351,000 (2014: £301,000) were included in administrative expenses and finance costs respectively.

20.3.3 Amounts recognised in the consolidated statement of comprehensive income

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

	2015 £'000	2014 £'000
Net (loss)/return on plan assets	**(622)**	11
Loss from change in demographic assumptions	**(110)**	(997)
Gain/(Loss) from change in financial assumptions	**1,054**	(1,326)
Experience (loss)/gain	**(177)**	249
	145	(2,063)

A deferred tax charge of £72,000 (2014: deferred tax credit of £982,000) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation.

21. Business combinations

21.1 Accounting policy

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

Acquisition related costs are expensed as incurred.

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

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 10.2). If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

21.1.1 Critical accounting estimates and judgements: acquisition accounting

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

21. Business combinations continued

21.2 Acquisition of Vedasil Brasil

On 26 February 2014, the Group acquired 100 per cent of the issued share capital of Vedasil Brasil. At 31 December 2014, the fair values in relation to this acquisition were provisional. The Group has completed its review and there were no further adjustments or amendments made to the fair value in 2015.

22. Disposal of business

On 7 September 2015, the Group disposed of its steel reinforcer business, EWS for a net cash consideration of £6.8 million. A summary of the loss on disposal and the net cash inflow on disposal is as follows:

	Note	£'000
Goodwill	10.2	5,668
Intangible assets	10.3	253
Property, plant and equipment	11	515
Inventories		407
Trade and other receivables		3,168
Trade and other payables		(2,701)
Total net assets disposed		7,310
Provisions raised for onerous lease rentals	19	825
Loss on disposal	6	(1,381)
Net consideration		**6,754**
Satisfied by:		
Cash and cash equivalents		**6,754**

Net cash inflow arising on disposal is as follows:

	£'000
Gross consideration	7,000
Less: disposal costs	(246)
Net cash inflow	**6,754**

23. Share capital and share premium

23.1 Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

23.2 Share capital and share premium

	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 January 2014, 31 December 2014 and 31 December 2015	**170,104**	**8,505**	**63,256**

The total authorised number of ordinary shares is 180,000,000 (2014: 180,000,000) with a par value of 5.00 pence per share (2014: 5.00 pence per share). All issued shares are fully paid up.

24. Share-based payments

24.1 Accounting policy

The Group operates the LTIP which is an equity-settled share-based compensation plan for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict target EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the financial statements continued

For the year ended 31 December 2015

24. Share-based payments continued

24.2 LTIP

In 2015, the Group operated the LTIP. The charge to the income statement in 2015 was £968,000 (2014: £903,000).

LTIP

Conditional, annual awards of shares are granted under the LTIP to certain Executive Directors and senior managers at the discretion of the Remuneration Committee. Provided the participant remains an employee of the Group and the performance conditions are met, awards will vest three years after the date of the grant at no cost to the employee. Further information on the LTIP and the performance conditions is given in the Remuneration report.

The fair value of the awards granted under the LTIP and the assumptions used in the calculation of the share-based payment charge are as follows:

Valuation model	Probability model to predict EPS levels
Date of grant	22 June 2015
Number granted	692,562
Share price at date of award	324 pence
Fair value (pence)	145 pence
Exercise price (pence)	Nil pence
Expected life of award	Three years
Vesting conditions	Continuous service and cumulative underlying EPS over three years (2015 to 2017) in range of 69.60 to 78.45 pence

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2015 '000	2014 '000
At 1 January	**2,590**	3,815
Exercised	**(1,113)**	(1,908)
Granted	**693**	737
Lapsed	**(104)**	(54)
At 31 December	**2,066**	2,590

Granted awards include the LTIP awards granted in 2015 together with adjustments made to the amount of LTIP awards vesting in 2015, to take account of dividends and the bonus element of the Truth open offer.

Details of treasury shares purchased:

	2015 '000	2014 '000
Number of ordinary shares	**839**	1,460
Cost to Company	**£2,649**	£4,337

25. Dividends

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

26. Adjustments to cash flows from operating activities

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

	Note	2015 £'000	2014 £'000
Net finance costs	7	**6,923**	7,033
Depreciation	11	**8,013**	7,676
Amortisation of intangible assets	10.3	**19,997**	18,151
Impairment of intangible assets	10.3	**—**	386
Impairment of acquired goodwill	10.2	**1,796**	3,411
Disposal of property, plant and equipment		**510**	(190)
Pension current service and expected administration costs	20	**441**	347
Non-cash provision movements		**1,178**	3,490
Loss on disposal of business	22	**1,381**	—
Other non-cash adjustments		**58**	—
Share-based payments	24	**968**	903
		41,265	41,207

27. Contingent liabilities

There are no contingent liabilities.

28. Financial commitments

28.1 Capital commitments

	2015 £'000	2014 £'000
Property, plant and equipment	**7,780**	1,546

28.2 Operating lease commitments

The Group has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

The present values of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
No later than one year	**4,376**	4,610	**598**	633
Later than one year but no later than five years	**6,774**	12,861	**544**	747
Later than five years	**884**	493	**—**	—
	12,034	17,964	**1,142**	1,380

29. 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 focused 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).

Notes to the financial statements continued

For the year ended 31 December 2015

30. Subsidiaries

Details of the subsidiaries of the Group, all of which are wholly owned, are as follows as at 31 December 2015:

Name	Country of incorporation	Nature of business
Corporate		
Jasper Acquisition Holdings Limited	UK	Holding company
Lupus Capital Limited	UK	Dormant
Octroi Group Limited	UK	Holding company
Octroi Investments Limited	UK	Dormant
Otterburn Limited	UK	Dormant
Schlegel Acquisition Holdings Limited	UK	Holding company
Tetchy Investments BV	Netherlands	Dormant
Tyman Equities Limited	UK	Dormant
Tyman Finance S.á r.l.	Luxembourg	Financing company
Tyman Management Limited	UK	Management services
UK operations		
Balance UK Limited[1]	UK	Dormant
Crompton Limited[1]	UK	Dormant
EHS 2015 Limited[1]	UK	Dormant
ERA Home Security Limited[1]	UK	Building products
ERA Products Limited[1]	UK	Dormant
ERA Security Hardware Limited[1]	UK	Dormant
Grouphomesafe Limited[1]	UK	Dormant
Schlegel Building Products Limited[1]	UK	Building products
Schlegel Limited[1]	UK	Building products
Schlegel UK (2006) Limited[1]	UK	Dormant
Ventrolla Limited[1]	UK	Building products
Window Fabrication and Fixing Supplies Limited[1]	UK	Building products
North America operations		
Amesbury Acquisition Holdings (2) Inc[1]	US	Holding company
Amesbury Canada Inc[1]	Canada	Holding company
Amesbury Finance Holdings LLC[1]	US	Holding company
Amesbury Group Inc[1]	US	Holding company
Amesbury Group Plastic Profiles Inc[1]	US	Building products
Amesbury Holdings Limited[1]	UK	Holding company
Amesbury Industries Inc[1]	US	Holding company
Amesbury Mexico, S.De R.L. De C.V.[1]	Mexico	Building products
Atlas Holdings Company Limited[1]	Canada	Building products
Balance Systems Inc[1]	US	Building products
Bandlock Corporation Inc[1]	US	Building products
Fastek Products Inc[1]	US	Building products
Jasper Acquisition Limited[1]	UK	Holding company
Overland Products Company, Inc[1]	US	Building products
Schlegel Acquisition Holdings USA Inc[1]	US	Holding company
Schlegel Systems Inc[1]	US	Building products
Truth Hardware Corporation[1]	US	Building products
Tyman Investments[1]	UK	Dormant
Unipoly Schlegel Holdings Inc[1]	US	Holding company
Other international operations		
Grouphomesafe (Polska) SP Z O O[1]	Poland	Dormant
LSS Ningbo Limited[1]	China	Building products
LSS Trading (Ningbo) Limited[1]	China	Building products
Schlegel América Do Sul Vedação Para Construção Civil Ltda.[1]	Brazil	Holding company
Schlegel América Latina – Vedação, Esquadrias e Extrusão Ltda.[1]	Brazil	Building products
Schlegel Asia Pte Ltd[1]	Singapore	Building products
Schlegel Australia Pty (2006) Ltd[1]	Australia	Holding company
Schlegel Belgium BVBA[1]	Belgium	Building products
Schlegel GmbH[1]	Germany	Building products
Schlegel Pty Limited[1]	Australia	Building products
Schlegel SRL[1]	Italy	Building products
Schlegel Taliana SL[1]	Spain	Building products

1 Held by subsidiary.

31. Related party transactions

The following transactions were carried out with related parties of Tyman plc:

31.1 Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. There were no transactions between the Company and its subsidiaries, apart from intercompany loans.

31.2 Key management compensation

Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group are set out in the Remuneration report on pages 62 to 75.

Full details of individual Directors' remuneration are given in the Remuneration report on pages 68 to 75.

Independent auditors' report

to the members of Tyman plc

Report on the Company financial statements

Our opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Company balance sheet as at 31 December 2015;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is UK Accounting Standards, comprising FRS 101: "Reduced Disclosure Framework", and applicable law (UK Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Responsibilities for the financial statements and the audit continued

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Tyman plc for the year ended 31 December 2015.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2016

Company balance sheet
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments in subsidiaries	4	**294,279**	293,252
Current assets			
Debtors	5	**73,653**	69,672
Cash and cash equivalents		**408**	11,023
		74,061	80,695
Creditors – amounts falling due within one year	6	**(13,695)**	(6,458)
Net current assets		**60,366**	74,237
Total assets less current liabilities		**354,645**	367,489
Creditors – amounts falling due after more than one year	6	**(75,032)**	(71,810)
Net assets		**279,613**	295,679
Equity			
Called up share capital	9	**8,505**	8,505
Share premium		**63,256**	63,256
Other reserve		**8,920**	8,920
Treasury reserves		**(4,321)**	(4,742)
Retained earnings		**203,253**	219,740
Total shareholders' funds		**279,613**	295,679

The notes on pages 124 to 127 are an integral part of these financial statements.

The financial statements on pages 122 to 123 were approved by the Board on 8 March 2016 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Tyman plc
Company registration number: 02806007

Company statement of changes in equity

For the year ended 31 December 2015

	Called up share capital £'000	Share premium £'000	Other reserves[1] £'000	Treasury reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2014	8,505	63,256	8,920	(4,847)	233,733	309,567
Total comprehensive income for the year						
Profit for the year	—	—	—	—	523	523
Transactions with owners	—	—	—	105	(14,516)	(14,411)
Share-based payments[2]	—	—	—	—	851	851
Dividends paid	—	—	—	—	(10,925)	(10,925)
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)	219,740	295,679
Total comprehensive income for the year						
Profit for the year	—	—	—	—	558	558
Transactions with owners	—	—	—	421	(17,045)	(16,624)
Share-based payments[2]	—	—	—	—	590	590
Dividends paid	—	—	—	—	(14,565)	(14,565)
Issue of own shares to Employee Benefit Trust	—	—	—	3,070	(3,070)	—
Purchase of own shares for Employee Benefit Trust	—	—	—	(2,649)	—	(2,649)
At 31 December 2015	**8,505**	**63,256**	**8,920**	**(4,321)**	**203,253**	**279,613**

1 Other reserves are non-distributable capital reserves which arose on previous acquisitions.
2 Share-based payments include a deferred tax debit of £436,000 (2014: £51,000).

The notes on pages 124 to 127 are an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation

The financial statements of Tyman plc have been prepared in accordance with FRS 101. The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.3 of the Group financial statements.

1.1.1 First time adoption of FRS 101

The financial statements of Tyman plc for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP. These financial statements have been prepared in accordance with FRS 101 for the first time. When preparing the financial statements for the year ended 31 December 2015, management has amended certain accounting and valuation methods applied in the previous UK GAAP financial statements to comply with FRS 101. The comparative figures were restated to reflect these adjustments in line with the provisions of IFRS 1 as applicable to companies applying FRS 101. There was no effect on the transition from previous UK GAAP to FRS 101 on the Company's equity and profit and therefore no reconciliation is provided. None of the mandatory exemptions or operational exemptions from full retrospective application of IFRS were applicable to the Company.

1.1.2 FRS 101 – reduced disclosure exemptions

The following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payments;
- IFRS 7 Financial instruments: disclosures;
- paragraphs 91 to 99 of IFRS 13 Fair value measurement;
- the following paragraphs of IAS 1 Presentation of financial statements:
  - comparative information requirements in respect of paragraph 79(a)(iv);
  - paragraph 10(d), cash flow statements;
  - paragraph 16, statement of compliance with all IFRS;
  - paragraph 38A, minimum of two primary statements, including cash flow statements;
  - paragraphs 38B to 38D, additional comparative information;
  - paragraphs 40A to 40D, requirements for a third statement of financial position;
  - paragraph 111, cash flow statement information;
  - paragraphs 134 to 136, capital management disclosures; and
- paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors;
- IAS 7 Statement of cash flows;
- paragraph 17 of IAS 24 Related party disclosures; and
- the requirements IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group.

1.2 Foreign currency translation

1.2.1 Functional currency and presentation currency

The financial statements are presented in British Pounds, which is also the functional currency.

1.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Accounting policies continued

1.3 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.3.1 Financial assets: loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "debtors" (note 5) and "cash and cash equivalents" in the balance sheet.

1.3.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "creditors" (note 6).

1.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

1.5 Borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans are subsequently carried at amortised cost using the effective interest rate method. All borrowing costs are expensed as incurred, on an accruals basis, to the income statement using the effective interest rate method.

1.6 Share-based payments

The Company operates an equity-settled share-based compensation plan (Long Term Incentive Plan, "LTIP") for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Company. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Details of share-based payments are provided in note 24 of the Group financial statements.

2. Profit attributable to the shareholders of the Company

The Company is an investment holding company. It receives dividend income from subsidiaries and bank interest. It pays loan interest to a subsidiary. The majority of administrative expenses are paid by the Company's subsidiary, Tyman Management Limited, including the whole amount of relevant auditors' remuneration and operating lease costs.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2015 of £558,000 (2014: £523,000).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2014: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's financial statements on pages 62 to 75.

Notes to the Company financial statements continued

For the year ended 31 December 2015

4. Investments

	£'000
Cost	
At 1 January 2014	290,445
Additions	7,500
Capital contribution relating to share-based payments	903
At 31 December 2014	298,848
Capital contribution relating to share-based payments	1,027
At 31 December 2015	**299,875**
Impairment	
At 1 January 2014	(5,596)
Charge for the year	—
At 31 December 2014	(5,596)
Charge for the year	—
At 31 December 2015	**(5,596)**
Carrying amount	
At 1 January 2014	284,849
At 31 December 2014	293,252
At 31 December 2015	**294,279**

All of the above investments are in unlisted shares. The Directors believe that the carrying value of the investments is supported by the recoverable amount of their underlying assets.

The 2014 additions relates to the subscription of shares in Schlegel Acquisition Holdings Limited of £7,500,000.

5. Debtors

	Note	2015 £'000	2014 £'000
Amounts receivable after more than one year			
Amounts owed by Group undertakings		**73,139**	68,433
Corporation tax asset		**—**	336
Deferred tax asset	8	**514**	903
		73,653	69,672

The amounts owed by subsidiary undertakings are unsecured, interest free and recoverable on demand but are unlikely to be repaid within one year.

6. Creditors

	Note	2015 £'000	2014 £'000
Amounts falling due within one year			
Amounts owed to Group undertakings		**(13,285)**	(6,062)
Other creditors		**(410)**	(396)
		(13,695)	(6,458)
Amounts falling due after more than one year			
Private placement notes	7	**(67,156)**	(63,934)
Amounts owed to Group undertakings		**(7,876)**	(7,876)
		(75,032)	(71,810)

The amounts owed to Group undertakings falling due within one year are interest free, repayable on demand and unsecured.

The amounts owed to Group undertakings falling due after more than one year are between the Company and Octroi Group Limited, a subsidiary, and interest is charged at a fixed rate of 2 per cent per annum.

7. Private placement notes

The senior notes relate to the issuance of a private debt placement with US financial institutions totalling US$100,000,000. Refer to note 16.2.2 of the Group financial statements.

Details of the private placement notes, which are unsecured, are as follows:

	2015 £'000	2014 £'000
Wholly repayable in 2021	**(37,152)**	(35,408)
Wholly repayable in 2024	**(30,397)**	(28,971)
Capitalised borrowing costs	**393**	445
Total	**(67,156)**	(63,934)

8. Deferred tax asset

	2015 £'000	2014 £'000
At 1 January	**903**	1,093
Income statement credit/(charge)	**47**	(139)
Tax charge relating to components of other comprehensive income	**(436)**	(51)
At 31 December	**514**	903
Deferred tax comprises:		
Timing differences	**514**	903

The deferred tax asset relates to share-based payments. There are no unused tax losses or unused tax credits.

9. Called up share capital

The share capital of the Company is as set out in note 23 of the Group financial statements.

10. Financial commitments

At 31 December 2015 the Company had future annual lease commitments on land and buildings under non-cancellable operating leases as stated below. These commitments were met on the Company's behalf by Tyman Management Limited.

	2015 £'000	2014 £'000
Not later than one year	**190**	190
Later than one year but no later than five years	**571**	761
	761	951

11. Related party transactions

The Company has taken advantage of the exemption in accordance with FRS 101, as a wholly owned subsidiary, not to disclose details of related party transactions in accordance with IAS 24 Related party disclosures required by this standard.

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.

Acquisition enterprise value	The gross consideration paid to the seller less cash acquired with the acquired business plus debt acquired with the acquired business plus the expenses of the acquisition, excluding financing expenses, plus any integration expenses booked as exceptional items.
Adjusted EBITDA	Underlying operating profit with depreciation and share-based payment expenses added back plus the pre-acquisition EBITDA of businesses acquired during the year covering the relevant pre-acquisition period less the EBITDA of businesses disposed of during the year.
Constant currency or CC	Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.
Controllable capital employed	Capital employed before tax balances (current, deferred and sales taxes), interest accruals, purchased goodwill and intangible assets.
Giesse	Giesse Group acquired by the Group's Schlegel International Division on 7 March 2016.
Leverage	Underlying net debt translated at the average exchange rate for the year divided by Adjusted EBITDA.
Like for like or LFL	The comparison of revenue or operating profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period. For disposals, the results are excluded for the whole of the current and prior period.
Operating cash conversion	Operational cash flow divided by underlying operating profit.
Operational cash flow	Net cash inflow from operating activities before income tax paid, exceptional costs, cash settled in the year and pension contributions, and after proceeds on disposal of property, plant and equipment, payments to acquire property, plant and equipment and payments to acquire intangible assets.
Response or Response Electronics	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	LTM underlying operating profit as a percentage of the LTM average capital employed.
Return on controllable capital employed or ROCCE	LTM underlying operating profit as a percentage of the LTM average controllable capital employed.
The Act	The Companies Act 2006.
The Code	UK Corporate Governance Code 2014.
£ or Sterling or British Pounds	The lawful currency of the UK.
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.
Underlying operating profit	Operating profit before exceptional items, amortisation of acquired intangible assets, impairment of acquired intangible assets and impairment of acquired goodwill.
2015 LTIPs	Share awards granted by the Remuneration Committee on 22 June 2015.

Glossary of terms

APAC	Asia Pacific region
BPS	Basis points
CGU	Cash Generating Unit
CPA	Construction Products Association
DSBP	Deferred Share Bonus Plan
DTR	Disclosure Rules and Transparency Rules of the UK Listing Authority
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EBT	Tyman Employees' Benefit Trust
EMEA	Europe, Middle East and Africa region
EPS	Earnings per share
ESSP	Employee Sharesave Plan
EU	European Union
FENSA	Fenestration Self-Assessment Scheme
FRC	Financial Reporting Council
FRS 101	Financial Reporting Standard 101, 'Reduced Disclosure Framework'
FY	Full year
GHG	Green House Gas
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
JCHS	Joint Centre for Housing Studies of Harvard University
KPI	Key performance indicator
LTI	Lost time injury
LTIP	Long Term Incentive Plan
LTM	Last twelve months
M&A	Mergers and acquisitions
NPD	New product development
OECD	Organisation for Economic Cooperation and Development
OEM	Original equipment manufacturer
OTIF	On time in full
PBTA	Profit Before Taxation and Amortisation
PPE	Property, plant and equipment
R&D	Research and development
R&R	Repair and remodelling
RMI	Renovation, maintenance and improvement
TMC	Tyman Management Committee
TSR	Total shareholder return
UK	United Kingdom
UK ESSP	Tyman Sharesave Plan
UK GAAP	UK Generally Accepted Accounting Practice
US	United States
US ESSP	Tyman US Sharesave Plan

Roundings and exchange rates

Roundings

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

Exchange rates

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

Closing rates	2015	2014
US Dollar	**1.4804**	1.5533
Euro	**1.3572**	1.2779
Australian Dollar	**2.0281**	1.9043
Canadian Dollar	**2.0532**	1.8062
Brazilian Real	**5.8630**	4.1686

Average rates	2015	2014
US Dollar	**1.5287**	1.6479
Euro	**1.3772**	1.2407
Australian Dollar	**2.0350**	1.8269
Canadian Dollar	**1.9536**	1.8189
Brazilian Real	**5.0923**	3.8711

Five-year summary

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	**353,425**	350,899	298,054	228,753	216,293
Underlying operating profit	**51,425**	46,077	32,348	22,958	22,223
Net finance costs	**(6,923)**	(7,033)	(3,517)	(4,618)	(9,695)
Profit before taxation	**15,576**	11,904	794	(25,833)	2,632
Taxation	**(7,885)**	(2,573)	162	3,700	6,428
Profit for the year	**7,691**	9,331	956	(22,133)	9,060
Underlying basic earnings per share	**19.25p**	18.61p	13.71p	10.31p	8.94p
Underlying diluted earnings per share	**19.16p**	18.40p	13.51p	10.15p	8.88p
Underlying profit before taxation	**44,929**	41,629	28,586	21,313	17,389
Dividends per share	**8.75p**	8.00p	6.00p	4.50p	3.50p
Total number of shares in issue	**170,104**	170,104	170,104	137,287	137,287
Return on capital employed	**12.5%**	11.4%	9.0%	7.2%	7.3%
Underlying net debt	**(83,179)**	(90,678)	(80,947)	(36,982)	(95,163)
Leverage	**1.35x**	1.56x	1.81x	1.23x	2.25x
Operating cash conversion	**84.9%**	71.8%	116.4%	84.1%	94.5%
Average monthly number of employees	**2,947**	2,897	2,317	1,871	1,742

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Tyman plc Annual Report and Accounts 2015