TYMAN

Tyman plc
Annual report and accounts
for the year ended 31 December 2019

Tyman is a leading international supplier of engineered fenestration components and access solutions to the construction industry.

Contents

Highlights

Revenue
£613.7m

Dividend per share
12.20p

Adjusted operating profit*
£85.4m

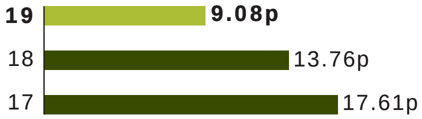
Profit before taxation
£24.8m

Leverage*
1.72×

Adjusted net debt*
£164.5m

Adjusted earnings per share*
27.46p

Basic earnings per share
9.08p



* Alternative Performance Measures provide additional information to shareholders on the underlying performance of the business. A detailed description of APMs, which have been consistently applied through this report, is included on pages 176 to 183.

- Reported revenue up 4% and adjusted operating profit up 2%
- LFL revenue down 2% reflects customer losses in North America and challenging end markets
- LFL adjusted operating profit down 5%, with slight margin deterioration to 13.9%
- Strong cash generation with cash conversion of 132% and reduction in leverage to 1.72x
- Good progress in addressing North America footprint consolidation issues: no further material customer losses in H2 and improvements at Statesville facility
- Self-help measures underway including streamlining operations in International markets
- Final dividend increased 2% in line with progressive policy

→ Read more about our **performance** in the **Operational review** and **Financial review** on pages 24 to 37

Investment case

Favourable megatrends

- Global population growth will continue to drive construction and remodelling activity
- Climate change demands more energy efficient buildings

→ Read more about our **markets** on pages 8 to 9

Compelling customer value creation

- Our products create disproportionate value for end users relative to their incremental installed cost
- Our market-leading brands, extensive portfolio and innovation capabilities make us a strategic partner for our customers
- Our value-added support services underpin our long-term customer relationships and high levels of repeat business

→ Read more about our **products and brands** on pages 4 to 6

Sustainable growth potential

- We have high barriers to entry as a result of our deep customer relationships, the heritage and reputation of our brands, our extensive product and application expertise and world-class facilities across our global footprint.
- Our scale allows us to continually invest in our organic growth through innovation and operational excellence.
- Our high levels of cash generation and strong balance sheet provide funding flexibility for future expansion, including further acquisitive growth with Tyman the natural consolidator in a fragmented industry.
- Our diversification across geographies and commercial and residential markets provides resilience against major changes in the market environment

→ Read more about **our divisions and geographical reach** on pages 2 to 3

Group at a glance

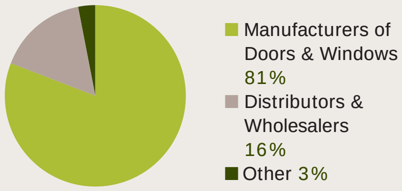
Tyman is a leading international supplier of engineered fenestration components and access solutions to the construction industry. The Group designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman's portfolio of leading brands serve their markets through three regional divisions. Headquartered in London, the Group employs approximately 3,900 people, with facilities in 18 countries worldwide.

Our divisions

North America

AmesburyTruth is Tyman's division operating in North America

Routes to market



Residential
83%

Commercial
17%

 # Manufacturing sites
11

 # Distribution sites
1

Brands

AmesburyTruth, Ashland Hardware Systems, Bilco, Giesse

Employees
c.2,550

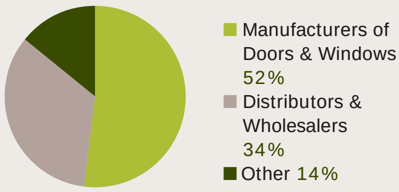
Revenue (£m)
£386.0m
2018: £377.9m

Adjusted operating profit
£64.5m
2018: £62.5m

UK and Ireland

ERA is Tyman's division operating in the UK and Ireland

Routes to market



Residential
65%

Commercial
35%

 # Manufacturing sites
5

 # Distribution sites
3

Brands

ERA, Zoo, Fab&Fix, Access 360, Giesse, Ventrolla, Schlegel

Employees
c.560

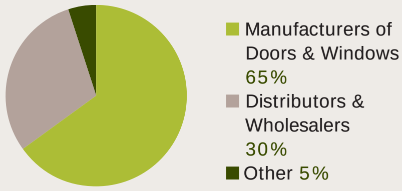
Revenue (£m)
£107.2m
2018: £97.4m

Adjusted operating profit
£13.8m
2018: £12.7m

International

SchlegelGiesse is Tyman's division operating in continental Europe and the rest of world

Routes to market



Residential
73%

Commercial
27%

 # Manufacturing sites
7

 # Distribution sites
9

Brands

Schlegel, Bilco, Reguitti, Access 360, Giesse, Zoo, AmesburyTruth

Employees
c.790

Revenue (£m)
£120.5m
2018: £116.2m

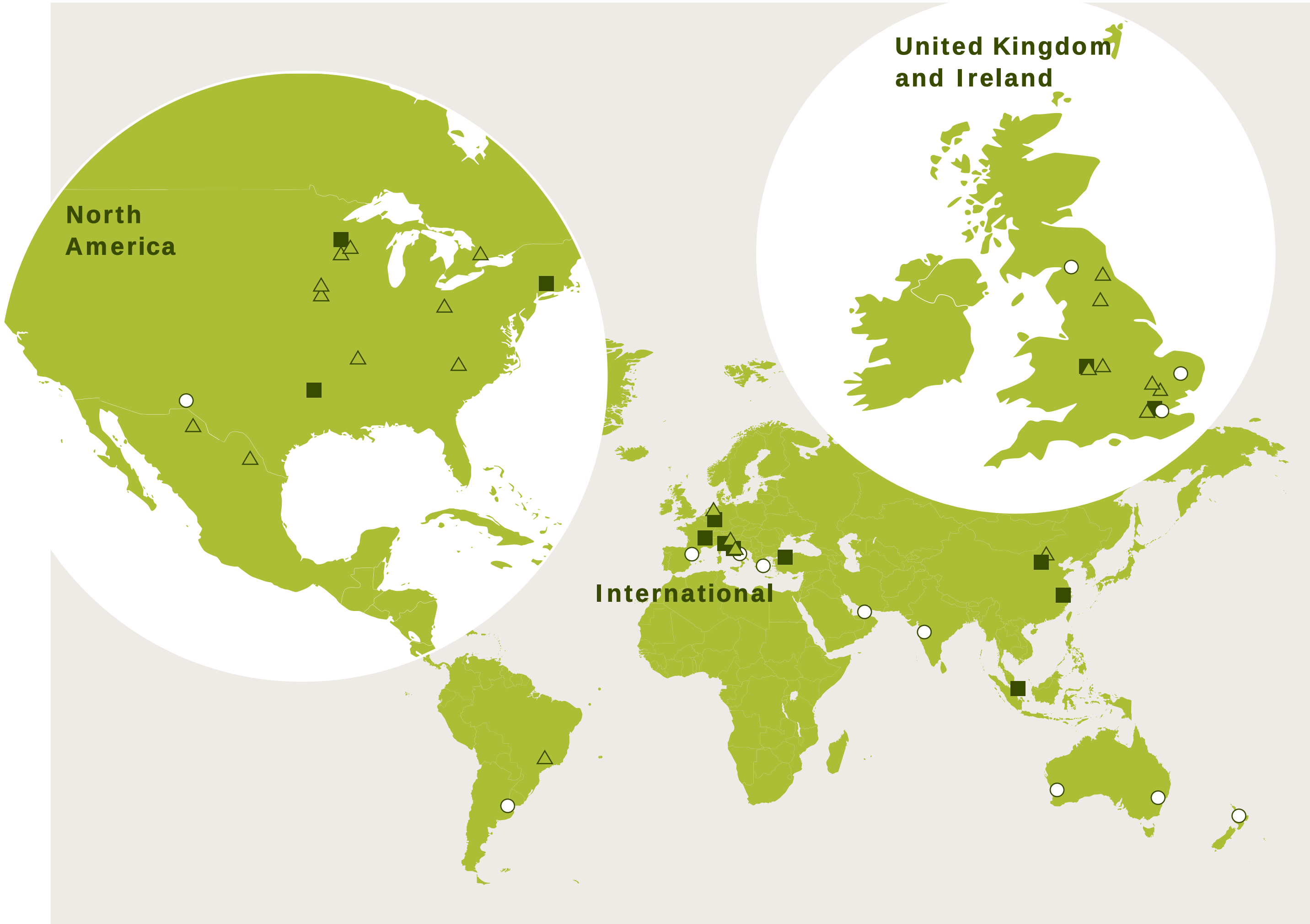
Adjusted operating profit
£14.8m
2018: £15.2m

Our customer base ranges from large OEMs, where we are often integrated into their product design and development processes and supply chains, through to distributors/retailers, where our strong trade brands are of key importance given their reputation for quality and innovation with installers, architects and end consumers. Our access solutions portfolio also serves specifiers of construction projects and contractors.

➔ Read more about **our Brands** on page 6

Our geographical reach

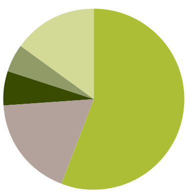
Tyman operates facilities in 18 countries around the world



Key

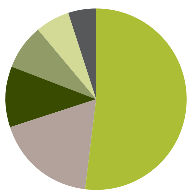
- Manufacturing site
- Sourcing/distribution site
- Sales office/headquarters

Where Tyman's products are sold



- US 56%
- UK 18%
- Canada 6%
- Italy 5%
- Other 15%

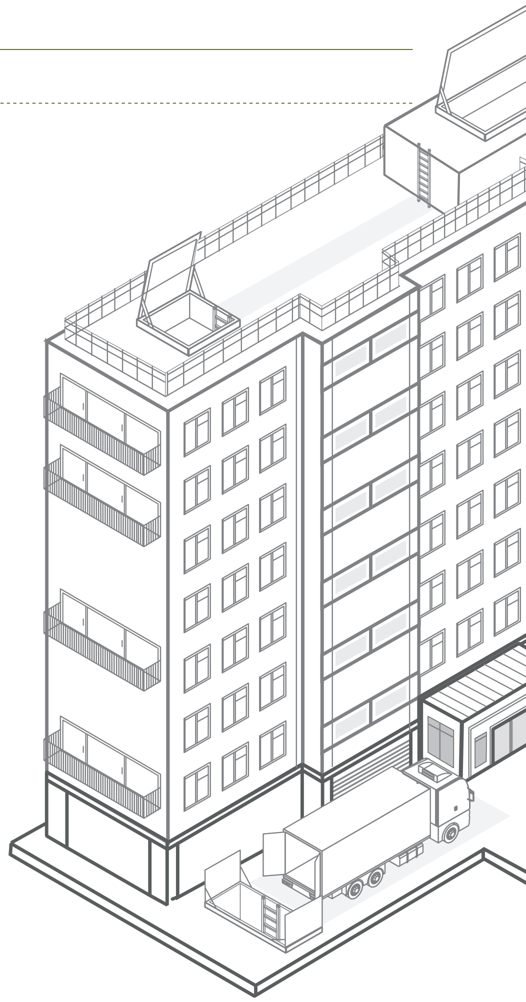
Where Tyman's products are manufactured



- US 52%
- Far east (inc. China) 18%
- Italy 11%
- UK 8%
- Mexico 6%
- Other 5%

Our products

The Group offers a comprehensive range of high quality, innovative products and holds over 480 patents with a further 135 pending. The portfolio covers all aspects of the hardware and sealing solutions required for doors and windows, and a full suite of solutions for roof, wall and floor access in residential and commercial buildings.



Tyman's products enhance living and working spaces:

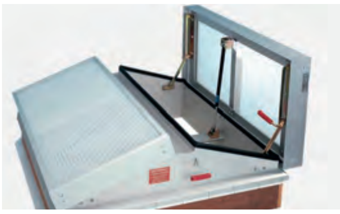
Comfort
- Ventilation
- Weatherproofing
- Soundproofing
- Ease of use

Sustainability
- Energy efficiency of buildings
- Longevity of buildings

Security
- Locking/Deterrent
- Monitoring
- Remote and timebound access

Safety
- Fall prevention
- Hurricane solutions
- Lockdown
- Safe access

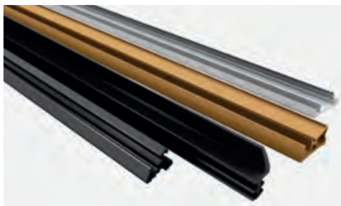
Aesthetics
- Look
- Feel
- Suiting



Commercial access solutions

Commercial window hardware

Commercial door hardware



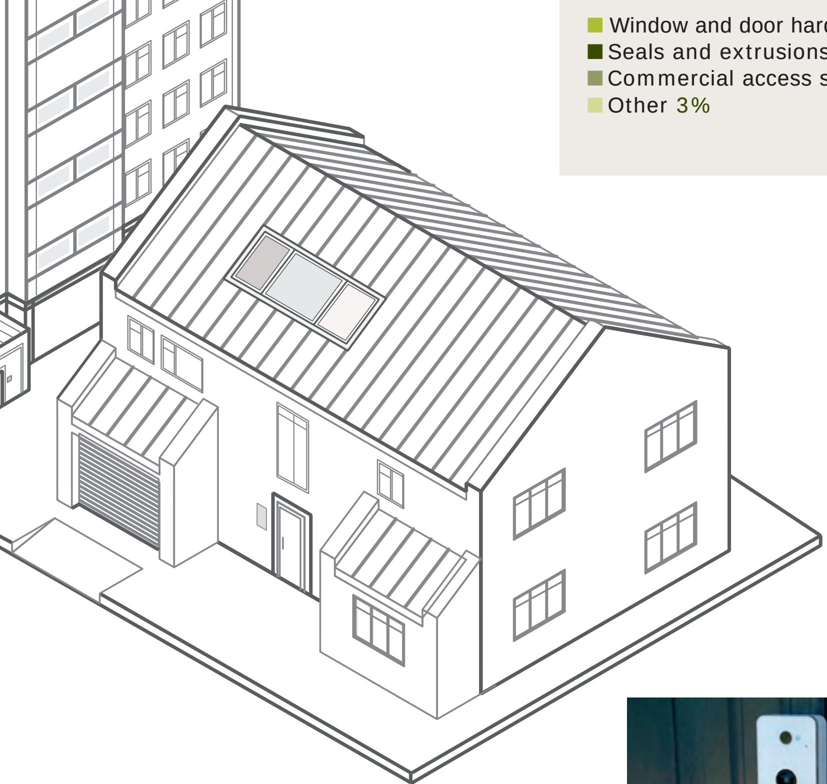
Seals and extrusions

Value to the customer

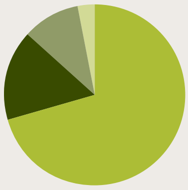
Window and door hardware

Products: Integrated opening, closing and locking systems for all types of window (casement and sliding/sash) and door (including patio and bi-fold); associated decorative hardware; and smart entry and monitoring solutions (electronic access products, sensors, alarms, indoor/outdoor cameras and associated services).

Value to the customer: Comfort through ventilation and ease of use; sustainability through energy efficiency and durable designs; security through various locking (including remote and timebound access), alarm and monitoring solutions; safety hardware; aesthetics through look, feel and suiting of product ranges and in concealed hardware designs where appropriate.

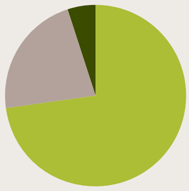


What Tyman sells



- Window and door hardware 71%
- Seals and extrusions 16%
- Commercial access solutions 10%
- Other 3%

Who Tyman sells to



- Manufacturers of doors and windows 73%
- Distributors and wholesalers 22%
- Other industrial uses 5%

Residential window hardware

Smartware and automations

Residential door hardware

→ Read more about our **value creation** in the **Business model** on pages 10 to 11

Seals and extrusions

Products: Window and internal/external door seals and other extrusions.

Value to the customer: Comfort through weatherproofing and soundproofing; sustainability through durability of materials; aesthetics through concealed seal designs.

Commercial access solutions

Products: Solutions for roof, floor/sidewalk, and wall access (riser doors), including associated safety products (e.g. ladders, railings).

Value to the customer: Comfort through ventilation, weatherproofing and soundproofing; safety and security through suite of lock and barrier products; sustainability through durability of product solutions.

Other

Products: Other products and services such as Ventrolla sash window repair and emergency barricade solutions. Non-fenestration and non-access related products and services.

Value to the customer: Various differentiated value propositions according to the specific product or service.

Group at a glance CONTINUED

Our brands

Our brands are all highly-regarded leaders in their respective market segments. Together they represent almost 1,000 years of innovation, quality and service for our customers.

Brand	Description	Product category	Division	User	Established
ACCESS 360	Commercial access solutions for the roof, wall and floor. Access360 was formed in 2018 from the Howe Green, Profab and Bilco UK brands	Commercial access solutions	UK, I	Commercial	Bilco (1926) Howe Green (1983) Profab (2001)
AmesburyTruth	Window and door hardware and seals. The Amesbury and Truth brands were harmonised in 2014	Window and door hardware; Seals and extrusions	NA, I	Residential	Truth (1914) Amesbury (1978)
Ashland Hardware Systems	Window and door hardware	Window and door hardware	NA	Residential	1932
Bilco	Smoke vents, roof access hatches and sidewalk doors	Commercial access solutions	NA, I	Commercial	1926
ERA	Security hardware including electronic security systems and services	Window and door hardware	UK	Residential	1838
Fab&Fix	Decorative hardware	Window and door hardware	UK	Residential	1989
GIESSE	Hardware for aluminium windows and doors	Window and door hardware	NA, UK, I	Residential, Commercial	1965
Reguitti	Decorative door hardware	Window and door hardware	I	Residential, Commercial	1975
Schlegel	Window and door seals and extrusions	Seals and extrusions	UK, I	Residential, Commercial	1885
Ventrolla Sash Window Specialists	Sash window renovation	Other	UK	Residential, Commercial	1984
ZOO Architectural Hardware	Door hardware for architectural ironmongers	Window and door hardware	UK	Residential, Commercial	2011

Key

User	Residential	Commercial		
Division	NA North America	UK UK and Ireland	I Rest of the world	
Product category	Window and door hardware	Seals and extrusions	Commercial access solutions	Other

Case study

Drawing on the breadth of our brand portfolio

Sobha is an established, international luxury property developer, who is committed to building sustainable communities. With a turnover in excess of $2 billion and 30,000 employees, Sobha have completed 450 projects to date and have approximately 50 million square feet of projects currently in progress.

After a thorough technical evaluation and extensive product and system testing, Sobha selected both the Giesse system for their patio doors and Schlegel solutions for various sealing applications across the Sobha Hartland development, a $4 billion mixed-use development in the heart of Dubai. Building on this success, Sobha also selected SchlegelGiesse to support their fenestration requirements on three recent office building projects in India, with a fourth residential project underway.

Subsequent to the recent acquisitions of Reguitti and Zoo, Sobha has now specified hardware products from both of these ranges for internal door applications, starting with the One Park Avenue residential project in Dubai.

Rajaikepin Rajamoni, Chief Operating Officer of Sobha Facades, commented, 'The combination of SchlegelGiesse's excellent portfolio, deep application and design expertise and strong customer support make them a valuable partner for Sobha. They genuinely care about our short and long-term needs and objectives, developing solutions rather than just selling products.'

> "Excellent portfolio, deep application and design expertise and strong customer support"

Our marketplace

With long-term macroeconomic and megatrends supporting our market drivers, Tyman is well-positioned for further growth.

Megatrends

- Global population growth continues to show no signs of abating
- Rapid urbanisation continues, not just creating larger megacities but also swelling the size of mid-sized regional cities around the world
- Mature economies are typically experiencing demographic shifts to ageing populations in contrast to growing youth populations in emerging markets
- Increasing momentum behind sustainability agenda driving focus on resource efficiency including need for energy-efficient buildings and circular economy
- Technology is creating new ways of living and working; even traditional sectors are experiencing changes in customer expectations driven by the way consumers are accustomed to being serviced elsewhere

Macroeconomic trends

- Modest global growth predominantly driven by emerging and developing markets with core markets of North America and Europe broadly stable
- Increased levels of public borrowing driving economic development
- Ongoing trade disputes (US-China, Brexit etc.) are causing volatility in consumer and business confidence
- China GDP growth rate is decelerating
- US residential housing starts remain significantly below previous cycle peaks and the long-run averages required to sustain the population
- Positive first-time buyer demand driven by demographics, good employment levels, low mortgage interest rates, wage rate increases and moderation of house price inflation
- Median age of US homes is now 37 years, up from 31 years prior to the housing downturn in 2008, fuelling spend on repair and remodelling

US residential housing starts remain significantly below previous cycle peaks

Residential

Market drivers	How we are responding
Building codes and improving homeowner awareness driving demand for more energy-efficient homes	Promoting the enhanced energy efficiency attributes of products e.g. Tyman foam sealing range in contrast to lower-cost alternatives
Insufficient affordable US housing stock creating demand for quality building product at lower prices	Development of differentiated, value-engineered products and removal of waste from supply chains, including focus on efficiency in fabrication and installation processes
Ageing populations placing increased emphasis on the need for inclusive 'lifetime homes'	Emphasis on 'ease of use' in the development of products
Growing middle class promoting increased demand for more premium fenestration products e.g. bi-fold doors and large-scale patio doors with narrowed profiles to increase the surface area of glass	Customised hardware and sealing sets for premium fenestration types, prioritising high security and minimal design so as not to disrupt the overall aesthetic
New technologies making refined industrial design a consumer expectation in many product categories	Enhanced industrial design and emphasis on creating matching 'suites' of products
Enhanced fire safety standards within unified building codes	Growing range of passive fire protection products across hardware and seals to support door manufacturers in fire regulation compliance
Increase in smart speaker uptake driving growth across the smart home category with smart security a strong beneficiary	Launch of an enhanced residential smart security range that meets the internationally recognised BSI Kitemark for IoT Devices

Commercial

Market drivers	How we are responding
Increased focus on sustainability enhances demand for 'green projects' and associated construction products	Development of thermally-broken commercial access products
Growth in the construction of multi-family homes and conversion of industrial spaces to residential near the centre of major cities	Increasing range of products with light-commercial application
Enhanced fire safety standards within building codes	Growing range of emergency smoke venting products for commercial use
Labour shortage across construction markets leading to increased construction wages and the need to find savings elsewhere within a project	Development of differentiated, value-engineered products and removal of waste from supply chains, including focus on efficiency in installation processes
Design trends and well-being focus driving larger expanses of glass in commercial buildings	Development of seals and hardware that support heavier and higher performing glass packages
Growth in smart buildings	Enhancing Tyman range of actuated commercial access products

Business model

We use our valuable resources to create long-term, sustainable value for all our stakeholders.

Key Resources & Relationships

Our resources are carefully selected and developed to create competitive advantage...

Deep customer relationships
We work with our customers to understand their unique requirements in terms of the offer they require and how they wish to be served, making us the partner of choice across many channels to market. These long-term relationships bring high levels of repeat business and a customer intimacy that allows us to continuously improve the value we bring.

Leading brands
Our portfolio of complementary brands have market-leading positions predicated on the innovation, quality and service they deliver for our customers, as evidenced through their long heritage. In some cases, the reputation of our brands is so strong with the end users that the brand name has become synonymous with the category name.

Experienced & committed workforce
We have a highly-skilled, dedicated workforce of c. 3,900 personnel around the world, together creating unparalleled knowledge of engineered fenestration components and access solutions technologies and applications. Our people are at the heart of our ability to deliver innovation, quality and service to our customers.

Strategic supplier partnerships
We carefully supplement our internal capabilities with select specialisms through external collaborations, allowing us to deliver the best in innovation, quality and service to our customers in the most efficient way.

Global footprint
Our global scale allows us to sustain and further develop a rich portfolio of products and technologies that support our customers' needs, while having the presence and agility to respond quickly to the specifics of local markets.

Strong balance sheet
Our portfolio attracts high margins due to its competitive advantages and a strong focus on margin expansion initiatives. Asset optimisation and disciplined management of capital investment drives significant cash generation. The resulting balance sheet strength and debt capacity creates a virtuous circle that will allow Tyman to make investments that drive further organic and acquisitive growth for years to come.

Key Activities

... that allows us to undertake

Design

At the core of our capabilities is our ability to understand our customers' and end users' needs and translate these into innovative solutions that add genuine and relevant value to living and working spaces. This innovation is reflected in our extensive portfolio of standard products addressing all aspects of engineered fenestration components and access solutions for the construction industry.

In addition, we will collaborate with customers on the development of new window and door designs, leveraging our deep product and application expertise to create bespoke hardware and sealing solutions that create true value for end-users.

For window and door system designers, we offer our hardware system design capabilities and deliver drawings and bills of materials for both their standard solutions and bespoke projects.

For commercial building and infrastructure projects, we work with architects and specifiers to help them select and design in the right access solutions, bringing custom sizing or other capabilities as required.

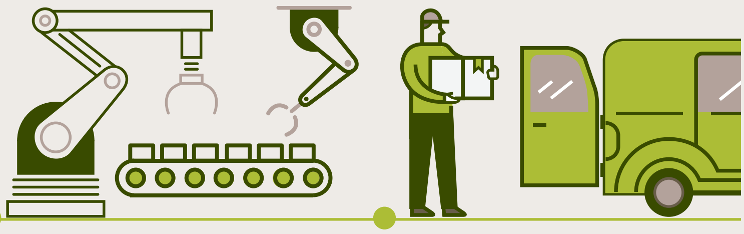
In all cases, our leading-edge testing facilities and accreditations are a key component of ensuring that our products deliver the quality and durability that our customers expect of them, allowing our customers to assure their users of the same for their installed windows, doors and access solutions.

INNOVATION

differentiated activities that address customer needs…

Value Created

… that together create value for our stakeholders.



Make

Our goal is always to provide our customers with the right product, delivered at the right time, at the right price.

Our size affords us economies of scale in the procurement of base commodity materials such as stainless steel, zinc, aluminium, polypropylene and also outsourced manufactured components.

We manufacture in our world class facilities where this aligns with our core capabilities. Our global footprint and network of extensive supplier partnerships also allows us unparalleled flexibility to deliver locally when close-coupling with our customers' supply chains is required, or from a distance where more standardised production is possible and economics are more important.

Deliver

We are continually looking to develop and optimise our routes to market to effectively meet the evolving demands of our industry around the world.

For our direct relationships with large window and door manufacturers, we embed with their operations, supplying just-in-time, sequenced components to their production lines.

We also serve specialist distributors and merchants who supply smaller manufacturers, system design companies, architects and construction contractors. We excel at delivering to these customers on the short lead-times they routinely require. We also provide training and technical support to give them the product and application knowledge to best serve their customers.

For large commercial building and infrastructure projects, we ship direct to site and then support with onsite technical support as required.

Our growing smartware offer requires new routes to market and we have developed and trained a network of accredited installers to support homeowners with a leading-edge security proposition.

QUALITY

SERVICE

Customers

We deliver products and services to our customers that allow them to differentiate in their marketplace with value-enhanced windows, doors and other forms of access solution. In addition, Tyman delivers industry-leading service ranging from window system or access solution design support to integrated supply of components into window fabrication processes.

Employees

Tyman invests in its people through employee training, career path development and continual improvement of working practices and conditions.

Partners

Our strategic suppliers benefit from long-term, fair partnerships with development of their business practices and capabilities.

Investors

We strive to continually deliver increased shareholder value through a mix of both capital appreciation and dividend distributions, made possible through our growth in earnings and financial strength as we deliver on our strategy.

Society

Relative to their costpoint, our products and solutions have a disproportionate impact on the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings: they are a key enabler for the sustainable built environment. Furthermore, we are committed to minimising our impact on our environment through more deeply embedding sustainable practices in all our activities.

→ Read more about **Sustainability** on pages 52 to 61

Strategy

Our evolving strategy

While at its core, the Group continues to be a supplier of engineered fenestration components and access solutions to the construction industry, the focus of the strategy is evolving.

In late 2019, with new executive leadership in place and momentum building behind recovery from the North American footprint consolidation issues, a strategy review was initiated to develop plans for the next phase of Tyman's growth. Some early findings are incorporated into the Chief Executive Officer's Review on page 20 to 22, and further appraisal work will continue during 2020. Progress on this work will be reported on at a Capital Markets Day later in the year and again in the 2020 Annual Report and Accounts.

For 2019, we have continued to report our progress and our key performance indicators ('KPIs') against the strategic priorities outlined at the start of 2019.

A Market share gain

Risks 1 2 3 7

KPIs 1 2 9

Strategic objectives

The Group aims to secure profitable market share increases annually through deeper penetration of the existing customer base, the development of new products and winning new customers. The breadth of the Group's offering, Tyman's ability to offer engineered solutions to customers as well as offering superior customer service means that in each market there remain opportunities for the Group to continue to increase its market share.

Performance in 2019

Overall, the Group lost market share in North America in 2019 due to customer losses arising from the footprint consolidation project which significantly impacted on customer service levels and additionally led to the reduction of production capacity for urethane door seals. Beyond this, in the UK, market share gains were achieved in a subdued market driven by the successful introduction of several new products. In International markets where market conditions were mixed, in aggregate the Group gained share, with two notable exceptions of China and Germany.

B Pricing discipline

Risks 1 2 3 7

KPIs 1 2 6

Strategic objectives

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

Performance in 2019

Commodity costs moderated during the year and price increases secured in previous periods contributed to maintaining gross margin. In North America, pricing has historically also been driven by surcharges, which are reviewed periodically to ensure the appropriate balance is struck between covering any commodity cost increases while also remaining competitive. Other inflationary headwinds such as wage inflation are passed through but partially mitigated where possible through lean and other productivity improvement activities. Delivering innovative solutions that drive enhanced value for customers is a key element to support pricing discipline.

Risks key

→ Read more about our **Risks** on pages 38 to 45

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

C Process scrutiny

Risks 2 3 7 8 9

KPIs 1 2 4 5 6 9

Strategic objectives
We scrutinise our manufacturing and sourcing processes to ensure that they are providing products to the customer in the most efficient manner. The Group operates rolling programmes of process improvement engineering designed to eliminate unnecessary cost from processes whilst enhancing product quality.

Performance in 2019
The Group continued to progress its continuous improvement initiatives, holding a number of Kaizen events during the year to identify process efficiency opportunities and delivered an increased number of VAVE activities. The benefits of investments made in automating certain processes were realised during the year as well as efficiencies gained through leveraging centres of excellence following the Ashland acquisition. The operational issues associated with the North American footprint project meant that overall productivity was lower in 2019. However the facility in Juarez which was impacted in late 2018, is now operating in line with expectations.

D Capital allocation

Risks 4 5 8

KPIs 3 4 5 7 8

Strategic objectives
The Group adopts a rigorous appraisal process for all items of capital expenditure including system development, in order to ensure that investments are supported by a robust business case. Investment plans are required to provide an attractive return while also ensuring that we continue to invest in making facilities safe, leading edge and attractive working environments that are fit for purpose for an international manufacturing organisation.

Performance in 2019
In 2019, capital priorities shifted from footprint consolidation to investments supporting new product introductions and continuous improvement activities in our manufacturing facilities. In addition, one small acquisition was completed in the year, that of Y-cam, a cloud-based platform to enhance our smart security offer.

E Cash generation

Risks 4 5 9

KPIs 3 5 7 8

Strategic objectives
The Group's target is to convert 100% of its adjusted operating profit into operational cash. The focus on cash conversion ensures the correct scrutiny in terms of both investment in working capital and capital expenditure.

We have also reduced our leverage target range for the medium term to between 1.0× to 1.5× adjusted EBITDA.

Performance in 2019
Close management of working capital (especially inventory) and capital expenditure during the year has led to cash conversion being significantly above target and supporting good progress towards our medium term leverage target.

KPIs key

→ Read more about our **KPIs** on pages 14 to 17

1. Like for like revenue growth
2. Adjusted operating margin expansion
3. Leverage
4. Return on capital employed
5. Return on acquisition investment
6. Adjusted basic EPS
7. Dividend growth
8. Operating cash conversion
9. On time in full delivery rate
10. Lost time injuries

Key performance indicators

Tyman measures success through a focus on KPIs which are measured, reported on and challenged at all levels of the business. The analysis of KPIs uses LFL financial information, excluding the impact of adopting IFRS 16.

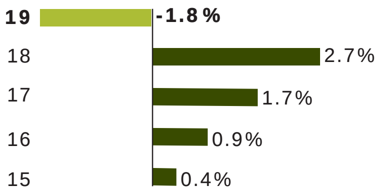
→ **Definitions and reconciliations of KPIs** can be found under **Alternative performance measures** on pages 176 to 183

→ **Details of the impact of IFRS 16 on the Group's financial information** can be found in note 32

1 Like for like revenue growth

Trend ↓ **Link to strategy** A B C

−1.8%



Purpose
This KPI is used to evaluate the ability of the Group to grow its business organically.

Target
To grow revenue organically year on year.

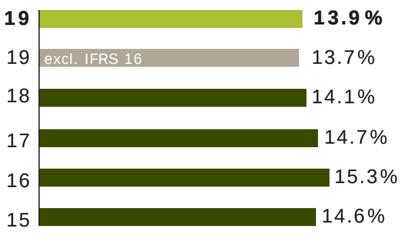
2019 performance
LFL revenue declined 1.8%, principally as a result of the customer losses associated with the North American footprint consolidation project and volume declines driven by market softness, partially offset by pricing and surcharge actions.

→ For further information, see the **Financial review** on pages 30 to 37

2 Adjusted operating margin expansion

Trend ↓ **Link to strategy** A B C

−20bps



Purpose
This KPI is used to evaluate the profitability and financial health of the Group.

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

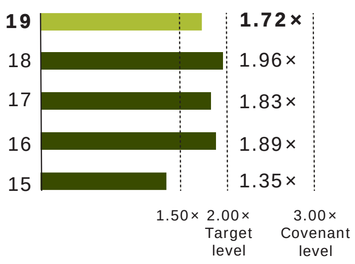
2019 performance
Excluding the impact of IFRS 16, adjusted operating margin decreased 40bps to 13.7%, with the favourable impact from pricing, and site consolidation benefits negated by the impact of operational disruption and customer losses relating to the North American footprint consolidation project.

→ For further information, see the **Financial review** on pages 30 to 37

3 Leverage

Trend ↓ **Link to strategy** D E

−0.24×



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

Target
To maintain a core leverage ratio of between 1.5× to 2.0× adjusted EBITDA at the year end.

2019 performance
Leverage decreased from 1.96× to 1.72×, reflecting a year with no significant acquisitions and strong cash conversion driven by a focus on working capital optimisation. This moves the Group closer to the new medium term target of 1.0× to 1.5× adjusted EBITDA to further strengthen the balance sheet.

→ For further information, see the **Financial review** on pages 30 to 37

Strategy key

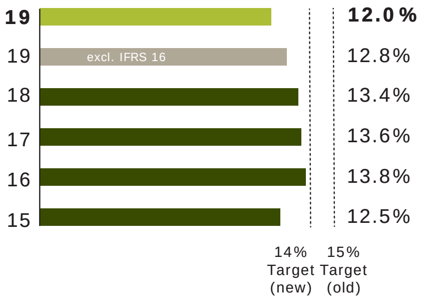
→ Read more about our **Strategy** on pages 12 to 13

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

4 Return on capital employed

Trend (decrease) **Link to strategy** C D

12.0%



Purpose
This KPI is used to evaluate how efficiently the Group's capital is being employed to improve profitability.

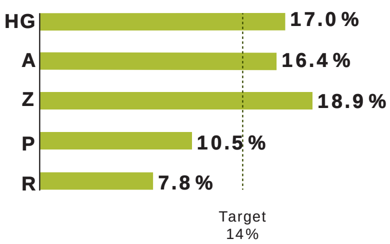
Target
To maintain and steadily improve ROCE, with a medium term target of 14.0%. This target was revised downwards from 15.0% in 2019 as a result of the effect of adopting IFRS 16.

2019 performance
Excluding the impact of IFRS 16, ROCE fell by 60bps to 12.8%, reflecting the fall in LFL adjusted operating profit.

→ For further information, see the **Financial review** on pages 30 to 37

5 Return on acquisition investment

Trend (increase) **Link to strategy** C D E



Purpose
This KPI is measured during the first two years of ownership and is used to evaluate the returns achieved by the Group from its investments in material business acquisitions.

Target
For all acquisitions to achieve a ROAI greater than 14.0% within two years of acquisition, in line with the revised ROCE target.

2019 performance
In February 2019, after two years of ownership, Howe Green's ROAI was 17.0%, exceeding the Group's minimum target return threshold.

Ashland (22 months of ownership) and Zoo (19 months of ownership) have continued to perform well since acquisition and are on track to exceed the minimum target return threshold.

Profab (17 months of ownership) suffered from a weak project pipeline in the first half of the year, recovery from which led to operational bottlenecks in the second half, impacting productivity across the year. Actions have been taken to resolve these issues and an improvement in ROAI is expected.

Reguitti (16 months of ownership) is generating the expected level of synergies, however these have been offset by the impact of weak European markets and a specific local low-cost competitor offering uneconomic and unsustainable price points. Actions are being taken to ensure the product offering remains competitive.

→ For further information, see the **Financial review** on pages 30 to 37

HG Howe Green **A** Ashland **Z** Zoo **P** Profab **R** Reguitti

Trend key

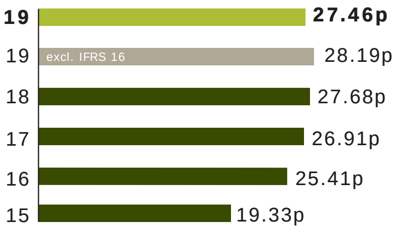
Increase | No movement | Decrease

Key performance indicators CONTINUED

6 Adjusted basic EPS

Trend **Link to strategy** C

27.46p



Purpose
This KPI is used to assess the profit generated for equity holders.

Target
To improve adjusted EPS performance year on year.

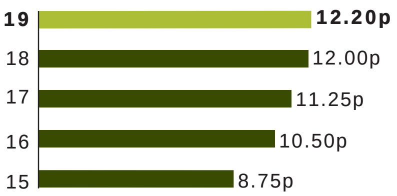
2019 performance
Excluding the impact of IFRS 16, adjusted earnings per share increased by 1.9% to 28.19p, reflecting the growth in adjusted operating profit generated primarily through acquisitions and pricing actions.

→ For further information, see the **Financial review** on pages 30 to 37

7 Dividend growth

Trend **Link to strategy** D E

+2%



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

Target
To grow dividends annually at least in line with adjusted earnings.

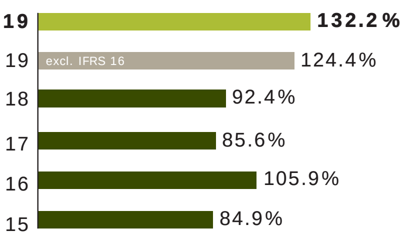
2019 performance
Dividends have grown consistently, with an increase of 1.7% to 12.20p per share in 2019. This equates to a Dividend Cover of 2.25×, at the midpoint of the Group's target range of 2.00× to 2.50×.

→ For further information, see the **Financial review** on pages 30 to 37

8 Operating cash conversion

Trend **Link to strategy** D E

132.2%



Purpose
This KPI is used to evaluate the cash flow generated by operations in order to pay down debt, return cash to shareholders and make further investment in the business.

Target
To maximise conversion of the Group's adjusted operating profit into cash over any 12 month period while continuing to make the necessary capital investments to support the growth of the business.

2019 performance
Excluding the impact of IFRS 16, operating cash conversion increased to 124.4%, principally driven by the strong focus on working capital optimisation and close management of capital expenditure.

→ For further information, see the **Financial review** on pages 30 to 37

Strategy key

→ Read more about our **Strategy** on pages 12 to 13

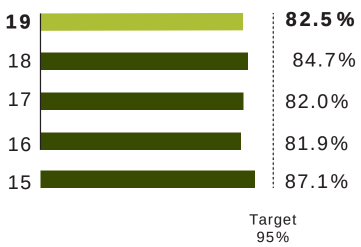
A Market share gain
B Pricing discipline
C Process scrutiny
D Focus on capital allocation
E Focus on cash generation

9 On time in full delivery rate

Trend: Decrease

Link to strategy: C

82.5%



Purpose
This KPI is used to evaluate manufacturing productivity and how efficient the business is at meeting delivery deadlines.

Target
To improve the on time delivery rate in order to achieve an on time in full delivery performance to customer requests of over 95.0%.

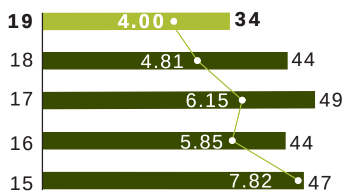
2019 performance
The OTIF rate declined to 82.5% in the year, predominantly reflecting the operational disruption following the final moves of the US footprint consolidation project. Improvements in service delivery were made in the second half of the year and improving the delivery performance remains a key focus for 2020.

10 Lost time injuries

Trend: Decrease

Link to strategy: C

34



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

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

2019 performance
The Group continues to place a high priority on delivering tangible improvements to its health and safety record. In 2019, the lost time incident frequency rate improved by 16.8% to 4.0.

→ For further information, see the **Sustainability report** on pages 52 to 61

Trend key

Increase No movement Decrease

Chair's statement

2019 has been a year of transition and stabilisation

Martin Towers
Non-executive Chairman

Results overview

Despite 2019 being a challenging year for Tyman, revenue and adjusted profit were slightly ahead of the previous year, assisted by both acquisitions and the impact of currency. However, LFL performance was disappointing with revenue and adjusted profit down by 2% and 5% respectively.

Whilst we have completed the final physical moves of the North American footprint project, we suffered from both operational and customer disruption associated with the transfer of manufacturing processes from Rochester to Statesville. We are encouraged that progress has been made in the latter part of 2019 towards resolving these issues. Extracting meaningful operational and financial benefits from the significant investment the Group has made, remains a key focus for 2020.

It's pleasing to note that our performance in the UK was resilient given a challenging market backdrop, although it was more mixed in our other international markets.

The Board is proposing a total dividend for the 2019 financial year of 12.20 pence per share and remains committed to growing the dividend in line with earnings over the medium term. The dividend will be paid on 29 May 2020 to shareholders on the register at the close of business on 24 May 2020. The ex-dividend date is 23 May 2020. The increase reflects the confidence in the prospects of the business.

Board changes

There were a number of important changes to the Board announced during the course of 2019 and further details concerning the work of the Nominations Committee during the year are set out on pages 78 to 80.

The previously announced transition of CEO from Louis Eperjesi to Jo Hallas took place in the year. Since joining, Jo has extensively visited the Group's operations, customers, suppliers and shareholders. Jo has been working closely with the Board on initiating the necessary short-term operational improvements as well as starting to formulate our strategy to strengthen the overall business model.

In May, James Brotherton, CFO, left the business after 15 years to join Safe Harbour Holdings plc. We were delighted to recruit Jason Ashton as his successor. Jason previously served as Interim CFO of Nomad Foods Limited and has over 20 years' experience in large international manufacturing companies.

In December, the Group announced that Mark Rollins will be stepping down from the Board on 31 March 2020. He will be replaced by Dr Paul Withers who brings extensive international experience, and in particular, a strong knowledge of US markets to the Board.

On behalf of the Board, I would like to thank James and Mark for their contributions to Tyman and its development, and to welcome Jason and Paul to the Group.

In line with the new requirements of the UK Corporate Governance Code 2018, I am pleased that Pamela Bingham took up the role of Employee Engagement Director.

I am cognisant that, because of the need to recruit the new Executive team, I have served on the Board for slightly longer than is current best practice. However, with the recent Board changes now in place, recruitment of a new Chair is underway. The process is being led by Paul Withers in his capacity as Senior Independent Director and search consultants have been appointed. To ensure an orderly transition, the Board has asked that I seek re-election at the forthcoming AGM. Following the recruitment of my successor, and after a short handover period, I intend to retire from the Board.

Heritage hardware range

The heritage hardware range, sold under the Fab&Fix brand, provides complimentary styling for any period home. It is ideal for big oak doors, heritage buildings and old cottages.

The range includes a full suite of perfectly matched hardware, creating a unified aesthetic across any type of door and window.

The range is finished with Fab&Fix's Hardex patented finish, which provides leading anti-corrosion and performance standards, verified through a rigorous testing process.

Role of the Board

The Board remains committed to ensuring that Tyman is governed in the right way at all times. The Group's Governance Report may be found on pages 62 to 106 and provides an overview of Tyman's governance framework, as well as the work of the Board and its Committees.

The Board's collective responsibilities are to appropriately engage in the strategy, performance and governance of the Group. During the year, the Board spent time facilitating a smooth transition to the new Executive team, and addressing the risks arising from the change, and undertaking a detailed succession plan assessment. The Board also spent time considering the emerging strategy development, with a focus on creating the desired culture for the future. Inevitably, time was also spent in considering the actions being taken to improve the operational performance in North America.

Our people

Tyman employs over 3,900 people in its operations around the world and benefits significantly from the collective skills, experience and technical capability of our employees. The Board's employee engagement programme was strengthened through Pamela Bingham's work as Employee Engagement Director, providing the Board with a mechanism for receiving and responding to the views of employees. Further details can be found on pages 55 to 56.

On behalf of the Board, I would like to welcome those individuals who joined the Group in 2019 and thank all Tyman employees for their hard work and commitment during the year.

Martin Towers
Non-executive Chairman

5 March 2020

Chief Executive Officer's review

Tyman has a solid platform for growth

Jo Hallas
Chief Executive Officer

Progress in 2019

The Group delivered reported revenue and adjusted operating profit growth in 2019 of 4% and 2% respectively, assisted by the contributions from the acquisitions made in 2018 and the beneficial impact from currency. On a LFL basis, revenue decreased by 2% in the year and adjusted operating profit by 5%.

Performance was impacted by customer disruption and operational issues arising from the final moves of the North American footprint consolidation project and transition to the new type of door seal. Progress has been made towards resolving these issues in the second half, with new leadership in place and no further material customer losses. There has been notable improvement in the level of customer satisfaction through improved quality to the customer and better communication, however productivity levels are not yet at the desired level and operational improvements are ongoing. Resolving the remaining issues is a key priority for 2020 and the Group continues to progress options to re-instate supply of the legacy door seal product.

Pleasingly, the integration of Ashland into our North American division has continued to progress well and is on track to meet its $5m synergy target in 2020. In a challenging market, the UK and Ireland division grew market share in the distribution channel and realised the benefits from its 2018 footprint consolidation. The International division achieved LFL revenue growth against a deteriorating market backdrop, including delivering further share gain in its largest market, Italy.

Across the Group, we implemented a number of self-help measures. Following a review of our geographical footprint, we commenced a programme to streamline operations in the International markets, including ceasing manufacturing in Australia and China and closing the distribution facility in Singapore. We also commenced the closure of a sub-scale facility in North America and undertook other cost management and right-sizing actions in both the North American and International divisions. These initiatives support re-alignment of the Group's fixed cost base and allow capital and management bandwidth to be better focused.

Close management of working capital and capital expenditure during the year led to strong cash conversion of 132% and resulted in a reduction in leverage to 1.72x adjusted EBITDA, supporting good progress towards our new medium-term target of between 1.0x and 1.5x.

Health, safety and sustainability

The health and safety of our people is our top priority. We were very pleased to appoint our first Group Health, Safety and Sustainability Director during the year, bringing further momentum to our drive towards safety excellence. Having progressed our health and safety record over a number of years through a series of improvement activities, the next phase is to develop a behavioural-based safety culture, fostering a positive, open culture where everyone feels empowered to speak up and take proactive action. This will build greater unity across our

teams and create genuine all-employee ownership for safety.

In 2019, the Group achieved a lost time injury frequency rate of 4.0 injuries sustained per million hours worked, representing a 17% reduction against prior year. Over the course of the year, a suite of leading-indicator metrics was introduced, root cause analysis in incident investigation was enhanced and safety leadership tours were introduced. A safety leadership training programme was also developed to equip leaders with the skills to role model the behaviours needed to help build the culture and world-class levels of safety performance the Group aspires to. All people managers and supervisors globally will undertake the programme over the course of 2020.

We are also very excited by the role that Tyman can play in making our world more sustainable, through providing energy-saving and greener solutions for our customers as well as reducing our own operational impacts. We have already expanded the scope of our reporting and started to assess the broader impact of our products to help us understand where best to target our improvement programmes in the future. Further developing our sustainability action plans will be a key focus over the course of 2020.

Giesse Supra7

The Giesse Supra7 forms part of a range of concealed hinges and rosette-free window handles that addresses a trend in aluminium windows towards ultra slim profiles and concealed hardware.

The minimalist design enables increased glazed surface, which translates into a more modern appearance, more daylight and improved thermal performance.

The Supra7 comes in a range of elegant styles and finishes and the design allows for minimal machining and simple assembly thanks to an innovative fixing system.

M&A

Early in the year, the Group acquired Y-cam, a smart home security business which operates a proprietary cloud-based platform. This acquisition provides us with a market-leading technology that will enable the provision of value-added services such as security monitoring. A range of new smartware products based on this platform is launching across late 2019 and the first half of 2020.

Progress has been made in integrating the acquisitions completed in 2018, with Ashland and Zoo continuing to perform strongly. Good momentum is also now building with both Profab and Reguitti despite some specific challenges faced by each business in the year.

Strategy update

In late 2019, with new executive leadership in place and progress demonstrated in resolving the North American footprint consolidation issues, a strategy review was initiated to develop plans for the next phase of Tyman's growth.

Three distinct strategic themes emerged: 'focus', 'define' and 'grow', the first two of which are aimed at strengthening the base for future growth. Overall, the strategy is largely evolutionary, building on the inherent capabilities already established in the Group.

The focus element of the strategy reflects actions to streamline and strengthen what we have, thereby laying the foundations for sustainable, profitable growth. This includes self-help measures, such as resolving remaining Statesville issues, further footprint realignments and completing the integration of recent acquisitions. There is also significant scope to tune existing systems and processes across the Group.

Chief Executive Officer's review

The define element of the strategy centres on building cultural cohesion across the Group to facilitate ongoing synergy extraction. There has been genuine excitement across the organisation in 2019 as we have used safety excellence as a beachhead for our culture development and for establishing a clearly-defined business system that enables best practice development and propagation. Over the course of 2020, we plan to extend this to lean excellence and other initiatives.

The grow element of the strategy is initially organic, through executing well in serving our customers, developing and launching new products and expanding our existing channels to market. In addition, we will seek to unlock the cross-leverage potential inherent in our portfolio. Over the course of 2019, some interesting wins have been generated through such cross-divisional activity, with further opportunities being identified. Mid term, growth will be achieved through a blend of divisional initiatives, cross-portfolio leverage and M&A.

Capital allocation priorities will be aligned with the strategy. In the near-term, capital investments will be in organic development, including new products and operational excellence. Mid term, Tyman continues to be the natural consolidator in a fragmented market and we would intend to supplement our organic growth with acquisitions that either bring products and technologies of future strategic importance, or synergistically balance out our geographic strength across our core markets. The Group's dividend policy remains progressive.

Further information will be provided at a capital markets day later in the year.

Coronavirus

The situation regarding coronavirus is rapidly evolving and may create headwinds for our business in 2020. We are monitoring the situation very closely in terms of the well-being of our people and the risk of disruption to our supply base and markets. As we continue to assess the extent and duration of the potential impact on Tyman, we will provide updates as necessary.

Summary and outlook

Whilst the short-term challenges in North America have led to a disappointing performance in 2019, the business has a solid platform for growth derived from our market-leading brands, extensive portfolio, deep customer relationships, domain expertise and geographic reach. There is still much to do in 2020 to resolve the issues in North America, but the progress made in the second half of the year is encouraging.

The macro economic outlook is still challenging and unpredictable and consequently the focus is on both self-help measures and driving excellent execution with customers. In 2020, we expect limited top-line growth, but aim to deliver margin expansion underpinned by a continued focus on working capital management and cash generation to enable the Group to show meaningful progression on ROCE and leverage. Beyond 2020, there are further opportunities for commercial and cost synergies as well as from best practice development and propagation throughout the Group.

The resilience of our customer relationships through the difficulties in North America is evidence of the value that we create over the long-term for our customers. Alongside fixing our short-term issues and streamlining complexity, the core of our strategy will be to further enhance this value through our strengths in innovation, quality and service.

I am excited by the opportunity at Tyman and I look forward to sharing our plans at a capital markets day later in the year.

Jo Hallas
Chief Executive Officer

5 March 2020

Case study

Full suite of Access 360 solutions for London Heathrow

The specific requirements for floor, roof and wall access at London Heathrow's terminal buildings has called for the full suite of Access 360 solutions.

Heathrow's Terminal 4 required a unique solution for connecting services to the new self-boarding gates throughout the terminal. In spite of the shallow depth of the existing flooring, by using Howe Green stainless steel floor access panels installed with a thick steel base plate to provide strength, and by using the panels laid as duct runs with some of the access covers supplied with cable holes, concealed under-floor trunking and cables could be run to the boarding gates without requiring more extensive changes to the physical floor structure.

To meet new building regulations, Bilco smoke vents were also installed as part of a refurbishment project in Terminal 4. These vents are integrated into the building management system and open quickly in the event of a fire, to release heat and noxious gases formed in the developing stages of a fire. Our application engineers were able to develop the bespoke sizes required by the project, ensuring compliance with the necessary CE marking and Construction Products Regulation.

At Heathrow's Terminal 3, custom-sized, Profab steel doors were used to improve security in pedestrian access areas, while also yielding enhanced safety and durability compared to traditional timber doors.

"We chose the Access 360 portfolio due to their ability to offer bespoke designs to meet the specific requirements of our projects, underpinned by deep application expertise. We have been impressed with their solutions, which have exceeded our design criteria for safety, security, durability and aesthetics."

Matthew Blanks
Project Manager

Heathrow Expansion – On Airport, Terminals Delivery Team

Operational review

North America (AmesburyTruth)

£m except where stated	2019	2018[1]	Change	LFL
Revenue	**386.0**	377.9	+2%	−3%
Adjusted Operating Profit	**64.5**	62.5	+3%	−3%
Adjusted Operating Margin	***16.7%***	*16.5%*	*+20bps*	

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 122 to 124.

Markets

After a weak start to the year, US residential and commercial markets recovered through the second half to end the year flat against 2018. Single-family housing starts, to which the Group has proportionally higher exposure, grew 1%, with building permits declining 1%. Growth in US residential repair and remodelling markets moderated, with the NAHB RMI average index lower at 54 (2018: 58).

The market in Canada continued to contract, with single-family housing starts down 6%, due in part to the discontinuation of government energy rebate programmes in place for some regions in 2018.

Business performance and developments

Reported revenue increased 2% to £386.0 million, assisted by the incremental contribution from Ashland and the relative weakness of Sterling against the US Dollar in the year. On a LFL basis, revenue declined 3%, with performance impacted by operational disruption and customer losses relating to the North American footprint consolidation project.

Adjusted operating profit declined 3% on a LFL basis, with the impact of reduced sales and other operating inefficiencies related to the footprint consolidation project being partially mitigated by the underlying savings from the project as well as some restructuring undertaken in the second half.

While the final moves of the footprint consolidation project were completed in early 2019, two issues arose from the project: cost inefficiencies derived from issues associated with the transfer of production facilities, and customer losses related to both frustrations associated with poor customer service levels and challenges with the transition to a new type of door seal.

Phase 1 facilities are now fully stabilised and running at expected levels of productivity, with an encouraging level of new business wins. Progress has been made towards resolving the issues at the Phase 2 facility in Statesville, however this is not yet operating at the desired level. There has been notable improvement in the level of customer satisfaction through improved quality to the customer as well as better communication. Whilst temporary labour costs have been reduced and aged order backlog improved, yields remain low and processing costs high. Changes to the plant leadership team and further investment in quality and continuous improvement resources have been made in the second half and several Kaizen events have been held, with a number of initiatives underway to resolve the remaining issues.

The transfer of manufacturing from Rochester to the new Statesville facility in late 2018 also involved transition to a new type of door seal. While the new product offers various advantages, the different compressibility attributes resulted in the new product being rejected by several customers. In light of the reduction in expected volumes of the new seals product line, a non-cash charge of £5.3 million was recorded for the write down of the new door seal fixed assets and associated costs. The business continues to progress options to reinstate capacity for supply of the previous door seal product.

Ashland, which was acquired in March 2018, is performing well, with revenue up 1%. The business is on track to deliver US$5.0 million of cumulative annual synergies in 2020. There are further opportunities in 2020 and beyond to integrate and optimise the combined North America product offering.

Revenue from the division's access solutions business, Bilco, grew 4% on a LFL basis, benefitting from the mix of projects delivered and strong growth in roof hatch sales to wholesale distributors and sidewalk door products despite a weaker commercial construction market in the second half.

Restructuring

With the major building blocks of the North American footprint in place, some smaller optimisation opportunities have been identified. The closure of Fremont, a small stamping facility in Nebraska is underway, with manufacturing being transferred to other facilities, generating labour and facility cost savings as well as reducing future capital investment. In addition, as part of this closure, c. £2 million of low-margin, non-fenestration business will be exited. The transition is being managed in close collaboration with customers, with completion expected by June 2020.

New product development

The division continues to focus on innovation, with products launched in 2018 and 2019 performing ahead of expectations and a strong pipeline of new products due for release in 2020. Addressing the trend in the US towards Euro Groove window systems, the Euro Contour Hardware system, which was co-developed with the International division, was launched in 2019. This solution balances maximum performance and flexibility, while minimising the number of SKUs required. The Pegasus combination operator and lock which combines opening/closing and locking into one motion as well as the SafeGard™, an innovative child safety device for windows, were also launched in 2019 and have been well-received.

Leadership changes

In early June, Bob Burns was appointed to lead the North America division, having joined Tyman through the acquisition of Ashland Hardware in 2018. Over the balance of the year, further changes were made to strengthen the North American leadership team.

Outlook

Single-family housing starts are expected to continue to grow modestly in 2020, supported by low mortgage rates and increased new home sales activity. Growth in US residential repair and remodelling markets is expected to slow in the second half of the year due to continued weakness in existing home sales as well as the forthcoming US election. Weakness in the commercial construction market is expected to continue.

The primary focus of the North America division in 2020 will be the continued operational improvement of the Statesville facility; realising further synergies from the integration of Ashland; and strengthening the overall offer through product rationalisation, repositioning and new product development.

Case study

SafeGard™ 2 innovation addressing child safety

In the US, more than 3,300 children fall from windows and require hospital treatment every year. This has driven the need for increased use and performance of window safety devices. Building codes now require that some casement windows be limited to 4” or less to prevent a child from passing through the opening. The device must be easily detachable by an adult in an emergency and yet automatically reset to the child safety mode when closed.

In response to this market need, AmesburyTruth developed the patented SafeGard™ 2 window opening control device for residential and commercial casement window applications. This new product limits the opening as prescribed by the building code standard while offering an intuitive push-and-slide operation, enabling it to be simply operated by an adult in the event of emergency. The self-locating arms and track make the device easy to assemble to a casement window during manufacturing or easily retrofitted by a trained professional in the field.

The product launched in 2019 and has already received two industry awards: the DWM (Door & Window Market) magazine Readers’ Choice Award and the Crystal Achievement Award for the most innovative window component. AmesburyTruth is dedicated to enhancing the safety of living and working spaces by developing innovative products such as SafeGard™ 2.

UK and Ireland (ERA)

£m except where stated	2019	2018[1]	Change	LFL
Revenue	**107.2**	97.4	+10%	−1%
Adjusted Operating Profit	**13.8**	12.7	+8%	−2%
Adjusted Operating Margin	***12.9%***	*13.1%*	*−20bps*	

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 122 to 124.

Markets

The UK market for doors and windows contracted further in 2019 as the uncertainty surrounding Brexit continued. FENSA data for door and window installations estimates the market was down 2% against 2018.

Business performance and developments

Reported revenue increased by 10%, assisted by incremental contributions from Zoo and Profab, both of which were acquired in 2018. On a LFL basis, revenue declined 1%, largely reflecting the subdued RMI market, with the upturn seen at the end of 2018 providing a difficult comparator in the second half. This was partially offset by growth in sales into the distribution channel and the continued benefit of the May 2018 price increase.

Momentum against strategic objectives continued and the benefits from the 2018 footprint consolidation and lower input costs were realised. However, these were offset by the impact of lower volumes combined with the loss-making Ventrolla business and the investment being made in smartware. Consequently, LFL adjusted operating profit declined 2% and adjusted operating margin declined from 13.1% to 12.9%.

The impact of the weaker market on hardware sales into the OEM channel was exacerbated by some customer-specific issues in their operations, and consequently LFL revenue declined 5%. Despite the market conditions, a more focused channel strategy has driven growth in sales into the distribution channel of 6% on a LFL basis, further assisted by the incremental contribution from Zoo, which achieved strong revenue growth.

Smartware sales declined in the period as a result of the decision to exit a third-party distribution agreement in late 2018. In February 2019, the division completed the acquisition of Y-cam, a cloud-based smart security platform that enables the provision of value-added services such as security monitoring. The launch of the ERA Protect range of second generation smartware products using the Y-cam platform commenced at the end of 2019, with range extensions to follow in 2020. The network of smartware installers generated through the ERA Installer Scheme has expanded rapidly and creates a new channel for smart security products that addresses a consumer 'do it for me' trend. This unique channel combined with the leading product range creates a strong foundation for growth in this nascent market.

The division's commercial access businesses Bilco, Howe Green and Profab were brought together with the launch of the Access 360 brand in 2019, providing a single go-to-market identity for this synergistic portfolio. LFL revenue for Access 360 increased by 9% in the period, reflective of the timing of projects and strong growth in roof hatches and smoke vent sales. Profab had a challenging year due to a weak opening project pipeline following acquisition in August 2018, recovery from which led to operational bottlenecks in H2, together impacting profitability across the year. The Access 360 business ended the year with a healthy order book and a strong pipeline for delivery in 2020.

The sash window refurbishment business, Ventrolla, recorded a decline in LFL revenue of 15% in 2019, due to the ongoing impact of the lower level of online residential enquiries seen following changes to the website in 2018. The new management team put in place at the beginning of 2019 resolved the inefficiencies in the installation process and improved lead generation for the residential business over the course of 2019. Encouragingly, these leads are now converting to sales. The commercial part of this business demonstrated significant growth in 2019.

New product development

New product launches are gaining momentum, with sales from products introduced in the last three years now accounting for 12% of sales. Sales of the new Surefire auto-fire multipoint door locking system have exceeded expectations. Similarly, the new high-security patio door lock has gained good traction with leading system design houses. The Giesse aluminium hardware range continues to show strong sales growth in the UK.

Outlook

With greater certainty around Brexit, the UK residential RMI market is expected to improve in 2020. In addition, the Access 360 business has a strong orderbook and pipeline of projects for delivery in 2020.

The primary focus of the UK and Ireland division in 2020 will be on driving new product introductions including building momentum with the new smartware offer; and further optimising the cost base through continued integration of recent acquisitions and strengthening of continuous improvement capabilities.

Case study

Deceuninck – new hardware for PVCu Flush Door

Deceuninck is one of the world's major window and door system companies. For a recent new PVC-U door range, Deceuninck required hardware that would produce a flush-fit aesthetic, typical of timber doors, while also demonstrating that the door and hardware together would conform to a specific high-level security standard.

An important element of ERA's ability to create value for its customers is its testing laboratory, an industry-leading facility to test windows and doors to the most stringent standards. Here, ERA is able to produce United Kingdom Accreditation Service (UKAS) reports with accurate data on window and door security, weather-resistance and lifespan, thereby helping customers demonstrate the quality of their products to their own customers.

ERA's testing laboratory and R&D design team collaborated closely with Deceuninck in order to develop bespoke hardware for the new 'Flush Door'. Rob McGlennon, MD of Deceuninck, says of the project: 'Having experienced at first hand ERA's UKAS-accredited testing laboratory at work, in tandem with its R&D operation, I can say we have full confidence in the company's team of engineers and in its state-of-the-art facilities. ERA gave us the benefit of their considerable expertise, and we are confident that the excellent results will help us to grow our business in the Flush Doors market.'

International (SchlegelGiesse)

£m except where stated	2019	2018[1]	Change	LFL
Revenue	**120.5**	116.2	+4%	+1%
Adjusted Operating Profit	**14.8**	15.2	−3%	−8%
Adjusted Operating Margin	***12.3%***	*13.1%*	*−80bps*	

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 122 to 124.

Markets

The International division's primary markets were challenging in 2019, with most markets weakening, particularly in the second half of the year. In addition to the general slowdown in core European markets, there were macro issues in other specific markets: the Australian market continues to suffer from recession; the weak economic conditions in Latin America persisted; and the Middle East was impacted by the ongoing liquidity constraints.

Business performance

Reported revenue grew by 4%, benefitting from the incremental contribution from Reguitti, which was acquired in August 2018, as well as favourable exchange movements. On a LFL basis, revenue grew by 1%, with a strong start to the year being largely offset in the second half as markets deteriorated.

On a LFL basis, adjusted operating profit declined by 8%, mainly driven by higher-margin markets weakening proportionately more than lower-margin ones. The investment made in personnel in late 2018 in anticipation of growth was unwound through actions taken early in the second half of the year, thereby creating a neutral position across the full year.

In the division's largest market, Italy, the market leadership position was consolidated with further share gain in a declining market. The 'all in one' strategy of cross-selling hardware and seals yielded positive results, while at the same time, strong progress was made with window and door system design houses on the strength of the division's innovation capabilities.

In Spain, volumes improved overall revenue growth, but hardware price competition was high in a difficult market environment. Pleasingly, while still small in absolute terms, the 'all in one' strategy allowed the business to achieve high double-digit revenue growth in seals, demonstrating the success of this approach, alongside further strengthening of distributor partnerships.

In the division's third largest market of China, sales were overall flat as strong growth achieved in the first half was eroded through the remainder of the year as the market weakened and European competitors entered the residential RMI sector with competitively priced products. The division is in the process of value-engineering certain products to better reflect local market requirements and expects to launch these in the second half of 2020.

Integration of the Reguitti acquisition has proceeded to plan, with the combined salesforce now offering the full portfolio of products and generating the expected cross-selling benefits. However, the overall return from Reguitti has been below expectations due to some specific low-cost competition in Italy. Actions have been taken to address this, including introducing a suite of value-engineered products supported by targeted marketing campaigns. Cross-selling is also underway with the Zoo portfolio in the UK and Ireland division, with products from both families featuring in the other's 2020 catalogue.

Restructuring

In the second half of 2019, a review of the geographical footprint of the International division was undertaken with a view to re-aligning the fixed cost base and allowing capital and management bandwidth to be better focused. A restructuring programme was commenced to cease manufacturing in Australia and China, with products to be supplied to these markets from a combination of other Group manufacturing facilities and Far East suppliers. The distribution centre in Singapore will also be closed and the ASEAN market will be served as an export territory. All three projects will be completed in the first half of 2020. Other opportunities for footprint optimisation are under review.

New product development

Several new products were launched in late 2019 or are due to be launched in early 2020. These included expanded ranges of CHIC concealed hinges as well as the Supra and Ultra rosette-free handles, both of which address the minimalist trend for narrower window frames with a wider expanse of glass. A particularly innovative new solution for patio doors is due to be launched in 2020, with universally positive feedback from customers to date on the prototype product. Products launched within the last three years generated 6% of revenue in 2019 and new product development will be a key element of driving organic growth in 2020 and beyond.

Outlook

The Group expects core International markets to remain challenging in 2020. The main priorities of the International division in 2020 are to drive share gain in core markets through new product launches and continued channel expansion; and to successfully execute the restructuring plan to create a stronger foundation for growth.

Case study

Alsistem

With strengthening building regulations, window and door system design houses such as Alsistem are a growing share of the market, driven by their extensive design and innovation capabilities.

Ten years ago, Alsistem was the first such system house in Italy to adopt the Giesse system for its sliding windows, enabling performance comparable to that of a casement window in terms of weather-resistance, acoustic insulation and thermal transmission. The Giesse system is designed to allow the customer to adapt it to their particular requirements and Alsistem adopted their own variant as a standard element of their portfolio.

The relationship grew, with Giesse becoming Alsistem's standard hardware offer also for casement windows. In 2019, Alsistem and SchlegelGiesse co-developed bespoke hardware for Alsistem's entire range of aluminium windows.

Leonardo Fatticcioni, Alsistem Chief Operating Officer, commented: 'We chose Giesse hardware to meet our customers' high expectations of quality and reliability on even the most difficult projects. Giesse has always been recognised as the most reliable brand on the market, with the best quality in terms of design, functionality, durability and the strength of its components. Many of our customers specifically ask for Giesse accessories, because they appreciate the flawless service that makes Giesse a market leader.'

Financial review

Strong cash generation resulted in leverage of 1.72×

Jason Ashton
Chief Financial Officer

Income statement

Revenue and profit

Reported revenue in the period increased by 3.8% to £613.7 million (2018: £591.5 million), largely reflecting the impact of acquisitions made in 2018 of £24.0 million and the favourable impact of foreign exchange movements of £14.6 million. On a LFL basis, revenue declined 1.8% compared to the prior year, principally as a result of the customer losses associated with the North America footprint consolidation project of c. £12.9 million and volume declines largely driven by market softness of £14.6 million. The impact of these was partially offset by pricing actions of £11.0 million and surcharges of £5.8 million.

Adjusted administrative expenses increased to £120.2 million (2018 restated: £114.5 million), with £4.7 million of the increase due to acquisitions and £1.7 million due to the impact of foreign exchange. The majority of the underlying increase was a combination of inflation and increased marketing investment.

Adjusted operating profit increased by 2.2% to £85.4 million (2018: £83.6 million) and declined 4.8% on a LFL basis. The operational disruption and customer losses relating to the North America footprint consolidation project negatively impacted adjusted operating profit by c. £8.1 million. Pricing actions offset cost inflation which started to moderate in the year. Tariffs and surcharges of £5.8 million related to recovery of US tariffs and metal costs. Reported operating profit decreased 19.8%, with the benefit from more favourable foreign exchange movements of £1.6 million, acquisitions net of disposals of £1.9 million and the adoption of IFRS 16 'leases' (see note 32) of £1.6 million being offset by increased exceptional items. The Group's adjusted operating margin decreased 20bps to 13.9% (2018: 14.1%).

Adjusted profit before taxation decreased by 2.3% to £71.0 million (2018: £72.7 million) and declined 7.8% on a LFL basis. Reported profit before taxation decreased by 36.2% to £24.8 million (2018: £38.9 million) as a result of an increase in exceptional items of £11.6 million and the impact of applying IFRS 16, which reduced profit before tax by £1.4 million.

Materials and input costs

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

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

In addition, the Group's monitors the cost of a representative basket of those products sourced from the Far East by Tyman Sourcing Asia into the UK which is influenced by local labour and overhead rates, raw material price variations and exchange rates.

£m except where stated	FY 2019 Materials[1]	Average[2]	Spot[3]
Aluminium (Euro)	**23.2**	−4%	−6%
Polypropylene (Euro)	**34.8**	−7%	−10%
Stainless steel (US)	**52.8**	−3%	+8%
Zinc (US)	**33.4**	−11%	−4%
Far East components (UK)[4]	**45.2**	−5%	−8%

1. FY 2019 materials cost of sales for raw materials, components and hardware for overall category
2. Average 2019 tracker price compared with average 2018 tracker price
3. Spot tracker price as at 31 December 2019 compared with spot tracker price at 31 December 2018
4. Pricing on a representative basket of components sourced from the Far East by ERA

Raw material costs continued to moderate in 2019 with average prices across all commodity categories lower than 2018. Steel purchases in North America continue to be impacted by the direct and indirect effect of US tariffs and surcharges are in place to recover these costs.

Exceptional items

Certain items that are material and non-trading in nature have been drawn out as exceptional such that the effect of these items on the Group's results can be better understood and to enable a clearer analysis of trends in the Group's underlying performance.

£m	2019	2018
Footprint restructuring – costs	**(7.1)**	(4.8)
Footprint restructuring – credits	**0.6**	0.9
Footprint restructuring – net	**(6.5)**	(3.9)
M&A and integration	**(5.3)**	(1.7)
Write-off of inventory fair value adjustments	**–**	(2.5)
Loss on disposal of business	**(1.7)**	(0.1)
Impairment charges	**(5.4)**	–
Other	**–**	0.9
	(18.9)	(7.3)

Footprint restructuring

Costs attributable to footprint restructuring in the year amounted to £7.1 million, with credits of £0.6 million. Footprint restructuring principally relates to directly attributable costs incurred in the ongoing North American footprint consolidation project. This includes costs associated with the closure of the Fremont, Nebraska facility which was announced in late 2019. The credits related to gains on the disposal of assets and release of unused provisions.

Additionally, a restructuring project has been commenced to streamline operations in the International markets with a view to better focussing the business and improving the cost base. This includes exit of manufacturing in Australia and China and closure of the distribution facility in Singapore. Estimated costs associated with this of £1.4 million are therefore included in exceptional items in 2019.

M&A and integration

£2.8 million of the M&A and integration costs relate to costs associated with the integration of Ashland, Zoo, Profab, and Reguitti which were acquired in 2018 and Y-cam which was acquired in 2019. The remaining £2.5 million of these costs relate to adjustments made to the consideration and fair value of inventory in respect of previous acquisitions which are outside of the measurement period for adjustment against goodwill. The adjustment to consideration related to finalisation of a tax liability on closure of an escrow account, and the adjustment to inventory resulted from further information that has come to light regarding the condition of certain aged inventory at the acquisition date.

Write-off of inventory fair value adjustments

The write-off of inventory fair value adjustments in 2018 of £2.5 million related to non-cash adjustments relating to the IFRS requirement that finished goods held in inventory must be revalued to their market value on acquisition. This uplift in the book value was considered to be of a one-off nature and is of a magnitude that would distort the adjusted trading result of acquisitions in the period and was therefore classified as exceptional.

Loss on disposal of business
This charge relates to a reduction in expected deferred consideration receivable in respect of the Rochester non-fenestration business which was disposed in December 2018.

Impairment charges
Impairment charges relate to the write down of assets and inventory associated with the new door seals product in North America. There is uncertainty over the level of future cash flows that will be generated to support these assets in the near term and therefore these have been written down to their estimated recoverable value.

Finance costs

Net finance costs increased to £15.7 million (2018: £11.6 million), with £3.0 million of the increase relating to interest on lease liabilities recognised as a result of adopting IFRS 16.

Interest payable on bank loans, private placement notes and overdrafts increased to £11.1 million (2018: £10.7 million) reflecting additional finance charges incurred on higher average borrowings. The Group's average cost of funds and margin payable over the year increased by 10 bps to 3.9% (2018: 3.8%) reflecting increased base rates and a higher weighting of US dollar denominated borrowings which carry a higher rate of interest.

Non-cash movements charged to net finance costs in the period include amortisation of capitalised borrowing costs of £0.5 million (2018: £1.0 million) and pension interest cost of £0.3 million (2018: £0.3 million).

Interest rate swap contracts
A portion of the Group's floating rate borrowings are held at fixed rates via interest rate swap contracts. At the year end, the notional value to swap of the Group's outstanding borrowings under the revolving credit facility was 13.5% (2018: 10.4%). The weighted average fixed rate of the swap contracts was 1.7% (2018: 1.7%).

In addition, the Group has issued US$100 million in aggregate under its US Private Placement programme, all of which is held at fixed rates. In total, 46.0% (2018: 29.9%) of the Group's Adjusted Debt excluding lease liabilities is effectively held at fixed rates of interest.

At 31 December 2019, the Group held interest swap contracts with a liability at fair value of £0.2 million (2018: £0.3 million.

Forward exchange contracts
At 31 December 2019, the Group's portfolio of forward exchange contracts at fair value amounted to a net liability of £0.5 million (2018: net asset of £0.3 million). The notional value of the portfolio amounted to £34.1 million, comprising US dollar and Chinese renminbi forward exchange contracts with notional values of US$39 million and RMB45 million respectively. These contracts have a range of maturities up to 30 September 2020.

During the year, a fair value loss of £0.8 million (2018: fair value gain of £0.3 million) was recognised directly in the income statement.

Taxation

The Group reported an income tax charge of £7.1 million (2018: £12.6 million), comprising a current tax charge of £13.4 million (2018: £15.4 million) and a deferred tax credit of £6.3 million (2018: £2.8 million). The decrease in the income tax charge reflects the reduction in profit before tax.

The adjusted tax charge was £17.5 million (2018: £19.7 million) representing an effective adjusted tax rate of 24.6% (2018: 27.1%). The reduction in the adjusted effective tax rate of 250bps reflects an adjustment to the liability for prior years following the submission of final returns, utilisation of available tax credits, and elimination of double taxation following a Group reorganisation.

During the period, the Group paid corporation tax of £14.2 million (2018: £12.3 million), reflecting a £1.2m refund received in 2018 not repeated, as well as timing of payments on account. This reflects a cash tax rate on adjusted profit before tax of 20.0% (2018: 17.0%).

Taxation policy

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

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

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

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

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

- The international nature of the Group's operations. In 2019, 69% of Tyman's Adjusted Operating Profit before central cost allocations were generated in North America, 15% in the UK, and 16% in the rest of the world. The Group's effective tax rate is therefore a function of the interaction of currency movements with different country, state and local taxation rates and allowances.
- The proactive capital investment programme in each of the Group's Divisions. These investments are amortised for tax purposes in accordance with the laws relating to capital allowances in each country, which may not match the Group's depreciation policy.
- Taxable losses generated by Group companies. Where these losses can be relieved or carried forward to be relieved in future periods, Tyman does so in accordance with the relevant laws. This treatment is, however, broadly dependent on sufficient eligible taxable profits being generated in the relevant jurisdiction.

Adjusted EPS

27.46p

Operating Cash Conversion

132.2%

- Certain expenses which cannot be relieved against taxable profits. Such expenses most notably relate to the amortisation and impairment of intangible assets and the write-off of goodwill arising on acquisition. As the Group has developed through acquisition, these charges have a material impact on the Group's statutory tax charge as a proportion of pre-tax profits.
- The changing attitude of tax authorities under the OECD BEPS Project. Under Action 2 of the OECD BEPS Project the UK government introduced new rules, the consequence of which is that more financing income is brought into the Group's UK taxable income.
- Ongoing developments in the international tax environment and global tax audit activity gives rise to tax uncertainties for the Group.
- Local tax incentives such as research and development tax credits and patent box regimes.
- 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.

Earnings per share

Basic earnings per share decreased by 34.0% to 9.08 pence (2018: 13.76 pence). Adjusted earnings per share decreased slightly to 27.46 pence (2018: 27.68 pence) as a result of the reduction in profit before tax and the impact of adopting IFRS 16, offset by lower tax charges. Excluding the impact of IFRS16, basic earnings per share decreased 28.7% and adjusted earnings per share increased by 1.9%.

There is no material difference between these calculations and the fully diluted earnings per share calculations.

Cash generation, funding and liquidity

Cash and cash conversion

£m	**2019**	2018
Net cash generated from operations	**97.1**	72.6
Add: Pension contributions	**1.0**	1.1
Add: Income tax paid	**14.2**	12.3
Less: Purchases of property, plant and equipment	**(10.7)**	(15.7)
Less: Purchases of intangible assets	**(0.8)**	(1.5)
Add: Proceeds on disposal of PPE	**0.8**	5.3
Operational cash flow after exceptional cash costs	**101.6**	74.1
Exceptional cash costs	**11.3**	3.2
Operational cash flow	**112.9**	77.3
Less: Pension contributions	**(1.0)**	(1.1)
Less: Income tax paid	**(14.2)**	(12.3)
Less: Net interest paid	**(15.0)**	(9.2)
Less: Exceptional cash costs	**(11.3)**	(3.2)
Free cash flow	**71.4**	51.5

Excluding impact of IFRS 16

Operational cash flow	**104.3**	77.3
Free cash flow	**62.8**	51.5

Operational cash flow in the period increased by 46.1% to £112.9 million, primarily as a result of applying IFRS 16, a slight reduction in net capital expenditure and strong working capital management. As a result of applying IFRS 16, lease cashflows that were previously included in net cash generated from operations are now included within financing activities. Operational cash flow excluding the impact of IFRS 16 increased by 35.0% to £104.3 million (2018: £77.3 million). This is after adding back £11.3 million (2018: £3.2 million) of exceptional costs cash settled in the period, £4.7 million of which related to settlement of costs associated with the North American footprint project and were provided for in 2018.

Free cash flow in the period was higher than 2018 at £71.4 million (2018: £51.5 million) reflecting the strong operational cash flow, offset to some extent by the increased exceptional cash outflows, increased interest payments, and higher levels of income tax payments on account.

Operating cash conversion in 2019 was strong at 132.2% (2018: 92.4%) as a result of the significant focus on working capital optimisation as well as the impact of adopting IFRS 16. Excluding the impact of IFRS 16, Operating cash conversion increased 320bps to 124.4%.

Bank facilities and US private placement notes

Total facilities available to the Group, as at 31 December 2019, were as follows:

Facility	Maturity	Currency	Committed	Uncommitted
2018 Facility	Feb 2024	Multicurrency	£240.0m	£70.0m
4.97 % USPP	Nov 2021	US$	US$55.0m	–
5.37 % USPP	Nov 2024	US$	US$45.0m	–
Other facilities	Various	€	€0.6m	–

Financial review CONTINUED

Liquidity

At 31 December 2019 the Group had gross outstanding borrowings of £273.5 million (2018: £262.5 million), cash balances of £49.0 million (2018: £51.9 million) and committed but undrawn facilities of £102.8 million (2018: £58.5 million) as well as potential access to the uncommitted £70.0 million accordion facility. The increase in gross borrowings is due to the adoption of IFRS 16, which has resulted in £60.0 million of lease liabilities being recorded on the balance sheet at 31 December 2019 (see notes 8 and 13). This was offset by a reduction in bank borrowings reflecting the strong cash generation in the year. Excluding lease liabilities, gross borrowings were £213.5 million.

Net debt at 31 December 2019 was £224.5 million. Adjusted net debt, which excludes lease liabilities and unamortised finance arrangement fees was £164.5 million (2018: £210.6 million).

Covenant performance

At 31 December 2019	Test	**Performance[1]**	Headroom[2]	Headroom[2]
Leverage	< 3.00×	**1.72×**	42.2m	42.7%
Interest Cover	> 4.00×	**8.95×**	54.7m	55.3%

1. Calculated covenant performance consistent with the Group's banking covenant test (banking covenants set on a frozen GAAP basis and not impacted by IFRS 16)
2. The approximate amount by which adjusted EBITDA would need to decline before the relevant covenant is breached

At 31 December 2019, the Group retained significant headroom on its banking covenants. Leverage at the year end improved significantly to 1.72x (2018: 1.96x) following a year without significant acquisitions and strong working capital control.

Interest cover decreased to 8.95x (2018: 9.27x), reflecting the higher interest charges and reduction in EBITDA as measured under the banking covenants.

Balance sheet – assets and liabilities

Working capital

£m	FY 2018	Mvt	Acqns[1]	FX	**2019**
Inventories	105.3	(13.7)	–	(3.0)	**88.6**
Trade receivables	71.6	(8.9)	0.1	(2.3)	**60.5**
Trade payables	(52.6)	4.4	(0.1)	1.7	**(46.6)**
Trade working capital	124.3	(18.2)	–	(3.6)	**102.5**

1. The fair value of working capital items assumed at the acquisition date

Trade working capital at the year end, net of provisions, was £102.5 million (2018: £124.3 million).

Inventories decreased by £16.7 million to £88.6 million (2018: £105.3 million) driven by the strong focus on working capital optimisation. The provision for slow-moving and obsolete inventory is slightly higher at £19.9 million (2018: £19.2 million).

Trade receivables decreased by £11.1 million to £60.5 million (2018: £71.6 million) due to an improvement in collection of overdue debts. Trade payables decreased by £6.0 million to £46.6 million (2018: £52.6 million).

Of the decrease in trade working capital, £3.6 million related to exchange.

Capital expenditure

Gross capital expenditure decreased to £11.5 million (2018: £17.3 million) or 0.79x depreciation excluding IFRS 16 RoU asset depreciation (2018: 1.25x), as a result of a reduction in capital investment projects following completion of the significant site moves as part of the footprint project. Net capital expenditure was £10.7 million (2018: £12.0 million), with 2018 including a higher level of asset sales due to the footprint project. Capital expenditure for the 2020 financial year is expected to be £15-£20 million.

Goodwill and intangible assets

At 31 December 2019, the carrying value of Group goodwill and intangible assets was £475.3 million (2018: £516.9 million). Amortisation of intangible assets through the income statement during the year was £25.0 million (2018: £27.3 million). An impairment charge of £2.5m was recorded due to the closure of the Fremont facility. Of the movement in carrying values, acquisitions increased the carrying value by £1.5 million, with this being offset by exchange movements of £12.6 million. The exchange movement reflects the impact of the weakening of Sterling against the US Dollar on the translation of the underlying US Dollar denominated carrying values into the Group's functional currency at the year end.

Provisions

Provisions at 31 December 2019 reduced to £9.6 million (2018: £15.1 million), primarily reflecting the payment of costs related to the closure of the Rochester, NY, and Amesbury, MA facilities offset by additional provisions related to the restructuring of the International division.

Balance sheet – equity

Shares in issue

At 31 December 2019, the total number of shares in issue was 196.8 million (2018: 196.8 million) of which 0.5 million shares were held in treasury (2018: 0.5 million).

Bonus share issue and capital reduction

As outlined in the 2018 annual report and approved by shareholders at the AGM on 9 May 2019, a bonus share issue from undistributable reserves and subsequent capital reduction was completed on 4 June 2019. The entire share premium was cancelled and transferred to retained earnings. This increased the level of reserves available for distribution as at 31 December 2019 to £369.1 million.

Employee Benefit Trust purchases

At 31 December 2019, the EBT held 1.4 million shares (2018: 1.5 million). During the period, the EBT purchased 0.8 million shares in Tyman plc at a total cost of £2.0 million to satisfy certain share awards vested in March 2019 as well as future obligations under the Group's various share plans.

Dividends

Dividend policy

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

The Group's dividend policy targets a dividend cover of between 2.00× to 2.50× Adjusted Earnings per Share while being mindful of the Group's near term capital requirements.

The objective of this policy is to:

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

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

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

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

See pages 40 to 45 for the Group's principal risks and uncertainties which may have a negative impact on the performance of the Group and may influence how the dividend policy is implemented.

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

A final dividend of 8.35 pence per share (2018: 8.25 pence), equivalent to £16.3 million based on the shares in issue as at 31 December 2019, will be proposed at the Annual General Meeting (2018: £16.1 million). The total dividend declared for the 2019 financial year is therefore 12.20 pence per share (2018: 12.0 pence), an increase of 1.7%. This equates to a Dividend Cover of 2.25x, at the mid-point of the Group's target range of 2.00x to 2.50x.

The ex-dividend date will be 23 April 2020 and the final dividend will be paid on 29 May 2020 to shareholders on the register at 24 April 2020.

Only dividends paid in the year have been charged against equity in the 2019 financial statements. In aggregate £23.6 million (2018: £22.4 million) of dividend payments, representing 33.1% of 2019 Free Cash Flow, were made to shareholders during 2019.

Financial review CONTINUED

Other financial matters

Return on capital employed

ROCE decreased by 140 bps to 12.0% (2018: 13.4%) due to increases in the average capital employed, as a result of the adoption of IFRS 16, acquisitions made in 2018, and the impact of the fall in like for like adjusted operating profit. Excluding the impact of IFRS 16, ROCE fell by 60bps to 12.8%. Following adoption of IFRS 16, the medium-term target has been revised from 15% to 14%.

Returns on Acquisition Investment

	Acquisition Date	Original Acquisition Investment	**ROAI 2019**[1]
Howe Green	March 2017	£6.2m	**17.0%**
Ashland	March 2018	US$102.4m	**16.4%**
Zoo Hardware	May 2018	£18.7m	**18.9%**
Profab	July 2018	£4.1m	**10.5%**
Reguitti	August 2018	€16.2m	**7.8%**

1. See Alternative performance measures on page 74

The Group's target ROAI was reduced from 15% to 14% in 2019, in line with the change in ROCE target.

The integration of Howe Green is now complete and its run rate ROAI after two years of ownership is 17.0%, exceeding the Group's minimum target return threshold.

Ashland and Zoo have continued to perform well since acquisition and are on track to exceed the minimum target return threshold. The ROAI of Ashland after 22 months of ownership is 16.4%. Ashland is expected to generate US$5m of annual synergy benefits from 2020. The ROAI of Zoo after 19 months of ownership is 18.9%.

Profab suffered from a weak project pipeline in the first half of the year, recovery from which led to operational bottlenecks in the second half, impacting productivity across the year. Actions have been taken to resolve these issues and an improvement in ROAI is expected.

Reguitti is generating the expected level of synergies, however these have been offset by the impact of some specific low-cost competition in Italy. Actions have been taken to address this, including introducing a suite of value-engineered products supported by targeted marketing campaigns.

Y-Cam was acquired in February 2019 for an upfront consideration of £1.0 million. This business is loss-making, reflecting that it is a nascent business and investment is being made to support future growth. Returns on this investment will therefore be generated over a longer period than two years in line with the acquisition plan.

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact the Group's results are the US dollar, the Euro, the Australian dollar and the Canadian dollar. In 2019, the Sterling was weaker against the US dollar and Canadian dollar, and stronger against the Euro and Australian dollar when compared with the average exchange rates in 2018.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Other	**Total**
% mvt in average rate	(4.3%)	0.9%	2.8%	(2.0%)		
£m Revenue impact	16.4	(0.7)	(0.2)	0.2	(2.3)	**13.4**
£m Profit impact[1]	2.6	(0.1)	–	–	(0.1)	**2.4**
1c decrease impact[2]	470k	87k	5k	7k		

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

The net effect of currency translation caused revenue and adjusted operating profit from ongoing operations to increase by £13.4 million and £2.4 million respectively compared with 2018.

Transactional exposure

Divisions that purchase or sell products in currencies other than their functional currency will potentially incur transactional exposures. For purchases by the UK and Ireland division from the Far East, these exposures are principally Sterling/US dollar or Chinese renminbi. For purchases by the International division's Australian business from the US and the Far East, these exposures are principally Australian dollar/US dollar or Chinese renminbi.

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

Foreign exchange hedges against the US dollar and renminbi held by the UK and Ireland division resulted in a loss of £0.8m in 2019 compared to a profit of £0.3m in 2018.

The Group's other transactional exposures generally benefit from the existence of natural hedges and are immaterial.

Currency in the consolidated balance sheet
The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to Adjusted Operating Profit. Tyman's banking facility allows for funds to be drawn in currencies.

The Group's gross borrowings (excluding leases) are denominated in the following currencies:

	2019		2018	
£'m	**Gross**	**%**	Gross	%
Sterling	**–**	**–**	(5.8)	2.2
US dollars	**(146.7)**	**68.7**	(188.1)	71.7
Euros	**(66.8)**	**31.3**	(68.4)	26.1
Gross borrowings	**(213.5)**		(262.3)	

New accounting standards

IFRS 16 – Leases

The Group has applied IFRS 16 for the first time in the period ended 31 December 2019. As permitted by the standard, comparatives for 2018 have not been restated and the impact on net assets has been recognised within retained earnings as at 1 January 2019.

IFRS 16 has resulted in almost all leases being recognised on the balance sheet. An asset (the right to use the leased item) of £59.4 million and a financial liability to pay rentals of £60.0 million have been recognised on the balance sheet. Instead of recognising a rental expense over the term of the lease within operating profit, a depreciation charge of £7.5 million has been recognised on the right to use asset, and a finance charge of £3.0 million recognised on the lease liability.

This has increased adjusted operating profit by £1.6 million in the period as a result of a portion of the expense now being included within finance expenses and has reduced profit before tax by £1.4 million as a result of interest charges being higher at the beginning of the lease term.

Cash flows associated with lease payments, which were previously classified as operating cash flows, are now classified within financing cash flows, which has increased operating cash inflows and increased financing cash outflows by £8.6 million.

The Group's banking covenants are unaffected as these are set on the basis of prevailing GAAP. For further details of the impact of IFRS 16 on the Group, see note 32.

Summary guidance
The market outlook for 2020 is mixed and there will be some drag from the 2019 US footprint-related customer losses. Despite this, and absent a material impact from the coronavirus, the Group expects operating margin expansion and an improvement in ROCE.

Operating cash conversion is expected to be c.90%.

Further progression towards the medium term leverage target of 1.0× to 1.5× adjusted EBITDA is expected.

Capital expenditure for the year is expected to be £15 million to £20 million.

Exceptional costs paid in cash in 2020 are expected to be c.£5.0 to £10.0 million.

Jason Ashton
Chief Financial Officer

5 March 2020

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

Oversight and independent assurance

Tyman Board

Employee whistleblowing

Audit Committee

Internal auditors
External auditors
Independent advisers

Risk ownership and control

Risk Management Committee

Internal auditors
Independent advisers

Executive Directors
Executive Committee

Divisional Management

North America | **UK and Ireland** | **International**

Responsibilities for and structure of risk management

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

Each division maintains a comprehensive risk register which assesses all pertinent risks relevant to that division, including operational, financial, compliance and strategic risks. The risk assessment is dynamic so includes emerging and retiring risks as a division's risk landscape shifts. These risk registers are reviewed on a regular basis by the cross-functional leadership team of each division. Each risk is monitored and where necessary updated using a scoring system which seeks to assess the likelihood and the financial impact of the relevant risks crystallising. Against this an assessment is made of the controls that are in place to mitigate the relevant risk. Each division's risk register is formally reviewed four times a year, the conclusions of which are submitted to the Audit Committee.

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

Risk management and internal control

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

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

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

Key elements of Tyman internal control and risk management system	Description
There is a clearly defined management structure.	A framework of policies and procedures covering authority levels, responsibilities and accountabilities is in use throughout the Group.
A three-year strategic plan is prepared for the Board's consideration each year.	The strategic plan is appraised in light of the strategic and other relevant risks and uncertainties faced by the Group, the resources available and its objectives.
Managers are responsible for the identification and evaluation of significant risks in their area of business, together with the design and operation of suitable internal controls.	The Group has a detailed risk management process, which identifies the key risks faced by each division and the Group as a whole and the actions and controls required to manage and mitigate these risks.
The Board approves the annual financial budget.	Performance against these targets is monitored monthly and reported on at Board meetings and reasons behind variances and remedial action plans are discussed.
The Board approves the viability statement.	The Board reviews and approves the viability statement (see pages 46 and 47) and the associated sensitivity analysis and stress testing. This enables the Board to understand the Group's resilience to risk.
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, including all M&A activity.
The Group operates an effective Group reporting and consolidation system.	Written monthly reports, management accounts and key performance indicators analysing performance by operating unit are reviewed with each division every month by senior management.
An annual review is performed on the effectiveness of the system of internal control.	The Audit Committee receives regular reports throughout the year to assure itself that the Group's internal control systems comply with the requirements of the Code. Divisional management is required to implement base financial and other controls in line with a clear set of detailed Group policies relating to financial reporting and other accounting matters and to act in accordance with the Group Code of Conduct. Each division completes a bi-annual self-certification of compliance and implementation of internal controls by its businesses which is submitted to the Committee for review. The internal and external audits test various aspects of internal controls, including their adequacy and effectiveness. The findings of internal and external audits, together with improvement recommendations and management responses, are shared with the Committee.
Operating units produce plans to improve controls relating to key risks and any significant weaknesses identified by internal and external audits.	The Audit Committee monitors the progress against these plans to ensure that any corrective actions to the internal control procedures are made in a timely manner.
The internal control regime is supported by the operation of independent whistleblower reporting functions.	A whistleblowing system is operated by specialist external third party service providers and allows employees to report concerns anonymously and in confidence. All reports are received by the Group Company Secretary. A full investigation is carried out following the receipt of each report, with the results of the investigation being reported directly to the Board.

Principal risks and uncertainties

Principal risks

The Directors confirm they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table on pages 41 to 45 sets out the principal risks and uncertainties facing the Group at the date of this report and how they are being managed or mitigated. The principal risks do not comprise all the risks that the Group may face.

In accordance with the provisions of the Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement. The going concern statement can be found on page 120 and the viability statement can be found on pages 46 and 47 of the Strategic Report.

Main developments in risk

Business integration has been withdrawn as a principal risk in 2019, following the completion of the main immediate integration actions of the four businesses acquired during the previous year, namely Zoo Hardware and Profab in the UK, Ashland in the US and Reguitti in Italy. Further optimisation of the acquired businesses will continue as part of the continuous improvement programmes.

Risk watchlist

In addition to the principal risks set out below, Tyman also faces a number of uncertainties where an existing or an emerging threat may potentially impact the Group in the longer term. There may not be sufficient information available for some of these emerging risks to fully understand the likely scale, impact or velocity of the risk. In addition, it may not be possible at this point to fully define a mitigation plan until a better understanding of the threat is established. Each division has created a watchlist of these types of risks, which are reviewed on a regular basis as part of the formal risk register reviews to monitor any changes to their probability, likely impact and velocity.

Some examples of these watchlist risks are:

- **Brexit**
  Following the completion of the legislation for the withdrawal agreement between the UK and the EU, there remains a lack of clarity about the likely transitional arrangements and the likely terms of the post-Brexit trading arrangements. Supply chain flows between the UK and rest of the EU are relatively small for the Group, but contingency plans have been implemented to mitigate this direct risk in the short term, including increasing safety stock levels. The uncertainties that could emerge in the medium term relate to risks to the macro economic performance of the major European markets, including the UK.
- **Coronavirus**
  China is an important source for the Group's purchase of components and finished products, with an annualised spend of around £75m. The situation with Coronavirus is evolving daily, both in terms of risk of supply chain disruption from China and broader global ramifications as the virus spreads. The Group's supply chain managers continue to monitor developments closely and will implement business continuity plans as appropriate.
- **Climate change and sustainability**
  There is a consensus among global scientists and policymakers that man-made greenhouse gases are having a direct impact on the climate, and this could produce new emerging risks to our operations, supply chain and our business model in the future. While this is an area of risk, it is also an area of significant opportunity for Tyman and work is underway to define the Group's role in this space. More details of the Group's emerging plans are discussed in the Sustainability Report on pages 58 to 60.

Risk priorities for the year ahead

The risk priorities for the year ahead are as follows:

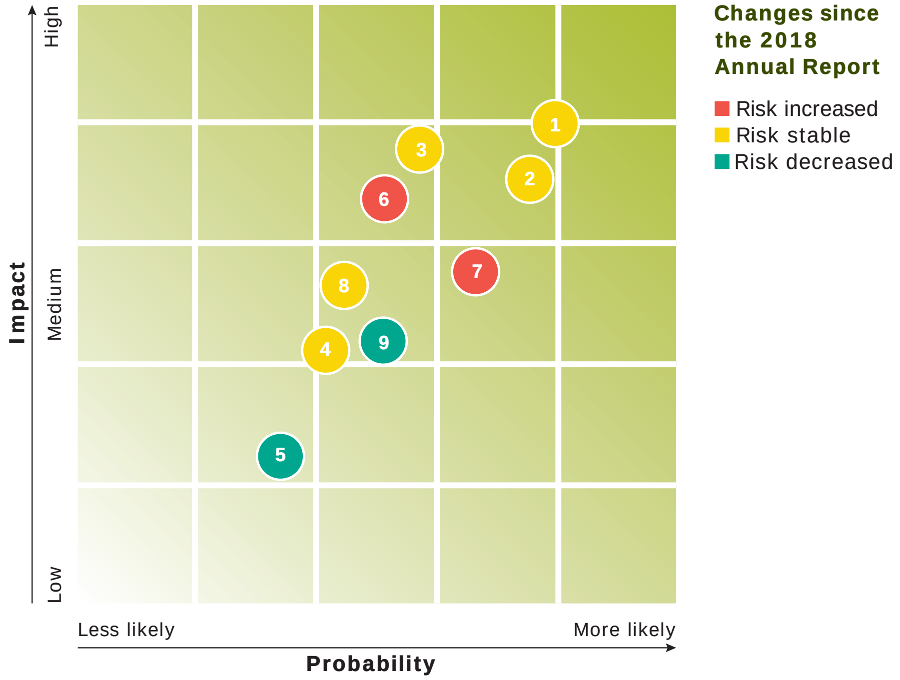
- Strengthening approaches for monitoring market and competitive trends given the challenging market backdrop.
- Maintaining pricing discipline to mitigate the risk of raw material and other cost inflation.
- Project management rigour as integration, rationalisation and new product launch activities take on increasing importance in the Group's organic growth strategy.
- Continued assessment and improvement of mitigation plans against IT cyber security risks.
- Continued strengthening of business continuity plans given the need for adaptability of the Group's supply chains.

Changes since the 2018 Annual Report

Heat map

The heat map shows the relative positioning of the Group's principal risks by the severity of their impact and the probability of occurrence. The heat map shows the Board's assessment of the principal risks before any mitigating controls and actions. Tyman has adopted strategies to reduce these inherent risks to an acceptable level and more details of this are set out on pages 42 to 45. All the principal risks are taken into account in the Group's Viability Statement.

Principal risks before mitigation



	Risk category	Principal risks	How risks are managed
1	Strategic	Market conditions	These risks are primarily external, related to our operating environment and typically managed through our strategy
2	Strategic	Competitors	
3	Strategic	Loss of major customers	
4	Financial	Financial risks	
5	Financial	Liquidity and credit risks	
6	Technological	Information security	
7	Operational	Raw material costs and supply chain failures	These risks are primarily internal, associated with our processes, people and systems and are principally managed through proactive, internal controls
8	Operational	Footprint rationalisation	
9	Operational	Key executives and personnel	

1 Market conditions

Trend after mitigation ❯

Link to strategy A B

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

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

- maintaining appropriate headroom and tenor in the Group's available borrowing facilities;
- its geographic spread providing a degree of market diversification;
- the ability to flex the Group's cost base in line with demand;
- actively managing price in order to recover cost increases as they come into the business; and
- offering industry-leading customer service.

As part of its process for assessing the ongoing viability of the Group, the Board regularly stress tests Tyman's financial and cash flow forecasts over both a short and medium term horizon.

Changes since last Annual Report
Underlying market trends remain subdued across the Group's major markets. Both US residential and commercial markets remain soft while Canada continues to contract. UK and core European markets have also contracted in H2. The new medium term leverage target of 1.0× to 1.5× will give the Group a stronger financial platform to withstand future adverse market trends.

Risk assessment
High

2 Competitor

Trend after mitigation ❯

Link to strategy A B

Risk description
The Group may face significant competition in its markets. Competition in the industry is based on: range and quality of products offered; geographical reach; product development capabilities; reputation; and customer relationships. Demand may also be impacted by competitor disruptive behaviour.

Mitigation
Some of the Group's markets are relatively concentrated with two or three key players, while others are highly fragmented and offer significant opportunities for consolidation and penetration.

Tyman continues to differentiate itself through its wide range of products, its focus on customer service including technical support, its geographical coverage, innovation capabilities and reputation of its brands.

The Group aims to minimise the impact of aggressive pricing by competitors through margin expansion activities including continual sourcing review, innovation and value engineering and building long term relationships with its customers based on value creation, quality, service and technical support.

Changes since last Annual Report
Across Tyman's global portfolio, the risk from competition is stable, albeit that the landscape evolves from year to year. Competition remains strong in North America, particularly in hinged window hardware in Canada and in sealing products. Across Europe including the UK, the Group generally held or gained share against the background of a very challenging market.

Risk assessment
Medium

Strategy key

→ Read more about our **Strategy** on pages 12 to 13

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

3 Loss of major customers

Trend after mitigation: No movement

Link to strategy: A B C

Risk description

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

In 2019 the top five customers accounted for 26% of Group revenue.

Mitigation

The Group has strategic plans in place for all key customers with business review meetings used to identify service issues and product development opportunities on a timely basis.

Management continues to invest in training for its sales teams. Through open and proactive communication, the Group aims to provide a speedy response to any sub-standard delivery performance or product quality. Processes are in place to identify and monitor at-risk business and mitigation plans are put in place as appropriate.

Changes since last Annual Report

Performance in North America was impacted by operational disruption and customer losses relating to the North America footprint consolidation project. Since recognition of the issues, over the course of 2019 there has been notable improvement in the level of customer satisfaction through improved quality to the customer as well as better communication.

Risk assessment

High

4 Financial risks

Trend after mitigation: No movement

Link to strategy: B D E

Risk description

The Group operates internationally and is therefore exposed to transactional and translational foreign exchange movements in currencies other than Sterling. In particular the Group's translated adjusted operating profit is impacted by the Sterling exchange rate of the US dollar and the Euro. In 2019, 69% of the Group's adjusted operating profit was derived from North American operations which are principally exposed to the US dollar. The Group is also exposed to interest rate risks on its bank borrowings.

Mitigation

The Group denominates a proportion of its debt in foreign currency to align its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are utilised to manage the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments. Where possible the Group will recover the impact of adverse exchange movements on the cost of imported products and materials from customers.

Changes since last Annual Report

Sterling exchange rates remain volatile and the Group continues to use hedging to mitigate some of this risk. This risk is regarded as stable.

Risk assessment

Medium

5 Liquidity and credit risks

Trend after mitigation: Decrease

Link to strategy: D E

Risk description

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

Mitigation

The Group maintains adequate cash balances and credit facilities with sufficient headroom and tenor to mitigate credit availability risk. The Group monitors forecast and actual cash flows to match the maturity profiles of financial assets and liabilities. In the medium term the Group aims to operate within its revised target leverage range of 1.0×to 1.5× adjusted EBITDA.

Changes since last Annual Report

During the year, the Group made significant progress towards reaching its new medium-term leverage target of 1.0× to 1.5× adjusted EBITDA, finishing the year at 1.72×.

Risk assessment

Low

Trend after mitigation key (since last annual report)

Increase | No movement | Decrease

6 Information security

Trend after mitigation ›

Link to strategy C E

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

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

Changes since last Annual Report
A single phishing testing and awareness training system has been implemented on a Group-wide basis. The programme of trusted device authentication is being rolled out, and GDPR compliance internal audits were introduced during the year.

Risk assessment
Medium

7 Raw material costs and supply chain failures

Trend after mitigation ^

Link to strategy B D E

Risk description
Raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminium and zinc). The Group's ability to meet customer demands depends on obtaining timely supplies of high quality components and raw materials on competitive terms. Product or raw material may become unavailable from a supplier due to events beyond the Group's control.

Mitigation
The Group continues to invest in and improve its sourcing and procurement capability with dedicated supply chain resources. The Group manages supply chain risk through developing strong long-term relationships with its key suppliers, regular risk assessment and audit of suppliers including logistics providers, review of make or buy strategies, dual-sourcing where appropriate and maintaining adequate safety stocks throughout the supply chain.

The Group maintains product quality by ongoing testing up to and beyond the industry standards.

Changes since last Annual Report
The Group has been successful at recovering input cost inflation and foreign exchange volatility. The emerging risk surrounding the Coronavirus outbreak has increased the risk in the Group's supply chain.

Risk assessment
Medium

8 Footprint rationalisation

Trend after mitigation ›

Link to strategy A C D E

Risk description
Rationalisation of the Group footprint is expected to produce more efficient manufacturing processes, shorter development times for bringing new products to market, a reduction in internal freight costs, a more efficient deployment of personnel and a reduction in overheads. There is a risk that changes will be disruptive and that these projects may cost more than originally planned and may not deliver the expected benefits.

Mitigation
The Group mitigates this risk by extensive upfront analysis, planning and risk assessment, with multi-disciplined project teams, supported by dedicated professional project management resources.

Changes since last Annual Report
While the final moves of the footprint consolidation in North America were completed in 2019, performance has been impacted by operational disruption and cost inefficiencies.

Progress has been made to improve the situation across 2019, but this continues to be an area of key focus in 2020 to achieve the expected levels of productivity and service.

Risk assessment
Medium

Strategy key

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

9 Key executives and personnel

Trend after mitigation Decrease

Link to strategy A B C D E

Risk description
The Group's future success is substantially dependent on the continued services and performance of its senior management and its ability to continue to attract and retain highly skilled and qualified personnel.

Mitigation
The Remuneration Committee and the Nominations Committee mitigate the risk of losing key personnel through robust succession planning, strong recruitment processes, long-term management incentives and retention initiatives.

Changes since last Annual Report
The unmitigated risk has reduced following recruitment and completion of the induction of the new Group CEO and CFO. In addition, the new CEO at AmesburyTruth has been well received by the customer base. The Board reviewed updated succession plans during the year.

Risk assessment
Low

Trend after mitigation key (since last annual report)

Increase | No movement | Decrease

Going concern and viability

Viability statement

Assessment of prospects

In assessing the long-term prospects of the Group, the Board considers the Group's current position, including the following factors:

- Operations are highly cash generative and drive a high operating cash conversion ratio.
- The business model is diversified by geography.
- Following completion of footprint projects in the North America, the modern production platforms provide opportunities to increase operational efficiency.
- The Group's long established customer relations and technical expertise helps to expand Tyman's product portfolio and enhance our brands.
- A differentiated marketing strategy for each tier of customer, continuous improvement in customer service and technical support and a focus on new product development helps deepen customer relationships.

In addition, the Board considers the Group's strategy and business model, including the following factors:

- The extensive range of products across hardware, smartware and seals and extrusions, which are engineering-led value-added products designed by Tyman and offered with high quality technical support, which helps to prolong customer relationships.
- Profitable market share growth remains a key strategic objective for the Group.
- Maintaining focus on pricing discipline to protect margins from the effects of adverse exchange rate movements, increasing tariffs and material input price inflation.
- Rolling programmes of process improvement in engineering and automation to reduce manufacturing costs.
- Rigorous investment appraisal process not restricted to short term returns, drives an increasing return on capital employed.
- Providing employees with a modern safe operating environment and opportunities for career development.
- A business model that draws on Tyman's key strengths: flexible manufacturing, engineered solutions, quality products with industry-leading service, financial discipline, long term relationships with suppliers and customers, and the expertise and experience of its employees.

The Group's strategy and business model are central to understanding the future prospects and viability of Tyman. Both are well established and subject to regular monitoring and development by the Board. See further details of the Group's strategy on pages 12 and 13 and of the Group's business model on pages 10 and 11.

The principal risks related to the business are also taken into account by the Board when assessing the long-term prospects of the Group, particularly market conditions, competitors, loss of major customers, footprint rationalisation and information security risks. See further details of the Group's principal risks on pages 40 to 45.

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

Structured strategic and financial planning process

Tyman's longer term prospects are assessed primarily through the Group's strategic planning process. This process includes a review of Divisional three-year rolling strategic plans by the Executive Directors in conjunction with the Tyman Executive Committee, including cross divisional initiatives. The Board participates in the process through regular meetings with the Divisional senior management, visits to Divisional facilities and strategic updates, including strategy away days.

The output of this assessment is a consolidated set of financial projections for the Group that takes account of Tyman's principal risks (see pages 40 to 45) and explicitly covers the period of the next three years. A central review of forecast debt covenant compliance and debt headroom is also completed.

The annual Group budget is compiled in the autumn of each year and generates a detailed forecast for the year ahead. As part of this process the strategic plan financial projections are refreshed. The strategic plan reviewed as part of the assessment of prospects in this report therefore covers the three-year period ending 31 December 2022.

Key assumptions

The key assumptions underpinning the 2019 to 2022 strategic plan include:

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

Assessment of viability

In accordance with provision 31 of the Code, the Directors have assessed the future viability of the Group. This assessment takes account of the Group's current trading position and the potential impact of the principal risks and the mitigating actions documented on pages 40 to 45 of the Annual Report. Consistent with previous years, the Directors have determined that three years is an appropriate timeframe over which to provide a viability statement, as this is the timeframe currently adopted by the Board as its strategic planning period.

A three-year period aligns with the Group's typical investment time horizon. In addition, the Directors consider that demand in the Group's business is ultimately driven by consumer confidence and discretionary spending patterns which are difficult to project accurately beyond a three-year time horizon.

The strategic plan therefore reflects the Directors' best estimate of the future prospects of the business over the three-year period.

In order to assess the Group's viability over this period, the strategic plan has been flexed by overlaying the cumulative financial impact of a number of downside scenarios to represent 'severe but plausible' circumstances that the Group might experience. These scenarios are based on the potential financial outcomes of certain of the Group's principal risks crystallising such as a severe deterioration in market conditions (which might include the impact of prolonged increased tariffs), loss of business to competitors, loss of major customers, and raw material costs and supply chain failures.

The downside scenarios applied to the strategic plan are summarised below.

Severe but plausible downside scenario

The 'severe but plausible' scenario models the impact of a significant short term contraction in revenue on the Group, combined with a material one-off cash outflow.

Strategic plan flexed for combinations of the following scenarios	Link to principal risks and uncertainties	Level of severity tested	Conclusion
Severe downturn in market conditions Aggressive competitor actions resulting in a severe loss of market share The loss of major customers	Market conditions Competitors Loss of major customers Raw material costs and supply chain failures	• 20% fall in Revenue in year one followed by flat revenues in the following two years. • £15.0 million one-off exceptional cash cost in year one.	This cumulative scenario is worse than the contraction experienced by the Group during the last downturn in 2007 to 2009. Tyman, after undertaking mitigating actions, should be able to withstand the impact of these severe but plausible scenarios.

Reverse stress test scenario

The 'reverse stress test' scenario models the impact of a larger short-term contraction in Revenue which is sustained for a period of time, together with a material one-off cash outflow.

Strategic plan flexed for combinations of the following scenarios	Link to principal risks and uncertainties	Level of severity tested	Conclusion
Extreme downturn in market conditions Aggressive competitor actions resulting in extreme loss of market share The loss of major customers	Market conditions Competitors Loss of major customers Raw material costs and supply chain failures	• 27% fall in Revenue in year one followed by 7% fall in revenues in each of the following two years. • £20.0 million one-off exceptional cash cost in year one.	This sustained level of performance deterioration is considered extreme and highly implausible and would make the future viability of the Group less certain.

The flexed models take account of the availability and likely effectiveness of mitigating actions available to the Group, including the flexing of working capital, capital expenditure and discretionary spend, as well as Tyman's ability to change its capital structure if necessary through refinancing existing debt facilities and/or raising equity finance.

Viability statement

Based on their assessment of the prospects for the Group and principal risks and the viability assessment above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2022.

Going concern

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

s172 statement and non-financial information statement

Section 172(1) Statement

The Directors of Tyman plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019.

Section 172 of the UK's Companies Act describes a company director's general duty to promote the success of the company:
A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company

Overview of how the Board performed its duty to promote the success of the Group

The board communicates effectively with all its stakeholders. The key stakeholders of the Group are its employees, customers, suppliers, shareholders, and society as outlined in the business model on page 10. The Board seeks to understand their views, and also act fairly between different members.

Employees

Why
Experienced and committed employees are critical to the delivery of innovation, quality and service required for the long-term success of the Group.

How
Employee engagement activities are discussed on pages 55 to 56 in the sustainability report, as well as part of the work of the Board on pages 68 to 70 of the Statement of governance.

To meet the new requirements of the Code, the board appointed a designated NED responsible for employee engagement, with Pamela Bingham taking up this role.

Consideration in principal decisions
In order to retain, reward and incentivise employees, Remuneration Committee considered and approved the Group incentive scheme targets and approved the terms of a new employee share save offer. See page 85.

In setting Director's remuneration, the Remuneration Committee considered the ratio of CEO pay to that of other UK employees.

As part of the approval of the 2019 budget, the board approved the budget for various training initiatives, with a strong focus on safety training. See page 55.

The Board conducted reviews of all employee whistleblowing cases. See page 57.

In reviewing and approving the Group strategy, consideration was given to the Group's purpose, desired culture, and values.

Customers

Why
Deep customer relationships are crucial to long-term sustainable value-creation. Fostering these relationships for the long-term brings high levels of repeat business.

How
The Board sets high standards for conduct in customer relationships. The divisions maintain constant dialogue with customers and have mechanisms in place to assess customer satisfaction and ensure any issues are identified and resolved in a timely manner. The Board receives monthly reports from the Chief Executive Officer which include details of key customer developments, including any issues raised and actions being taken. The Chief Executive Officer meets with key customers regularly to ensure relationships remain strong. During the year Jo Hallas held a number of meetings with customers, including visiting their facilities and actions were taken based on feedback to further strengthen relationships.

Further details of how the Group ensures relationships with customers are fair is included in the Sustainability Report on page 57.

Consideration in principal decisions
Approved the Group's Code of Conduct to ensure highest levels of business conduct adhered to.

As part of the approval of the budget and strategic plan, the Board considered customer needs, for example considering investment required in new product development, and to support improved customer service and product quality.

Investors

Why

Continued access to capital is vital to ensure the necessary investment can be made to drive the Group's growth strategy. The Group seeks to deliver shareholder value through a mix of both capital appreciation and dividends.

How

The Board is fully committed to dialogue with shareholders and has a structured investor relations programme in place. It seeks to act fairly between members, ensuring all communications from shareholders whether private, employee, or institutional receive a response.

Details of shareholder engagement activities during the year can be found on page 69 and details of the investor relations programme can be found on page 70 of the Statement of governance.

Details of the capital allocation approach can be found on page 13 and the dividend policy on page 35.

Consideration in principal decisions

The Senior Independent Director consulted with shareholders on the proposed terms of new Directors' Remuneration Policy, new LTIP and DSBP Rules for adoption at the 2020 AGM and considered the link to shareholder value creation.

Approval of total dividend for the year of 12.20p, in continual application of the Group's progressive dividend distribution policy.

The Board approved matters in connection with the bonus issue and share capital reduction to ensure sufficient distributable reserves were available for payment of dividends.

Approved the 2020 budget and three-year strategic plan, ensuring this promoted continued long term sustainable value generation for shareholders.

Suppliers

Why

Suppliers are fundamental to the Group's ability to produce quality products on a timely basis, at a reasonable cost, and allow us to supplement internal capabilities with select specialisms, enabling us to create value for our customers.

How

The Board sets an expectation that the Group's businesses maintain the highest standards of integrity and conduct in supplier relationships. The Group has policies in place, including a supplier code of conduct to ensure relationships with suppliers are honest and fair. The Board receives regular reports from the Chief Executive Officer which include details of significant matters relating to suppliers, including any matters arising in relation to anti-bribery, anti-corruption, and modern slavery. The Chief Executive Officer meets with key suppliers regularly, with Jo Hallas conducting a number of site visits during the year to strengthen relationships and ensure that suppliers operate in line with the Group's expected standards.

The Board also reviews the Group's supplier payment practices and monitors the risks associated with raw material costs and supply chain failures. Further details can be found in the principal risks and uncertainties on page 44.

Consideration in principal decisions

As part of the approval of the 2020 budget and strategic plan, the Board considered suppliers, for example in considering Group sourcing arrangements, materials pricing, and value-engineering projects.

Approved the Supplier Code of Conduct to ensure the highest levels of integrity in dealing with suppliers.

s172 statement and non-financial information statement

Society (including community and environment)

Why
The Group is committed to maintain a strong relationship with communities in which it operates and minimising its impact on the environment for the benefit of society as a whole.

How
A number of community investment activities were undertaken in the year, details of which can be found in the sustainability report on page 61. The Board has procedures in place to ensure the highest level of ethics to protect society, including in respect of modern slavery procedures. Details of these can be found in the sustainability report on page 57.

Expanding the Group's activities on sustainability and environmental performance is a key priority for the Board, and the recruitment of the new Safety and Sustainability Director was an important part of driving this agenda. Details of the Group's environmental performance can be found in the sustainability report on pages 58 to 60.

Consideration in principal decisions
Approved a revised Modern Slavery Statement, ensuring the Group's activities do not infringe on human rights.

As part of the approval of the 2020 budget and strategic plan, the Board considered the community and environment, for example in considering investment to be made in community initiatives and sustainability.

Non-financial information statement

The Group has complied with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table summarises where this information is included in the Annual Report and Accounts:

Reporting requirement	Location
Environmental matters	Environmental performance on pages 58 to 60
Employees	Our people on pages 55 to 56
Human rights	Modern slavery statement on page 57
Anti-corruption and anti-bribery matters	Ethics and compliance page 57
Social matters	Community investment on page 61
Business model	Business model on pages 10 to 11
Principal risks	Risk management on pages 38 to 45
Non-financial KPIs	Lost time injuries and on time in full delivery on page 17


ERA

Sustainability

Alignment to the SDGs

We have considered the UN's Sustainable Development Goals (SDGs) in helping us shape this year's sustainability report. The SDGs codify the world's most pressing sustainability issues, with 17 priority areas identified out to 2030. We have highlighted nine that are most relevant to our business and which reflect the current maturity of our sustainability programmes.

Safety

Safety is a focus at every level in the Group from the Board and Executive Committee to our divisional leadership teams and the people working in our factories and distribution centres. Local management is accountable for health and safety performance with oversight provided by dedicated Health, Safety and Sustainability (HSS) Managers and improvement plans in place in each Division. In April, the Group's first Health, Safety and Sustainability Director joined the Company to provide further momentum and focus in this area.

Tyman 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 monthly Executive Committee meetings.

Risk Management Committee

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

Executive Committee

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

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

Local management

Local management accountable for its:

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

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

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

Health and safety management systems

Health and safety management systems:

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

Building a culture of safety excellence

In May, 20 senior cross-functional leaders from across the Group met to develop a plan for a more consistent approach to health and safety management across our operations. The aim was not to replace the considerable effort already applied to safety but to build on these foundations by nurturing a culture of safety excellence, shared by all our businesses. Three key areas were identified for a common Group-wide approach:

1. the development of an enhanced set of safety metrics, providing common definitions based on OSHA best practice in North America and a greater focus on leading indicators to track the development of our safety culture (e.g. recording the number of safety leadership tours);
2. the creation of an overall safety brand and engagement plan, developed by our in-house marketing teams working together to build a campaign that all our employees could get behind (safety is our first language);
3. the development of a common safety leadership programme for our managers, supervisors and team leaders to foster a safety-first mindset, engage our people and role-model the leadership behaviours necessary to drive this culture change.

We have partnered with behavioural change experts, Lane4, to develop the leadership programme and will deploy it across our global operations through a Train-The-Trainer approach. Three regional pilots are planned for early 2020 in Italy, the UK and USA, before roll-out to more than 500 leaders across the Group later in the year.

Reduction in lost time incident frequency rate

17%

Reduction in lost time incidents

23%

Safety is our first language

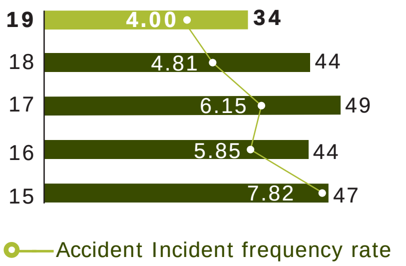
We operate in 18 countries and our people come from more than 40 nationalities, speaking more than 35 languages. While our people come from diverse cultures and backgrounds, we are building a culture where they all share a passion for safety excellence.

To support this culture change, a Group-wide communications and engagement programme (video, posters and other materials) built around the concept of safety being our first language is being rolled out across our operations.

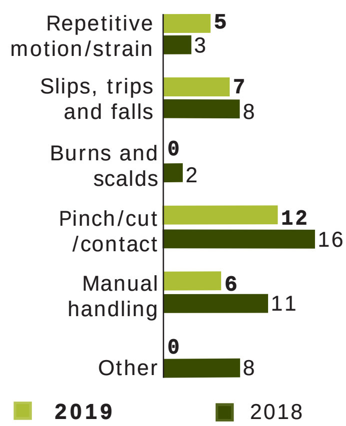
Safety performance

Our core safety metric used to measure the outcomes of health and safety programmes is the Lost Time Incident Frequency Rate (LTIFR). This is the number of work-related incidents resulting in lost time, excluding the day of the incident itself, expressed per 1 million hours worked. We are aiming for a best-in-class LTIFR against other international manufacturing groups of <1.0 by the end of 2022. The Group is pleased to report continued improvement in its health and safety performance in 2019 with a 17% reduction in the Lost Time Incident Frequency Rate to 4.0 (2018: 4.8) and a 23% reduction in absolute terms to 34 incidents (2018: 44).

Lost Time Incident Frequency Rate



Lost Time Incident Cause



The main cause of lost time injuries continues to be contact with machinery/cuts, manual handling, repetitive motion and slips, trips and falls.

Safety CONTINUED

Safety related investments

£2.7m

Safety improvement opportunities identified

10,065

Reducing manual handling risk at Newton Aycliffe, UK

Our factory at Newton Aycliffe was extended in 2019 to provide a dedicated bin storage area for pile seals for windows and doors. Previous practice involved heavy lifts of product bins onto shelving by two people, with weights up to 80kg. With the new extension and purpose-built textile bins, this area has significantly reduced manual handling risks by eliminating the need for high level manual lifts, and the creation of sufficient space for single height bin storage.

Improvement activity across the Group over the year included:

- A major focus on machinery safety and manual handling, with £2.7 million invested in upgraded equipment and controls;
- Safe driving programmes for fork lift truck operators in Henlow (UK) and Barcelona (Spain), as well as UK company car drivers;
- Replacing the use of ladders with mobile elevated working platforms for safer access in warehouses;
- The introduction of a new upgraded safety bar in the UK for use during the in-situ refurbishment and replacement of sash windows;
- A thorough review of all sharp/cutting devices to ensure the safest solutions are adopted across our operations;
- The creation of a single incident investigation procedure to guide our investigation teams to focus on root cause analysis, corrective and preventive action;
- Greater emphasis on investigating Hi-Potential Near Miss Incidents (those events that did not cause actual harm but could, in other circumstances, have realistically resulted in a serious/life changing injury);
- The introduction of safety leadership tours (Gemba walks); and
- The roll out of a mobile App for the reporting, tracking and close out of safety improvement opportunities.

During the year, over 1,000 safety leadership tours were undertaken by our managers, supervisors and team leaders. Alongside safety improvement opportunities identified by our front-line staff, these tours helped to increase the number of safety improvement opportunities this year to 10,065 (2018: 9,756). We continue to share of best practice and lessons learned following incident investigations across the Group.

Where considered appropriate for their particular markets, a number of our plants are certified to externally recognised standards. Our plants in Henlow and Harrogate in the UK are certified to OHSAS 18001 and we are preparing for certification to ISO 45001 in Budro (Italy), Henlow and Newton Aycliffe in the UK.

Despite this progress, four employees received serious injuries during the year. One was related to a manual handling incident in the UK causing a back injury and the other three were machinery-related injuries in Mexico and the US. Each incident was fully investigated and the resulting preventative actions were rolled out across the Group. A global safety stand down led by the Group CEO was held for all site leaders and a letter sent to all employees globally. Through engaging our employees in safety-related discussions, this resulted in a further 450 safety improvement opportunities being identified for action.

Occupational health

In addition to the control of physical risks to personal safety, occupational health is also important to the Group. While no occupational illnesses resulting in lost time were reported during the year (2018: zero), we remain vigilant to known occupational illnesses. Health surveillance programmes are in place across the Group for routine exposures such as noise in our factories, airborne dust and fumes from painting and welding, to less common exposures such as lead in paint from the renovation and repair of sash windows in older properties in the UK. Ergonomics and the prevention of musculoskeletal disorders also remain a focus for us.

Well-being

As mental health rises up society’s agenda we are taking further action to manage the well-being of our employees. As a first step we have raised awareness of mental health issues among our managers. During the year over 80 managers from our UK businesses attended mental health awareness courses designed to improve the early identification of mental health concerns, promote support for colleagues and encourage the adoption of self-help strategies.

In collaboration with Padova University, our Budrio plant in Italy launched an exercise programme to improve the well-being of 200 employees at the facility. Conducted three times per day, the programme consists of a series of exercises to reduce musculoskeletal injuries, with a particular focus on the spine, upper limbs and shoulders. A similar programme of ‘occupational athletics’ has been in place for a number of years in our North American operations.

Annual health fairs are also popular events at a number of our plants. For example, at our Owatonna facility in Minnesota, 20 vendors/community partners attended a fair in the Autumn to provide well-being, health and financial planning advice to our employees.

Our people

Every one of our employees has a role to play in our on-going success as a business. The Group's Code of Conduct underpins everything we do. Our Code sets out the principles by which every employee working in Tyman is expected to adhere to. It also states that Tyman expects its customers, suppliers and other stakeholders to operate to an equivalent standard. The Code of Conduct is embedded in employee handbooks, which ensures every new recruit is fully aware of what is expected of them. Each division operates in accordance with its own policies and procedures, which are consistent with the principles, expectations and values set out in this Code.

To support our business and growth ambitions, we need engaged, passionate people to work for us. We want our people to enjoy the work they do, where working safely is a priority, where diversity is valued and where they are encouraged to take responsibility, grow and develop. The loss of key personnel is a recognised risk for the Group, and to mitigate this, each Division has policies in place on recruitment, talent development and succession planning, supported by training programmes, long-term management incentives and retention initiatives.

Training and development

We are committed to inspiring, growing and investing in our people, building an ethically-led and high performing business culture. Training and development programmes are in place across the Group. Examples include:

- 5,000 hours of quality and safety training were delivered to employees working at our two largest plants in Mexico (Juarez and Monterrey);
- Apprenticeship programmes in place in the UK, Italy, Germany and Brazil;
- Safety observation training (Gemba walks) at the Monterrey plant in Mexico;
- Team leader development training in Sioux Falls, North Dakota; and
- In the UK, 17 members of staff working on a number of qualifications funded by the UK's Apprenticeship Levy – 10 on lean excellence, four on degree level management qualifications, one on HR and two young apprentices in engineering and customer services.

Apprentices go the extra mile in Newton Aycliffe, UK

Newton Aycliffe apprentices presented with the awards by the Tyman Board of Directors during their visit to the site in 2019.

Our Newton Aycliffe facility recruited three apprentices in 2017 to work in the mechanical, electrical and process areas. Each has flourished in their respective roles, achieved distinctions in their ONC and HNC qualifications and become well respected members of the Newton Aycliffe engineering team. Michael, our electrical apprentice, was honoured with Apprentice of the Year at Hartlepool College for his final year project, which was based on fitting safety light curtains to the weaving looms in the factory.

Employee engagement

All locations carry out communications programmes to engage their employees around important topics, expected behaviours and business updates via Town Hall meetings, team briefings, noticeboards, company conferences, training sessions, newsletters, Works Council meetings, employee satisfaction and safety culture surveys, focus groups and employee recognition events.

These measures were further strengthened during the year with Pamela Bingham, Non-executive Director and the Board Director responsible for employee engagement, meeting employees at all levels in the business to understand local challenges, best practices and promote a direct link into the Board. Nine meetings were held during the year with cross functional representatives. Three sessions per plant in Statesville, US; Access 360 in Atherstone and Newton Aycliffe in the UK. Non-Executive Directors also visited the new acquisitions in Monterrey, Mexico and Zoo in Carlisle, UK. Employee engagement featured strongly in shop floor discussions with staff and groups of employees through 'skip-level' meetings held by the CEO during her visits to the Group's principal facilities around the world in 2019.

25% of our employees belong to a recognised trade union. We have positive and constructive relationships with our trade unions that collectively represent our employees. In addition to trade union representation, a number of Works Councils exist, where required by local

Our people CONTINUED

Team Leader development programme, Sioux Falls, North Dakota, USA

Fifteen production operatives successfully completed our pilot Team Leader development programme in Sioux Falls. The course was developed in-house by our Human Resources and Operations teams, and consisted of eight modules covering: Human Resources, Safety, Door and Window School/ Customer Overview, Lean Excellence, Leadership/Product Flow, Case Studies and Value Stream Rotations. Seven trainees were subsequently promoted to Team Leader and will receive further development support over the coming months to sustain them in their new roles.

Female representation at Board level

50%

Representation of global workforce is female

40%

legislation together with other employee consultation groups. For example, in the UK, the divisional CEO and HR Directors chair an informal consultation group made up of elected employee representatives from each business area to review issues raised by staff.

In North America, we had a particular focus on perfect attendance programmes following the completion of the footprint rationalisation project. Significant progress was made at the Statesville facility, reducing the combined voluntary/involuntary turnover rate from 19.6% in Q1 to 7.5% in Q4, through a combination of incentives (free entry into prize draws) and greater accountability through better coaching conversations. Out of a total workforce of 245, 36% achieved a minimum of six months continuous attendance.

Diversity and inclusion

To support our growth and meet the evolving needs of stakeholders, we draw on the skills and insights of a diverse employee population. Tyman's employment policies and practices require that an individual's skills, experience and talent are the sole determinants in recruitment and career development rather than age, beliefs, disability, ethnic origin, gender, marital status, religion and sexual orientation. The Group is committed to supporting employment opportunities and non-discrimination, and that comply with relevant local legislation and accepted employment practices. All areas of diversity and inclusion are discussed regularly at Board level and discussed with the divisional management during succession planning sessions and at site presentations.

As at 31 December 2019, the Board had female representation of 50% (2018: 33%). Female representation at senior management level was 31% (2018: 24%). Across the global workforce there was 40% female representation (2018: 41%).

Ethics and compliance

Group policies are in place for topics such as anti-bribery and anti-corruption, supplier code of conduct and the prevention of the facilitation of tax evasion. These policies are regularly reviewed by the Tyman Risk Management Committee and communicated to staff, together with training programmes for our employees.

Compliance with these policies are reviewed through Group-level internal audit programmes, with major facilities audited every two years and lower risk facilities every three years. 19 audits were completed during the year and no significant risks have been identified. The Risk Management Committee manages the programme of work which supports the implementation of and compliance with these policies, reporting regularly to the Audit Committee on their findings.

Product integrity

The Group seeks to be honest and fair in its relationships with customers and suppliers and to source and supply goods and services in an efficient manner, in accordance with specifications, without compromising quality and performance. Our businesses are responsible for negotiating the terms and conditions of trade with suppliers. In doing so each division is expected to maintain high standards of integrity in all business dealings with suppliers and is encouraged to use the services of those suppliers whose values and standards are equivalent to Tyman's quality management standards.

Operating units are encouraged to gain and maintain accreditation to specific standards required by the markets they serve, with quality and production accreditations gained throughout the Group's operations in Europe and North America. For example, 74% of our revenues are derived from facilities with ISO 9001 certification for quality.

Modern slavery

Tyman is committed to respecting human rights across all its operations and aims to work at the highest international standards in addition to local requirements. The Group fully supports the Modern Slavery Act 2015 and seeks to ensure the Group's activities and those in its supply chains do not infringe on, or encourage, human rights abuses.

We manufacture products, primarily in North America and Western Europe, distributing and selling products to markets globally. A proportion of the Group's products are sourced from third party suppliers, primarily in China, and to a lesser extent in India and Taiwan. Over 50 formal audits of these suppliers, including those sourced from recent acquisition. Zoo in the UK, were completed in 2019. No significant issues of concern were identified in relation to employment conditions or modern slavery.

During the year, training for all relevant staff (such as those involved in supply chain management, recruitment and procurement) and a programme of supplier audits, including site visits, were completed. A revised Modern Slavery Statement for the financial year ended 31 December 2019 may be found on the Group's website.

Sourcing teams across the Group, are responsible for the ethical sourcing of all products used in the production of finished goods and the verification of controls in place across the supply chain. Where possible, we seek to re-engineer products, reworking them to reduce the materials used, or to take advantage of improved production methods, using more environmentally sound materials.

Whistleblowing

The Group continues to operate a confidential whistleblowing telephone helpline, which is available to all employees and any external person providing goods or services to our businesses. As a result of continued awareness building of this service, 27 calls were made to the helpline in the year (2018: 11). Each call was fully investigated by an appropriate person, independent of the claim being made. All cases and investigation outcomes, are reported to the Board. We welcome this increase in reporting as a positive sign that our employees feel empowered to speak up if they feel that something is not right.

Calls to whistleblowing helpline

27

Audits of supplier employment practices completed

>50

Environmental performance

Greener products

As the world becomes more populous, urbanised and prosperous, demand for energy and other resources will grow. Buildings are responsible for up to 40% of carbon emissions. The challenge of delivering growth and avoiding dangerous climate change will intensify. Through our product portfolio, we can play our part in responding to these challenges by providing energy saving and greener solutions for our customers (e.g. seals to improve energy efficiency, insulated roof access hatches, and products with strong environmental credentials) as well as reducing our own operational environmental impacts.

Overall we believe the Group is well positioned to benefit from the transition to a greener, low carbon economy. Furthermore, by reducing our own use of energy, water and materials, the Group will not only minimise the environmental impacts of its operations but will reduce costs too.

As the need for zero and low carbon buildings grows, so too will demand for more double and triple glazed units and our hardware and seals that go in to them. We also recognise that demand for products with reduced environmental impacts will intensify and we need to respond to changing customer expectations in this area by pursuing appropriate green product declarations in our chosen markets. Bilco is already seeing increased customer interest in thermally insulated smoke vents in the US to meet Energy Star and LEED building requirements for more sustainable buildings.

In the UK, the Group collaborated with the Door and Hardware Federation initiative over a three-year programme to produce generic ‘cradle to cradle’ (C2C) Environmental Performance Declarations (EPDs) for all major product groups including door locks, door handles, window fittings, door closers, letterplates, electromechanical hardware, cylinders and hinges. The EPDs have been generated in accordance with the requirements of international standards ISO 14025 and EN 15804.

Buildings are responsible for up to

40%

of carbon emissions

Net zero

targets will drive demand for energy saving products

Cradle to Cradle (C2C) Project for seals and hardware

In recognition of our end customers increasingly seeking environmental product certification and declarations for green building certification schemes such as BREEAM, LEED and the Wellness Building Standard, the Group has commenced a cradle to cradle certification scheme for its Q-Lon and pile seals (51% of the Schlegel 2018 revenues) and extruded aluminium hardware (24% of Giesse 2018 revenues).

The Cradle to Cradle Certified™ Products Standard is a multi-attribute, continuous improvement methodology that evaluates products across five categories of human and environmental health including renewable energy/carbon management, materials management, water stewardship and social responsibility/supply chain.

Certification is awarded for one of five levels – basic, bronze, silver, gold and platinum. We will target silver certification for these products by focusing on safe materials, good levels of re-use (circularity), renewable energy used in its production, water management plan in place and a community project delivered that positively impacts people’s lives. We have started working with the C2C Platform (assessor body) through our plants in Budrio (Italy), Hamburg (Germany) and both Newton Aycliffe and Henlow in the UK, and expect to achieve certification in late 2020.

Reducing our own impacts

Our businesses have policies and programmes in place for managing the environmental impacts of their operations, including compliance with local regulations. These policies and programmes cover areas such as the use of materials, including the principles of reduce, re-use and recycle and ongoing energy efficiency programmes. These measures help improve production efficiencies, deliver compliance with legal obligations, reduce costs and minimise our environmental impacts. Five manufacturing sites in the UK and Italy have environmental management systems in place that are externally certified to the ISO 14001 international standard, representing 21% of the Group's revenue.

Energy and greenhouse gas emissions reporting

The Group is required to measure and report its global Greenhouse gas ('GHG') emissions according to the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013 in the UK. We have included full reporting for Scope 1 and 2, and select Scope 3 reporting as best practice. We apply the GHG Protocol as the basis for reporting emissions of greenhouse gases from facilities over which the Group has operational control and have restated our emissions to include the latest conversion factors published by the UK's Department for Environment, Food & Rural Affairs (DEFRA) and International Energy Agency (IEA). Our Scope 1 and 2 emissions in TCO_2e per £m revenue decreased by 14% in 2019 to 68.66 (2018: 79.99). This improvement was driven by the closure and consolidation of manufacturing facilities in the US as part of the footprint rationalisation project together with revenue growth.

Energy and GHG emissions

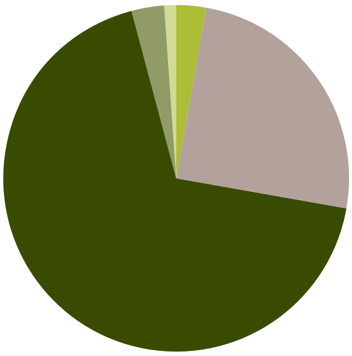
	2019	2018	2017	2016
Scope 1[1] direct emissions tonnes CO_2e	**12,142**	13,988	12,046	12,115
Scope 2[2] indirect emissions tonnes CO_2e	**29,993**	33,327	26,376	16,064
Total direct and indirect emissions (Scope 1 + Scope 2) tonnes CO_2e	**42,135**	47,315	38,423	28,179
Scope 3[3] other indirect emissions tonnes CO_2e	**1,703**	–	–	–
Intensity ratio (Scope 1 and 2) tonnes CO_2e per £m revenue	**68.66**	79.99	73.51	61.58

Notes:

1. Direct emissions through combustion of fuels and process emissions using DEFRA GHG and IEA conversion factors
2. Indirect emissions through consumption of electricity (location-based method) using DEFRA GHG and IEA conversion factors
3. Estimate based on emissions associated with business air travel and consumption of water

The majority of the Group's greenhouse gas emissions are generated from our manufacturing operations (such as electricity use and combustion of natural gas for space heating and process applications). We have reported air travel emissions through data provided by our corporate travel agents for the first time as we expand the scope of our reporting to enhance our understanding of the company's wider environmental footprint.

2019 GHG emissions by Scope (43,838 tonnes CO_2e)



- Scope 1 (mobile plant and company vehicles) 3%
- Scope 1 (stationary combustion) 25%
- Scope 2 electricity 68%
- Scope 3 business air travel 3%
- Scope 3 water consumption 1%

The Group recognises that its Scope 1 and 2 GHG emissions only reflect a proportion of our total carbon footprint across the value chain. A more holistic approach to reducing our indirect impacts will be required to deliver the scale of reductions demanded by the climate science. Being a major consumer of metals and polymers means the embodied carbon impacts of these materials and our logistics supply chain needs to be better understood. For example, during the year we commenced the repatriation of multi-point lock assemblies from our supplier in China to our manufacturing facility in Wolverhampton, UK. This not only made good commercial sense in terms of cost savings but also eliminated 60 TCO_2e by avoiding the need to ship these assemblies by sea from China to the UK.

Environmental performance CONTINUED

Energy efficiency actions

The Group complied with the requirements of Phase Two of the UK's Energy Savings and Opportunity Scheme (ESOS) during the year. Energy audits were completed at all six of our UK manufacturing plants. A range of energy saving opportunities were identified such as adjusting energy settings in equipment, improved insulation, lighting upgrades, improved efficiency of compressed air systems and various measures to reduce transport related emissions. These opportunities will be reviewed in 2020 to determine those considered to be the best fit for rollout across the Group.

In addition to these audits, a number of energy efficiency improvements were deployed across the Group during the year, including:

- LED lighting upgrades in Budrio (Italy), Huairou (China), Owatonna (US), Buenos Aires (Argentina) and Brampton (Canada);
- Roof replacement and insulation upgrade in Budrio (Italy);
- Compressor replacement at Agnosine (Italy);
- More energy efficient space heating units installed in Brampton (Canada);
- Roof windows to reduce the need for strip lighting by increasing natural daylight in Monterrey (Mexico); and
- Improved heating controls at Newton Aycliffe (UK).

Reduction in GHG emissions/£m revenue

14%

Reduction in water use/£m revenue

6%

Water consumption

Water is a precious natural resource and reducing consumption helps minimise our overall environmental footprint. Water use in our manufacturing processes is dominated by our Owatonna plant (77% of the 2019 Group total) where it is used for cooling purposes for die-cast parts. Other uses include canteens, toilets and washing facilities. Water consumption decreased across the Group by 6% in 2019 at 836m^3 per £m revenue (2018: 889).

	Water consumption[1]			
	2019	2018	2017	2016
Cubic metres (m^3)	**513,234**	525,958	464,570	451,935
Intensity ratio m^3 per £m revenue	**836**	889	889	988

1. Restated consumption data for 2016 – 2018 following a unit of measure reporting error at the Owatonna facility.

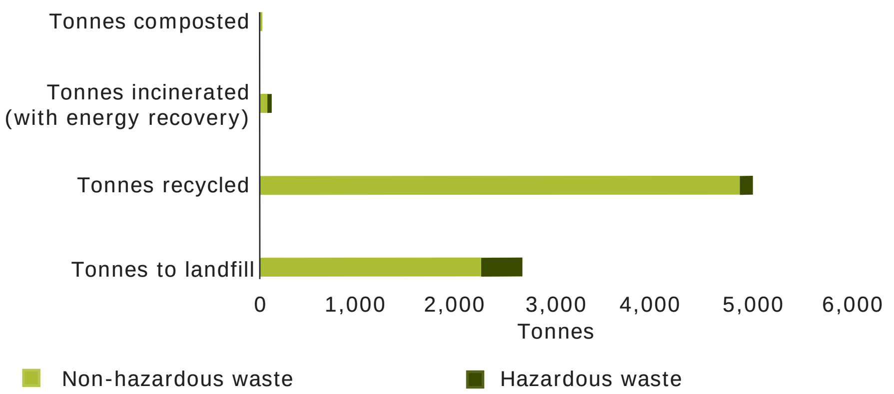
Waste management

The Group collected waste data for the first time during the year. We generated an estimated 7,824 tonnes of waste in 2019, of which 65.8% was diverted from landfill through recycling and recovery. Hazardous waste represents a relatively small proportion of the total (7.6%), comprising materials such as lead contaminated wastes (from window renovation), oil/contaminated rags, chemicals, cutting fluids and fluorescent light tubes.

	2019 Waste management		
	Non-Hazardous Waste	Hazardous Waste	Total non-hazardous and hazardous waste
Tonnes to Landfill	**2,243**	**435**	**2,678**
Tonnes recycled	**4,870**	**117**	**4,987**
Tonnes incinerated (with energy recovery)	**84**	**42**	**126**
Tonnes Composted	**33**	**–**	**33**
Total Tonnes	**7,230**	**594**	**7,824**
Intensity ratio Tonnes per £m revenue	**11.78**	**0.97**	**12.75**

Following a review of waste types across the Group, improved segregation practices were introduced during the year to increase the proportion recycled. Process scrap reduction (PVC and Polypropylene) was also an area of focus at our plants in Newton Aycliffe (UK) and Valinhos (Brazil). We will continue to work on the quality of this data going forward.

2019 Estimate waste arisings: 7,824 tonnes



Community investment

The Group gets involved in local communities to build strong relationships and engage its people. The management of community relationships is undertaken locally, with each business focussing on communities and charitable causes important to them. Examples include donations to food banks, donations of toys and school supplies and fundraising for emergency relief, medical research and other charitable organisations.

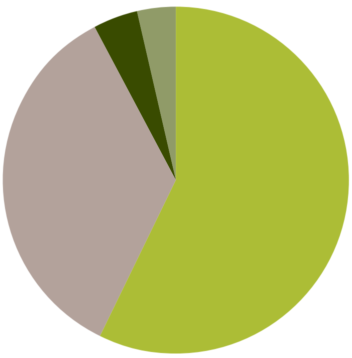
At a Group level, we have quantified the total value of this community investment for the first time under the headings of:

- Cash donations to charity by the company and employees;
- Value of staff time volunteered in company hours for community activity; and
- In-kind contributions, such as donations of equipment, materials and use of company premises for community activities.

In 2019, the Group's total community investment was estimated at £74,640.

Community Investment 2019:

£74,640



- Company cash donation to charity £42,747
- Employee cash donation to charity £26,261
- Value of staff time volunteered in company hours £3,007
- In-kind contributions to local communities £2,625

Co-ordinating efforts to raise $786,000 with other partners for United Way

Tess Heyer, Digital Marketing Assistant (with microphone) and Anni Yule, HR Manager (to her left), AmesburyTruth, fund raising for United Way at the Steele County Fair.

Our US business has a long tradition of supporting the United Way in Steele County. United Way was established after World War One to help tackle local community challenges by consolidating fundraising activities in the County and providing local solutions to those in need through food, clothing, housing, counselling, medical care and legal aid services. In 2019, it was the turn of our Owatonna facility in Minnesota to pick up the baton as the Corporate Campaign Leader to co-ordinate efforts across the wider business community to raise money from local employers and members of the public to fund the activities of 27 community groups in the County.

We established an eight-strong volunteer-led fundraising committee to help drive this programme. Nearly $20,000 was raised during the period September to December 2019 at the Owatonna plant itself through employee donations, raffles and corporate match-funding. A record breaking $786,000 was raised in total through the collective efforts of businesses for United Way Steel County.

Developing young people through Your Futures

EY – Your Futures – Programme for under-privileged young people – Graduation event hosted by ERA.

In the UK, the Group worked with The EY Foundation, a charity that works with young people in the UK to realise their career ambitions. Following a one-week 'Your Futures' course for 12 young people transitioning into higher education in 2018, we completed the sponsorship and work placements for two of this cohort in 2019.

Board of directors

Martin Towers
Non-executive Chairman

N R

Appointment to the Board
Martin Towers was appointed to the Board as a Non-executive Director in December 2009. He was Chair of the Audit Committee from 2009 until May 2017, when he was appointed Chair of the Board and Chair of the Nominations Committee.

Skills and qualifications
Martin is a Fellow of the ICAEW and holds a degree in economics and accountancy from Leeds University. He has extensive financial and general management experience gained in manufacturing companies operating in markets with significant overseas interests.

Relevant past experience
Martin was previously chief executive of Spice plc until its sale to Cinven in December 2010. Prior to this, he served as group finance director of McCarthy & Stone plc, The Spring Ram Corporation plc, Allied Textile Companies plc and Kelda Group plc, having spent his early career with PwC.

Martin is a former non-executive director of Homestyle Group plc, KCOM Group plc and RPC Group plc.

External appointments
Non-executive chair of Restore plc and Norcros plc. Martin is to retire from the Norcros plc Board following the AGM in July 2020.

Jo Hallas
Chief Executive Officer

Appointment to the Board
Jo joined Tyman on 1 March 2019 and was appointed Chief Executive Officer with effect from 1 April 2019.

Skills and qualifications
Jo is a Chartered Engineer with an engineering degree from the University of Cambridge and an MBA from INSEAD. She has extensive international management experience focused on business transformation through organic and acquisitive growth in the global industrial and consumer sectors, achieved through establishing and leading strategic clarity and execution.

Relevant past experience
Jo was previously Business Group Director for Spectris plc, where she had responsibility for a portfolio of global industrial technology businesses. Prior to this, Jo led the Invensys heating controls business. Jo has also held senior commercial roles with the Bosch Group in the UK and Germany and ten years with Procter and Gamble in Germany, the USA and Asia.

Jo is a former non-executive director of Norcros plc.

External appointments
None.

Jason Ashton
Chief Financial Officer

Appointment to the Board
Jason joined Tyman on 29 April 2019 and was appointed Chief Financial Officer on 9 May 2019.

Skills and qualifications
Jason is a Chartered Accountant and has a degree in Economics from the University of Manchester. His career in international manufacturing-based businesses includes significant experience of commercial finance, M&A, investor relations and tax and treasury functions.

Relevant past experience
Jason was formerly Interim Group Chief Financial Officer of Nomad Foods Limited, the UK-headquartered, NYSE-listed frozen foods group. Prior to this, he was Group Finance Director for the Iglo Group, leading the business through its €2.6bn acquisition by Nomad Foods and subsequent €0.7bn acquisition of the Findus Group. Jason has also held senior finance and commercial positions with Mondelēz (Kraft), Plum Baby and Cadbury plc, based variously in the UK, Belgium, Poland, Russia and Turkey. His early career included roles with Diageo plc, Tetley Group and KPMG.

External appointments
None.

Pamela Bingham
Non-executive Director

A N R

Appointment to the Board
Pamela Bingham was appointed to the Board in January 2018 as a Non-executive Director. She is the Non-executive Director responsible for employee engagement across the Group.

Skills and qualifications
Pamela has a law degree from the University of Edinburgh and holds an MBA from Warwick Business School. She practiced as a solicitor before moving into general management. Pamela has a proven track record as a commercial leader, focusing on strategic direction and leading cross-cultural teams to deliver growth and business expansion. She has worked in the engineering, mining, renewable energy and oil and gas sectors.

Relevant past experience
Pamela was most recently managing director of Weir Minerals Europe. She previously held senior management roles with Rotork plc, David Brown Group Ltd and CSE-Servelec Ltd. Her early career was spent as in-house counsel for English Welsh and Scottish Railway Ltd and for the Yorkshire Building Society.

External appointments
None.

Helen Clatworthy
Non-executive Director

A N R

Appointment to the Board
Helen Clatworthy was appointed to the Board in January 2017 as a Non-executive Director. She was appointed Chair of the Audit Committee in May 2017.

Skills and qualifications
Helen is a Fellow of the Chartered Institute of Management Accountants and has significant operational and corporate experience particularly in cost management, acquisition integration, information technology and change management.

Relevant past experience
Helen is a former member of the executive committee of Imperial Brands plc, where, as business transformation director, she led integration activities for Imperial's enlarged US business and a group-wide strategic cost optimisation programme. Helen held a number of other senior roles at Imperial including finance director for Western Europe and group supply chain director.

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

Mark Rollins
Non-executive Director and the Senior Independent Director

A N R

Appointment to the Board
Mark Rollins was appointed to the Board in April 2015 as a Non-executive Director and Chair of the Remuneration Committee. He was appointed Senior Independent Director in November 2016. As announced by the Company on 12 December 2019, Mark will be stepping down from the Board on 31 March 2020.

Skills and qualifications
Mark is a Chartered Accountant and holds a degree in civil and structural engineering from the University of Bradford. Mark has considerable financial, commercial and general management experience of mainly listed engineering/ manufacturing companies both as an executive and non-executive director.

Relevant past experience
Mark is a former chief executive officer and finance director of Senior plc, where he played an instrumental role in transforming the business. Prior to joining Senior plc in 1998, he held various financial roles at Morgan Advanced Materials plc.

Mark is a former non-executive director of WSP Group and of Vitec Group plc.

External appointments
Non-executive chair of Carclo plc and of Sigma Precision Components UK Limited, an aerospace business owned by private equity.

Paul Withers
Non-executive Director

A N R

Appointment to the Board
Paul Withers was appointed to the Board in February 2020 as a Non-executive Director. Paul will succeed Mark Rollins, who will be stepping down from the Board on 31 March 2020, as Chair of the Remuneration Committee and Senior Independent Director from that date.

Skills and qualifications
Paul qualified as a Mechanical Engineer, is a Sloan Fellow of the London Business School and holds a DPhil, Mathematics from Oxford University. He has extensive experience in international manufacturing businesses and, in particular, strong knowledge of US markets, both as an executive and Non-executive director.

Relevant past experience
Paul's executive career was spent at BPB plc, the international building materials business where he was Group Managing Director.

Paul is a former non-executive director of Premier Farnell plc and Hyder Consulting plc.

External appointments
Senior Independent Director and Chair of the Remuneration Committee for Devro plc and non-executive director of Keller Group plc. Paul is to retire from the Keller Group plc Board following the AGM in May 2020.

Committee membership key
- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- ● Committee chair

Chair's introduction to governance

Continuing to promote long-term success

Martin Towers
Non-executive Chairman

Board gender breakdown
As at 1 April 2020

Male 50%
Female 50%

Dear Shareholder

On behalf of the Board I am pleased to report on the work of the Board and governance arrangements during the year.

We welcome the corporate governance reforms introduced in 2018, including the UK Corporate Governance Code 2018 (the 'Code') and Companies (Miscellaneous Reporting) Regulations 2018 ('secondary legislation'), which both apply for year ended 31 December 2019. The Group has taken steps to ensure compliance with the 2018 Code and secondary legislation for the year ended 31 December 2019, by working to incorporate the best practice recommendations from the FRC's Guidance on Board Effectiveness. The Group has updated its Committee terms of reference and schedule of matters reserved for the Board to ensure that they comply with the governance reforms.

This includes embedding consideration of the interests of stakeholders in decision-making. The statement in accordance with s172 can be found on pages 48 to 50. The Board also spent time considering its responsibilities in establishing the company's purpose, values and strategy as part of a Board strategy day.

Further to the appointment of a Group Health, Safety and Sustainability Director, this vital area of sound business management has received a Group-wide emphasis. Work has been undertaken to develop improved safety metrics, a Group-wide safety brand under the banner 'Safety is our first language' and a safety leadership programme as part of a zero-tolerance health and safety culture with the intention of eliminating preventable accidents throughout the organisation.

The results of the Board evaluation show the Board is pleased with the changes to the Executive and confident that they have got to grips with the business. The Board is also pleased with how the meeting papers are structured, the inclusiveness of Board discussions, the agendas and the relationship between management and the Board. The Strategy Day in November brought clarity and alignment around the strategy and Non-executive Directors are able to give their input towards this. Further observations on the progress of the Board and its Committees together with recommendations are set out in the following pages.

Following the Company's announcement on 20 November 2018, Jo Hallas was appointed as the new CEO to succeed Louis Eperjesi with effect from 1 April 2019. The recruitment process for a new CFO began in March following the announcement that James Brotherton would be stepping down from the Board and Jason Ashton was appointed by shareholders with effect from the conclusion of the AGM on 9 May 2019. The new Executive Directors received a structured induction to the business,

full details of which are contained in the Nominations Committee Report on pages 78 to 80 of this Annual Report. I am pleased with how quickly Jo and Jason have got to grips with the organisation and how, following a period of acquisitions, they have begun work to drive organic growth and long-term sustainability.

The succession planning work of the Nominations Committee continued as it conducted a search for a new Non-executive Director in place of Mark Rollins who steps down from the Board on 31 March 2020. As announced by the Company on 12 December 2019, Dr Paul Withers was appointed to the Board as a Non-executive Director and member of the Audit, Nominations and Remuneration Committees with effect from 1 February 2020. He succeeds Mark Rollins as Remuneration Committee Chair and Senior Independent Director with effect from 1 April 2020. Paul brings a wealth of experience to the Board having spent his executive career as Group Managing Director of international building materials business, BPB plc, and having served as Senior Independent Directors and Chair of the Remuneration Committee of both Premier Farnell plc and Hyder Consulting plc. Paul will seek election to the Board by shareholders at the AGM on 20 May 2020.

I am cognisant that, because of the need to recruit the new executive team, I have served on the Board for slightly longer than is current best practice. However, with the recent Board changes now in place, recruitment of a new Chair is underway. The process is being led by Paul Withers in his capacity as Senior Independent Director and search consultants have been appointed. To ensure an orderly transition, the Board has asked that I seek re-election at the forthcoming AGM. Following the recruitment of my successor, and after a short handover period, I intend to retire from the Board.

More details on the membership of the Board and the Board Committees and the work carried out during the year may be found in the following pages. This Governance and Directors' report, together with the following Audit Committee report, Nominations Committee report and Remuneration report, sets out how the governance arrangements for the Group have been implemented during the year.

This year's AGM will be held at the London offices of Pinsent Masons, and I invite all shareholders to join the Board and me where we will be delighted to answer any questions you have.

Thank you for your continued support.

Martin Towers
Non-executive Chairman

5 March 2020

Lift-and-slide system

The GS3000 lift-and-slide system combines the advantages of traditional sliding windows, such as ease of operation and minimum encumbrance of open sashes, with those of a side-hung window, including optimal thermal and acoustic insulation and resistance to the ingress of air, water and dust.

Opening and closing movements are perfectly smooth and silent and the system is equipped with a safety device to dampen the handle return movement. A special locking point also enables micro-ventilating of the room.

Statement of governance

The Board

UK Corporate Governance Code

As a company listed on the London Stock Exchange, Tyman is required to explain how it has applied the main principles of the Code and the Code's provisions throughout the financial year.

For the year ended 31 December 2019, and up to the date of this report, the Company has applied the main principles of the Code and, except where stated below in relation to Martin Towers, has complied with its detailed provisions throughout the period under review. This Governance and Directors' report, the Strategic report, the Sustainability report and the Remuneration report describe how the Company has applied the principles contained in the Code, and the statements required by sections 7.1 and 7.2 of the Disclosure Guidance and Transparency Rules.

A copy of the Code may be found on the FRC's website at www.frc.org.uk

Role of the Board

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

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

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

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

Stakeholder engagement

The Board is responsible for engaging with and understanding the views of the company's employees and other stakeholders. This includes the need to foster the company's business relationships with suppliers, customers and others. The board keeps engagement mechanisms under review so that they remain effective. Details of how the Board has considered the interests of stakeholders in decision-making as well as the matters set out in section 172 of the Companies Act 2006 are set out in the s172(1) statement on pages 48 to 50.

Governance framework

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

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

The work of these Committees in 2019 is explained in more detail on pages 72 to 98. Each of the Committees' terms of reference may be found at the Group's website.

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

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

Board composition

The names and biographical details of all the current Directors, as at the date of this report, are set out on pages 62 and 63 and at the Group's website.

The following Directors served during the year ended 31 December 2019:

Board member	Appointed to the Board
Jason Ashton	May 2019
Pamela Bingham	January 2018
James Brotherton	May 2010
Helen Clatworthy	January 2017
Louis Eperjesi	February 2010
Jo Hallas	April 2019
Mark Rollins	April 2015
Martin Towers	December 2009

Independence of Non-executive Directors

Through the work of the Nominations Committee, the Board has ensured that its members have an appropriate mix of skills, diversity of background, experience and relevant industry experience such that they can challenge and support the work of Executive Directors. Each Non-executive Director has sufficient knowledge of the Company which has enabled them to discharge their duties and responsibilities during the year.

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

The Board had specific deliberations regarding the tenure of the Chairman, Martin Towers, who has now served on the Board for ten years, and as Chairman for the past three years. 2019 witnessed executive changes with the appointments of Jo Hallas as CEO and Jason Ashton as CFO in May. Furthermore, on 12 December 2019 the Company announced that Mark Rollins would step down from the Board as Remuneration Committee Chair and Senior Independent Director with effect from 31 March 2020 together with the appointment of Dr Paul Withers to the Board with effect from 1 February 2020 to subsequently replace Mark.

In light of these changes and in pursuit of orderly transition, the Board has requested that Martin seek re-election at the forthcoming AGM. The Board has commenced a search process for a new Chair.

Director induction

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

Key responsibilities

Chair	Responsible for the leadership and effective running of the Board and its decision-making processes. Sponsors and promotes the highest standards of corporate governance. Sets the Board agenda in consultation with the Chief Executive Officer and the Company Secretary, ensuring that they are aligned to the Group's strategic objectives. Sets the style and tone of Board discussions, facilitating contribution from all Directors. Leads 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. Leads the performance evaluation of the Board and ensures its effectiveness in all aspects of its role. Ensures effective communication with the Company's shareholders and other stakeholders.
Chief Executive Officer	Responsible for the day-to-day management of the Group. Leads the Executive team and develops and implements the Group's strategic objectives, with assistance from the Executive Committee. Promotes the Group's culture and values. Brings matters of particular significance or risk to the Chairman for discussion and consideration by the Board where appropriate.
Chief Financial Officer	Responsible for the financial reporting and management of the Group, in addition to the finance, audit, tax and treasury functions. Leads the development and implementation of the Group's strategic objectives, corporate development and M&A, supported by the CEO. Responsible for the day-to-day management of all investor relations matters and for contact with shareholders, as well as with financial analysts. Responsible for providing the Board with details of feedback received from institutional shareholders and any key issues raised.
Senior Independent Director	Is available for shareholders to voice any concerns which may not be appropriate for discussion through the normal channels of Chair, CEO or CFO. Provides a sounding board for the Chair and supports him in his leadership of the Board. Leads the Chair's performance appraisal by the other Non-executive Directors and serves as an intermediary for the other Directors with the Chair as necessary.
Non-executive Directors	Bring complementary skills and experience to the Board. Constructively challenge the Executive Directors on matters affecting the Group.

Statement of governance

Board and Committee attendance

The following table shows the attendance record of the Directors at the scheduled Board and relevant Committee meetings held during the year.

Board member	Board	Audit	Remuneration	Nominations
Jason Ashton[1]	6/6	–	–	
Pamela Bingham	8/8	4/4	6/6	4/4
James Brotherton[2]	3/3	–	–	–
Helen Clatworthy	8/8	4/4	6/6	4/4
Louis Eperjesi[3]	2/2	–	–	–
Jo Hallas[4]	6/6	–	–	
Mark Rollins	8/8	4/4	6/6	4/4
Martin Towers (Chairman)	8/8	–	6/6	4/4

1. Jason Ashton was appointed at the conclusion of the AGM on 9 May 2019 and has attended all meetings since his appointment.
2. James Brotherton stepped down from the Board at the conclusion of the Annual General Meeting on 9 May 2019.
3. Louis Eperjesi stepped down from the Board on 31 March 2019.
4. Jo Hallas was appointed to the Board on 1 April 2019 and has attended all meetings since her appointment.

Attendance at Board meetings

Eight scheduled Board meetings were held during the year, with three being held in Divisional locations, on which further information may be found below. The Board also met on an ad hoc basis on four further occasions to consider internal restructuring and routine banking matters, the appointment of Jason Ashton as CFO and the allotment, issue and subsequent cancellation of Bonus Shares in connection with the share capital reduction exercise. The Board also delegated a number of administrative and completion matters to a duly-appointed sub Committee of the Board.

Work of the Board during 2019

The Board's key activities and achievements during 2019 are summarised below.

Health and safety

- Received details of every health and safety lost time incident. These were fully discussed, including the remedial actions taken, lessons learnt and future preventative measures.
- Received regular updates from the Group CEO on the shift to a behaviour-based safety culture throughout the Group, starting with the appointment of a Group Health and Safety Director.
- Received a presentation from the Group Health and Safety Director on plans to establish a Group-wide behaviour-based safety programme.

Key achievement

The development of improved safety metrics, a Group-wide safety brand under the banner 'Safety is our first language' and a safety leadership programme, which has contributed to a 17% reduction over the year in the number of lost time injuries recorded per million hours worked.

Controls and governance

- Received reports from the Audit, Remuneration and Nominations Committees, providing updates on the work of these Committees.
- Received reports from the Company Secretary on general governance updates, Group policies and all reported whistleblowing events.
- Through the work of the Audit Committee, reviewed the Divisional risk registers, the principal risks facing the Group and the Group Risk Register. Participated in in-depth externally facilitated discussions on risks and risk management.
- Received an update on legal and governance matters from Pinsent Masons.

Key achievement

The recruitment and induction of a new Group CEO and CFO. The selection of a new Non-executive Director to replace the incumbent Remuneration Committee Chair and Senior Independent Director.

Strategy and purpose

- Received a detailed briefing from the CEO on Group strategy and how it might evolve in the future.
- Received a briefing from the CFO on the strategic plan financials.
- Received presentations on the divisional strategies from divisional management and discussed the potential cross-divisional synergies.
- Received presentations from each of the divisions on new product development.
- Participation in a full strategy and succession panning day, which included valuable discussions for the Board with divisional management and further informed the Board on developments within the Group.
- As part of the strategy day, the Group' purpose, culture, and values were discussed, along with plans on how to further develop these. The Group's business model was also reviewed.

Key achievement

The development of a clear Group strategy and purpose, with the purpose centring on enhancing the comfort, sustainability, security, safety, and aesthetics of living and working spaces.

People

- Received an Organisation Capability Review for each of the three divisions and central resource presenting the work being undertaken to ensure that the Group has the appropriate organisation capability in place to deliver on its strategic objectives.

Key achievement

The development of a more structured talent management programme within the annual business calendar.

Financial

- Reviewed the Company's distributable reserves and gave approval to seek shareholder consent for capital and share premium reduction including the issue of bonus shares.
- Received and reviewed financial reports from the CFO, regularly assessing the Group's performance against budget and analysts' expectations.
- Reviewed and approved the 2020 Budget.
- Reviewed and approved the Group's dividend policy.
- Reviewed and approved the 2019 half-year results and 2018 Annual Report and Accounts.
- Received and approved the 2019 preliminary results announcement and the 2019 Annual Report and Accounts.

Key achievement

Ensured the delivery of a sound financial performance across the Group.

Shareholder engagement

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

Board visits to the operations

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

AmesburyTruth, Statesville, USA – April 2019

The Board continued its review of the US footprint project by visiting the Statesville site, which comprises a 240,000 sq. ft. facility. This site was completed in 2018 and consolidated five sites of *c.*625,000 sq. ft. including replacing three existing facilities in the area, facilities in Rochester, New York and Amesbury, Massachusetts.

This facility introduced new technologies to Statesville including TPE foam extrusion, urethane foaming and precision machining capabilities. This consolidation provided management the opportunity to bring together leadership talent in the fields of Human Resources, Warehouse Management, Manufacturing and Maintenance and added new technical talent in the fields of Quality, Materials Science, Tooling, Maintenance, and Process and Product Engineering.

The Board also spent time understanding the transition development of the E-Lon product line and TPE foam transition challenges.

The Board toured the plant to review production in process. This included plastic extrusion, textile extrusion, textile weaving, urethane foaming, custom seal processing, metal spring forming, assembly, tool room, materials lab and warehousing.

The Board spent time with executive and local management and received presentations to understand the progress being made in key areas including:

- Safety, including the progress being made on improving job hazard analyses, behaviour and awareness programmes.
- People, receiving updates on the variety of engagement programmes.
- Quality, understanding the work being carried out on improvement of production processes before being transferred to the new site in Statesville. Including the redesign of the tooling development process which had provided increased consistency throughout the production process.
- Productivity performance. Pile weather strip performance set new productivity records in 2018 and TPE foam productivity has continued to progress.
- Cost, focus on cost management, assisted by improved maintenance processes.

The Board also received presentations from executive and local management from the AmesburyTruth Juarez plant on a number of areas, including health and safety, people programmes, quality, productivity and cost management to understand the improvements that have been made at this site since the Board's visit in 2017.

Pamela Bingham, the Non-executive Director responsible for employee representation, participated in a number of employee forums, without management being present. She also had 1-2-1 meetings with various HR leaders and plant management. A more detailed report on the Board's employee engagement programme may be found as part of the Sustainability Report on pages 55 to 56.

ERA, Profab Access Limited, Atherstone, UK – June 2019

Following the serious accident that occurred at this site on 16 April 2019, the Board ensured time was set aside to visit this plant to understand the cause of this accident, the actions taken to prevent such an accident being repeated and the lessons learnt. Further details on this accident and remedial actions may be found in the Sustainability Report on page 54.

During this site visit the Directors met with executive, local management and production staff, inspecting production facilities and reviewed the improvements made to date. Further improvements have been made to this site since the Board's visit and the Board has been kept updated with this progress on an ongoing basis.

Statement of governance CONTINUED

The Directors also received an update on the progress of the division's strategy, including such topics as:

- The development of the organisational structure taking into account the growth of the division and development of product offering.
- 2019 Staff Survey, which showed an overall positive response, with an improved score against all categories since the previous survey in 2017.
- Focus on the initiatives as part of the business's development programme.
- The key strategic action priorities, covering progress in the expansion of the commercial access business, development of the smartware platform, enhanced by the acquisition of Y-cam earlier in the year and the development of the Zoo Hardware product portfolio.

Meetings as part of the employee engagement programme for the ERA Division were arranged to be held at Zoo Hardware, later in the year, details of which may be found in the Sustainability Report on pages 55 and 56.

SchlegelGiesse, Newton Aycliffe, UK – September 2019

The Newton Aycliffe site had been upgraded during 2018/2019 and the Board welcomed the opportunity to see the improvements that had been made to this facility.

During this site visit the Board inspected the production facilities, including the pile production lines, seals extrusion and warehousing and reviewed the improvements made to date. These improvements had delivered improved operational efficiencies, overall improved logistics and warehousing facilities.

The Board also received presentations from executive and local management on the development of the business including:

- A review of the business, covering a market outlook, business performance, progress of the health and safety programme and an update on the organisational structure.
- A review of 2019 Strategic Plan key actions.
- A focus on European seals footprint.
- Product development and innovation pipeline and organic growth of the European portfolio.
- Progress on the integration of the Reguitti business.

Meetings as part of the employee engagement programme for the SchlegelGiesse Division were arranged to be held at the Newton Aycliffe facility, later in the year, details of which may be found in the Sustainability Report on pages 55 and 56.

Performance evaluation

The Board participated in an internal review for the second consecutive year using the Independent Audit platform, the provider of which has no other connection with the Board. An external evaluation will be undertaken in the year to 31 December 2020. The key developments and recommendations arising from the evaluation are set out below.

- The Board Strategy Day had brought good clarity and alignment around strategy and Non-executive Directors feel more able to input to its development.
- The Board was pleased with the changes to the Executive and confident that they had got to grips with the business.
- Directors were pleased with improvements to the meeting papers, the inclusiveness of Board discussions and the agendas.
- Board members would like to have a better balance of KPIs, including non-financial ones, brought to them.
- Directors would like more suitable measures to be put in place to identify risks, uncertainties and pressure points facing the business.

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

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

Investor relations programme

The Board is fully committed to dialogue with shareholders, including employee and private shareholders, through its investor relations programme.

Tyman operates a planned schedule of communications and investor relations activities throughout the year. The CEO and CFO have day-to-day responsibility for all investor relations matters and for contact with shareholders, as well as with financial analysts.

The Group CEO provides the Board with details of feedback received from institutional shareholders and any key issues raised. Regular dialogue with institutional shareholders and financial analysts is maintained through:

- meetings and calls involving the Chief Executive Officer and the Chief Financial Officer, together with presentations at investor conferences;
- scheduled releases to the market of updates on the financial performance of the Group – including the two results announcements, the AGM trading statement and the November trading statement;
- the Chairman regularly engaging with larger institutional shareholders to discuss matters including the Board, strategy, corporate governance and succession planning; and
- the Remuneration Committee Chairman and Company Secretary engaging with shareholders and institutional bodies regarding remuneration policy.

A total of 66 separate meetings were held by the Chief Executive Officer and the Chief Financial Officer during 2019 with a variety of shareholders and prospective shareholders (including institutions, wealth management and private client brokers), analysts and equity salesforces.

All communications from individual shareholders to Tyman, whether private or institutional, receive a response.

A similar shareholder engagement programme will be run during the 2020 financial year.

A table setting out the Company's major shareholders may be found on page 82 of the other statutory information.

Summary of investor relations meetings

March 2019	Results roadshow
May 2019	Tyman plc Annual General Meeting Private client roadshow, London
July 2019	Interim results roadshow

2019 AGM

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

The 2019 AGM was held at the London offices of Pinsent Masons LLP.

Access to the Chair and Non-executive Directors

The Chair and Non-executive Directors make themselves available to attend meetings with major shareholders at their request. The Chairman attended a number of such meetings during the year to cover areas such as the Board, strategy, corporate governance and succession planning. He also took a number of planned telephone calls where meetings were not practicable.

The Remuneration Committee Chair and Senior Independent Director also met or had telephone calls with major shareholders at their request during the year to discuss proposed changes to the Remuneration Policy.

Investor relations website

Copies of all announcements and presentations made at investor events are published on the Group's website in order to ensure that all shareholders, whether private or institutional, have equal access to information. The website may be accessed by current and prospective shareholders, investors and other interested parties and permits users to download copies of published financial reports, presentations, press releases and stock exchange announcements.

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 76 and 77.

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.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with IFRS as adopted by the European Union and the Company financial statements in accordance with UK GAAP. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the Group's website. 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 Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report and Accounts, confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that the Group faces.

By order of the Board

Martin Towers
Non-executive Chairman
5 March 2020

Audit Committee report

Continued focus on developing the Group's risk management systems

Helen Clatworthy
Chair, Audit Committee

Meetings held

4

Dear Shareholder

I am pleased to present an update on the work of the Audit Committee during the year as it continues to support the Board in development of the risk management framework as well as ensuring the integrity and quality of the Group's external financial reporting and internal controls.

This report sets out the activities of the Committee during 2019 and the Committee's priorities for the year ahead.

In 2019, the Committee continued its focus on developing the Group's risk management systems and ensuring that sufficient time was set aside for risk-based discussions, with particular focus on emerging risks.

The Committee spent time understanding the impact of adopting the new lease accounting standard IFRS 16 and the associated changes to accounting policies. The Committee has considered the process applied, significant judgements made, and relevant disclosures in the financial statements and confirms these are appropriate.

The revised UK Corporate Governance Code and changes to non-financial reporting requirements became effective for the year ended 31 December 2019. The Committee assessed compliance with the new Code and regulations and was satisfied that these had been appropriately applied.

The results of the independently facilitated review of the effectiveness of the external audit process were reviewed. The Committee continues to consider the process effective and remains very supportive of PwC and the work it does for the Group.

The Committee performed a review of the internal audit function during the year and in light of BDO's tenure as internal auditor and the changes the Group has undergone in that period, it was determined appropriate to conduct a tender process for internal audit services in 2020 ahead of the planned external audit tender in 2021.

The main areas of focus for the Committee in 2020 will be the continued evolution of the Group's risk management processes and review of the risks facing the Group, in particular fast changing cyber risks and monitoring of any emerging risks. The Committee will also oversee and approve the completion of the internal audit tender process during 2020.

Finally, I would like to thank Mark Rollins who will step down from the Committee on 31 March 2020 for his valuable contribution over the last five years and welcome Paul Withers to the Committee.

Role of the Committee

The Board has delegated responsibility to the Committee for the oversight of the Company's financial reporting, to monitor the integrity of the financial statements and other financial communications of the Company. It is responsible for ensuring that effective governance and appropriate frameworks are in place for the oversight of the Company, major subsidiary undertakings and the Group as a whole, and for considering whether accounting policies are appropriate.

The Committee operates under terms of reference approved by the Board. These terms of reference have been reviewed by the Committee and may be found on the Group website.

During the year the Committee met four times, with meetings timed to coincide with key dates in the financial reporting and audit cycles of the Company. An annual schedule of Committee activity is set out a year in advance, to provide the appropriate focus on key priorities.

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

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

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

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

Committee membership

The members of the Committee during the year ended 31 December 2019 were as follows:

Audit Committee member	Appointed to the Committee
Helen Clatworthy (Chair)	January 2017
Pamela Bingham	January 2018
Mark Rollins[1]	April 2015

1. Mark Rollins will step down from the Board and Committee on 31 March 2020. Paul Withers joined the Board and Committee on 1 February 2020.

All members are independent Non-executive Directors.

Under provisions of the Code the Committee should have at least one member with recent and relevant financial experience and competence in accounting and/or auditing, and the Committee as a whole should have competence relevant to the sector in which the Company operates. The Board considers that Helen Clatworthy and Mark Rollins have recent and relevant financial experience.

Each member of the Committee has the requisite competence including significant international, commercial and operational skills and experience which are relevant to an international manufacturer and distributor of engineered components to the building industry.

ERA LockDown

The ERA Lockdown is a free standing security barricade device that can be deployed in an emergency situation in seconds, keeping occupants safe inside and the threat out. It works completely independently, so a room without locks can still be secured.

ERA LockDown can quickly secure the door to a hiding place, buying precious time before security services arrive.

It is tested to PAS24 impact resistance standards and is simple to fit, even under pressure.

Audit Committee report CONTINUED

Financial reporting

Key activities of the Committee in the last 12 months

- Review of the financial results for the half year ended 30 June 2019 and recommendation of results announcement.
- Review of the financial results for the full year ended 31 December 2019, results announcement, and the Annual Report and Accounts.
- Review of the significant judgements and estimates that impact the financial statements.
- Reviewed the implementation of new accounting standard IFRS 16 'Leases'.

Significant judgements and estimates

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

Area of focus	Audit Committee review	Conclusions
Carrying value of goodwill and intangibles *See note 10 to the Group financial statements*	The Group has goodwill and intangible assets of £475.3 million. The assessment of the carrying value of intangible assets involves significant estimates related to drivers of future cash flows, long-term growth rates and discount rates. The Committee received a detailed report from management outlining the valuation methodology, key assumptions used, headroom, comparison to external market information and sensitivity analysis. The Committee discussed the report with management and PwC and considered whether the key assumptions were appropriate and the extent to which the valuation was sensitive to changes in these assumptions.	The Committee was satisfied that the methodology and assumptions used in the impairment testing were appropriate and that no impairment charge was required.
Carrying value of provisions *See note 20 to the Group financial statements*	The Group holds provisions related to restructuring, properties, warranty claims and tax exposures of £9.6 million. There is inherent judgement involved in assessing the level of provision required. The Committee discussed the key assumptions used in determining these provisions with management and with PwC to assure themselves as to the adequacy and appropriateness of the provisions.	The Committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the annual accounts.
Alternative performance measures (APMs) and exceptional items *Further information on APMs can be found on pages 175 to 182 and on exceptional items in note 6 to the Group financial statements*	The Group uses a number of alternative performance measures and draws out certain significant, non-recurring items as exceptional. The selection of APMs and classification of items as exceptional is judgemental. The Committee considered the use of these measures as part of its assessment of whether the Annual Report is fair, balanced and understandable. This included considering whether the APMs are useful to users and present a faithful representation of underlying trading, the consistency of APMs used and their calculation, and the disclosure of reconciliations to GAAP numbers which were enhanced in the current year. The Committee received reports from management outlining details of exceptional items and discussed the appropriateness of drawing these out with management and PwC. Specific consideration was given to the costs of restructuring projects which have spanned a number of periods and the write-down of assets associated with the US door seals product.	The Committee was satisfied that APMs are appropriate and provide useful information to users, changes made to the definitions were appropriate and transparent, and these are clearly reconciled to the nearest GAAP number where appropriate. The Committee considered that the items drawn out as exceptional were in accordance with the Group's accounting policy and disclosures in the financial statements were appropriate.

Area of focus	Audit Committee review	Conclusions
Adoption of IFRS 16 'Leases' *See note 32 to the Group financial statements*	The Group applied IFRS 16 for the first time in 2019. The application of this standard had a material impact on the balance sheet, with £60.0 million of lease liabilities and £59.4 million of right of use assets being recognised as at 31 December 2019. The Committee received detailed papers from management outlining the transition approach, key judgements and estimates, adoption method applied, and transition adjustments throughout 2018 and early 2019. The Committee considered whether the process undertaken was sufficiently robust. Consideration was given to whether use of the simplified approach to adoption was appropriate, key judgements such as whether renewal options were considered reasonably certain to be exercised and appropriateness of discount rates.	The Committee was satisfied that the transition exercise performed was sufficiently robust, the application of the simplified adoption approach was appropriate, and no material adjustments were required. The Committee also approved the adoption of the revised accounting policy.
Carrying value of accounts receivable *See note 14 to the Group financial statements*	IFRS 9 requires the Group to estimate the expected credit loss on receivables, taking into account past experience and expectations about future losses. The expected credit loss rates are a significant estimate made by management. The Committee reviewed the assumptions used by management in determining the expected credit loss rates. This included reviewing the ageing of accounts receivable and historical write-offs, and considering the current and forecast market environment in each of the key markets the Group operates in.	The Committee was satisfied that the expected credit loss rates used were appropriate and the resultant carrying value of trade receivables was reasonable.
Carrying value of inventory *See note 13 to the Group financial statements*	Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Management exercises judgement in assessing net realisable value and provisions required for slow-moving and obsolete inventory. The Committee considered the basis for the provisions made by management for obsolete and slow-moving inventory, which included consideration of the ageing of inventory, assessments of future demand, market conditions and new product development initiatives.	The Committee was satisfied that the inventory valuation was consistent with the Group's accounting policy and previous practice and that the resultant valuation was reasonable.
Taxation *See note 8 to the Group financial statements*	Taxation represents a significant cost to Tyman in both in cash and accounting terms and the Group is exposed to differing tax regimes and risks which affect both the carrying values of tax balances (including deferred tax) and the resultant income statement charges. There is an element of judgement in the assessment of tax provisioning and in the calculation of deferred tax balances together with the associated probability of crystallisation. The focus by the Committee on taxation during the year considered the high current level of fiscal authority activity, with a particular focus in 2019 on implications of the EU State Aid ruling. The Committee reviewed reports from management on the status of the EU investigation and emerging practice regarding the accounting for the potential liability arising from the ruling. The Committee also reviewed the tax charge for the half year and the full year, including the underlying tax effect, the appropriateness of and movement in tax provisions recognised and the risks associated with them.	The Committee was satisfied that the taxation accounting and disclosures are appropriate, and that no provision is required in the accounts for the potential EU State Aid liability due to the level of uncertainty over the amount and timing of any payment due.

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

Fair, balanced, and understandable assessment

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

Audit Committee report CONTINUED

Risk and control

Key activities of the Committee in the last 12 months

Risk

- Review of the risk management structure, risk appetite and principal risks and uncertainties facing the Group including how those risks evolved during the year.
- Participation in in-depth risk management discussions and received presentations on risk management.
- Review of the minutes of the Risk Management Committee meetings held during the year and follow-up with the Executive Directors on areas of interest.

Going concern and viability

- Review of the going concern and viability assessment prepared by management, including key assumptions.
- Review of the viability statement and recommendation of approval to the Board.

Internal control and internal audit

- Assessed the effectiveness of the system of internal control.
- Review of Divisional internal control representations.
- Approval of the internal audit plan for the year.
- Review of the internal audit reports, recommendations and mitigating plans.
- Review of the externally facilitated assessment of the internal audit function.

The Group's assessment of its principal risks and uncertainties is set out on pages 40 to 45. The key elements of risk management and internal controls are detailed on page 39 of the Risk management section of this Annual Report.

Risk

During the year, the Committee promoted continuous improvement in the Group's risk management system, which included reviewing the risk management structure, risk appetite and principal risks and uncertainties facing the Group.

In line with the priorities set out in the 2018 Annual Report, the Committee set aside additional time for risk-based discussions during the year including a focus on cyber risks and other emerging risks. This included review of the Group and Divisional risk registers, review of the quarterly output of the Risk Management Committee, and detailed discussions about risk and risk tolerance. The Committee monitored how risks had evolved during the year, with specific attention being given to the assessment of emerging risks. The Committee also reviewed the development of the IT Security Incident Response Plans.

In order to keep up to date with best practice, the Committee also received a presentation on enterprise risk management, organisational resilience, business continuity and trends on emerging risks from a Marsh risk consulting specialist.

The Committee confirmed to the Board it had carried out a robust assessment of the principal risks.

Internal control

The Committee receives regular reports throughout the year to assure itself that the Group's internal control systems are robust. The Committee reviewed the bi-annual representations of compliance with the Group's Accounting Policies and Procedures and considered the impact of exceptions noted on the effectiveness of the Group's internal controls.

The annual internal audit plan was reviewed by the Committee following discussions with management. The Committee also considered the allocation of internal audit time to ensure the programme remained appropriate for the business. A revised strategic plan was agreed which provided for more detailed risk-based reviews in the larger sites across the Group.

The Committee received full reports from each internal audit conducted and reviewed management's response to recommendations. It also received quarterly updates on the status of implementation of recommendations and the ageing of outstanding actions. There has been an improvement in the speed and focus on implementing recommendations and the Committee encouraged management to continue to improve the follow-up of outstanding actions. The majority of findings were considered low or medium risk and have been resolved.

The Committee confirms it has carried out its annual review of the effectiveness of the system of internal control as operated throughout the year ended 31 December 2019 and up to the date of approval of the Annual Report and Accounts. The Committee also confirms that no significant failings or weaknesses have been identified from that review.

Internal audit effectiveness and tender

Internal audit has been co-sourced with BDO since 2013, providing independent assurance and a level of resource that is not available in-house. An externally facilitated review of the internal audit function was completed during the year, with no significant issues arising.

As BDO has been the Group's internal auditors for seven years, with the Group expanding significantly over this period, the Committee has determined it appropriate to conduct a tender process in 2020 to ensure the approach remains appropriate for the current business. The tender process is expected to be complete by September 2020.

External audit

Key activities of the Committee in the last 12 months

- Review and approval of PwC's terms of engagement and audit plan, including audit fees, scope, risk assessment and the threshold levels of materiality for the Group financial statements.
- Consideration of the independence and objectivity of PwC.
- Review of PwC's report following completion of the audit and the management representation letter.
- Review of the effectiveness and independence of PwC.
- Review of the updated policy on the provision of non-audit services by the external auditors.
- Recommendation to the Board of the reappointment of PwC as auditors at the 2019 AGM.

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

Appointment of the external auditors

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

Although Tyman is not a FTSE 350 company and is therefore not required to comply with the provisions of the CMA Order, the Audit Committee considered that it was appropriate for the Company to follow these recommendations. As previously reported, the Committee confirms that it would expect to implement a formal competitive audit tender process during the financial year ending December 2021. The Committee confirms Tyman has complied with the provisions of the CMA Order for the financial year under review.

The Committee confirms there are no contractual restrictions on the Group with regard to PwC's appointment. Accordingly, the Committee has recommended to the Board that PwC should be reappointed as the Group's auditors at the 2020 Annual General Meeting.

External audit effectiveness

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

As part of this assurance review all Group finance teams were asked to participate in an externally facilitated questionnaire in respect of the 2018 audit. The results, which were presented to the Committee, demonstrated the sound working relationships between finance teams and external audit and showed that enhanced planning activities undertaken had continued to improve the audit process.

Having considered the results of the review, the robustness and quality of the work performed and the contents of the reports on audit findings the Committee was satisfied with the effectiveness of the external audit process and remains satisfied that PwC continues to provide an effective audit.

Auditors' independence and objectivity

The Committee recognises the importance of auditors' independence and receives reports from PwC during the year in respect of their compliance with the fundamental principles of objectivity, integrity and professional behaviour, including independence. PwC has provided their annual independence letter to the Audit Committee in March 2020. The Committee reviews the policy on auditors' independence and non-audit services annually and takes into consideration the nature, scope and appropriateness of non-audit services supplied by the external auditors, while taking into account that the provision of certain non-audit services can be most effectively provided by the Group's external auditors.

The Policy on auditors' independence and non-audit services was revised in November 2019 to reflect the requirements of the FRC's revised Ethical Standard which became applicable on 1 January 2020. The new standard replaces the previous list of prohibited non-audit services that auditors can provide with a much shorter "whitelist" of permitted services, all of which are "closely related" to an audit or required by law and/or regulation. The Committee also determined it was appropriate to remove the pre-approval threshold which allowed audit and audit related services to a maximum of £100,000 without reference to the Audit Committee. From 1 January 2020, all non-audit services must be approved by the Audit Committee. A copy of this policy may be found at the Group's website.

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

Audit and non-audit fees

The Committee regularly reviews the audit fees to ensure these are appropriate to enable an effective and high quality audit to be conducted. The fee for the 2019 Group audit is £890,000 (2018: £865,000). The increase in the fee is primarily driven by an increase in audit market rates, offset by one-off fees incurred in 2018 associated with acquisitions and new accounting standards which have not recurred. Further information in respect of the audit fee can be found in note 4 to the Group financial statements.

During 2019 non-audit fees paid to PwC were 5.1% (2018: 4.7%) of the annual Group audit fee. This work related entirely to the provision of compliance or regulation services customarily performed by external auditors.

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

Governance and Committee effectiveness

Key activities of the Committee in the last 12 months

- Review of the Committee terms of reference.
- Review of compliance with the revised UK Corporate Governance Code.
- Reviewed compliance with non-financial reporting practices and procedures. including sustainability and stakeholder engagement.
- Conducted Committee effectiveness assessment.

Governance

The Committee assessed compliance with the revised UK Corporate Governance Code, which included receiving a report from management outlining how each of the requirements of the Code had been addressed.

As set out in the priorities included in the 2018 Annual Report, the Committee also reviewed the Group's non-financial reporting practices and disclosures and assessed compliance with the s172 requirements. This included review of the sustainability report, stakeholder engagement disclosures, and s172(1) statement.

The Committee is satisfied that the Group has complied with the revised UK Corporate Governance Code and non-financial reporting regulations. Developing the Group's sustainability and stakeholder engagement agenda will remain a focus area for the Group in 2020.

Committee effectiveness

The Committee effectiveness was discussed as part of the overall Board effectiveness evaluation, with no specific matters noted. A full Committee effectiveness evaluation will be completed in 2020.

Audit Committee priorities for 2020

The priorities for the Committee for 2020 are set out below:

- Continue to review our risk management processes and the risks facing the Group, in particular fast changing cyber risks and monitor any emerging risks.
- The Committee will oversee and approve the completion of the internal audit tender process during 2020.
- Ensure focused training on evolving governance matters, including implications of the Brydon Report, is included in the Committee schedule.

The results of the work on these priorities will be reported in the 2020 Annual Report.

On behalf of the Audit Committee

Helen Clatworthy
Chair, Audit Committee

5 March 2020

Nominations Committee report

Ensuring the appropriate organisational capability is in place to deliver on the strategic objectives

Martin Towers
Chair, Nominations Committee

Meetings held

4

Dear Shareholder

I am pleased to report on the work of the Nominations Committee during 2019. The Committee's main focus in 2019 was on the induction of new Executive Directors, alongside Board and senior management succession planning.

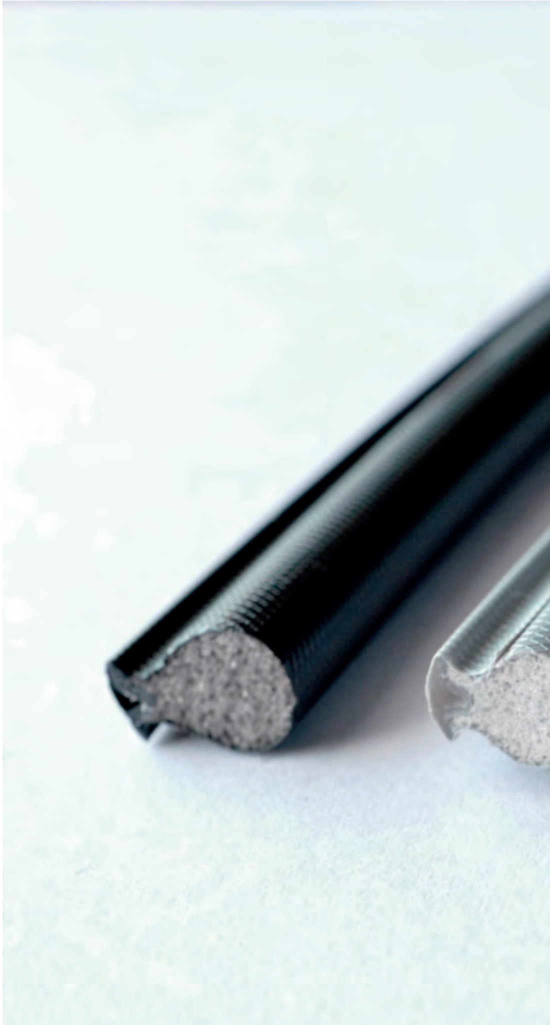
Further to the Group's announcement in December 2018, Jo Hallas joined the Board as Chief Executive Officer on 1 April 2019, replacing Louis Eperjesi, who retired after nine years in the role.

Following the announcement that James Brotherton intended to step down from his role as Chief Financial Officer in March 2019, the Committee commenced the search for his replacement. This led to the appointment of Jason Ashton on 9 May 2019, following the AGM.

Jo and Jason have each received a full and tailored induction to the Group, details of which are set out below.

The Committee also spent time on the recruitment of Non-executive Director Paul Withers, who was appointed to the Board with effect from 1 February 2020. Paul will succeed Mark Rollins as Chair of the Remuneration Committee and Senior Independent Director, when he steps down from the Board on 31 March 2020. Paul brings extensive international experience and in particular strong knowledge of US markets to the Board, through his experience both as an executive and non-executive director.

In relation to senior management succession planning, the Committee progressed its work in ensuring the Group has the right talent and talent pipeline in order to promote the continued success of the Group as a whole.

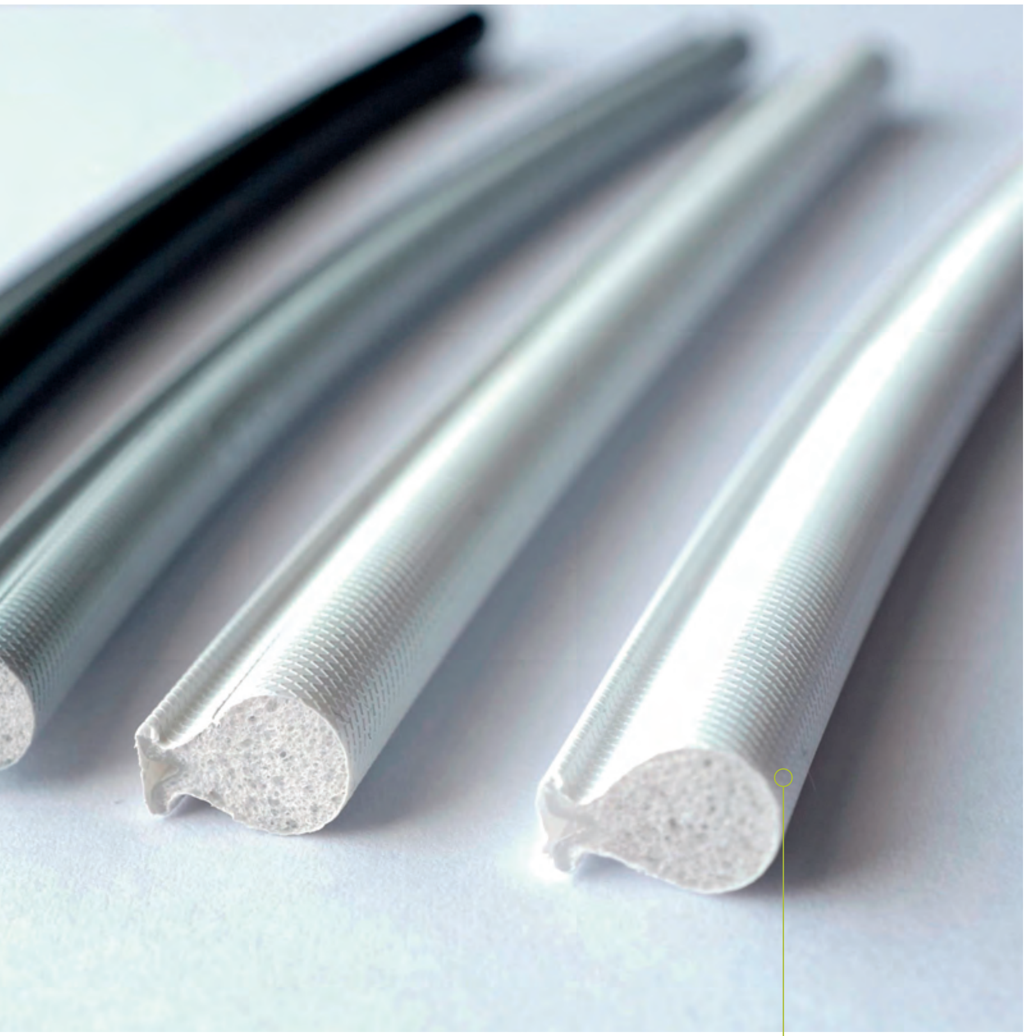


Role of the Committee

The Board has delegated responsibility to the Committee for reviewing and making recommendations to the Board on the size, structure and composition of the Board and Committees. In compliance with the Code, it also ensures that plans are in place for the orderly succession to both Board and senior management positions, including overseeing the development of a diverse pipeline for succession that is appropriate for both the current and future cultural and strategic needs of the Group.

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

The Committee ensures all Board appointments are made in line with the Group's stated employment policies and practices. These make provision for equal opportunities and non-



discrimination and aim to ensure that an individual's skills, experience and talent are the sole determinants in recruitment and career development.

The full terms of reference for the Committee can be found at www.tymanplc.com.

Committee membership

The members of the Nominations Committee during the year ended 31 December 2019 were as follows:

Nominations Committee member	Appointed to the Committee
Helen Clatworthy	January 2017
Pamela Bingham	January 2018
Mark Rollins	April 2015
Martin Towers (Chair)	December 2009

The Nominations Committee membership includes all of the Non-executive Directors. All members of the Committee are independent Non-executive Directors. The Chair was considered independent on appointment. Meetings of the Committee are attended by the Chief Executive Officer by invitation where appropriate.

Q-Lon Overlap seal

Q-Lon Overlap is the first overlap gasket for aluminium windows in which aesthetic properties merge with innovative technological features to create a top-level seal. It stands out for its exceptional thermal and acoustic insulation it gives to the windows in which it is installed.

Q-Lon Overlap has push-fit and sliding installation, does not need to be cut under hinges and corners, and can be easily removed for maintenance. It also has excellent recovery after compression and is available in a wide range of colours to provide a matched aesthetic.

Key activities of the Committee in the last 12 months

The Committee held four meetings during the year to consider the following:

- The search and selection process for a new Chief Financial Officer which culminated in the recommendation of Jason Ashton's appointment to the Board.
- The induction of each of the new Executive Directors.
- The Board succession planning strategy for each of Martin Towers' and Mark Rollins' roles leading to the search and selection process for a new Non-executive Director, which culminated in the recommendation of Paul Withers' appointment to the Board.
- The consideration of shortlisted applicants and subsequent recommendation for the position of Group General Counsel and Company Secretary.
- A review of succession work being undertaken to ensure that the Group has the appropriate organisation capability in place to deliver on its strategic objectives.
- A review of the Committee's terms of reference.
- The review of the Nominations Committee report for inclusion in the Annual Report and Accounts.
- The performance evaluation of the Committee.

New Director Appointment process

In advance of commencing the recruitment of each of the new Chief Financial Officer and Non-executive Director, the Committee, in conjunction with the Chief Executive Officer, agreed the required skills, knowledge, experience and personal attributes relevant to the Group's strategy. The Committee engaged Russell Reynolds, a signatory to the Voluntary Code of Conduct for Executive Search firms, with whom the Group has previously worked but with otherwise has no connection, to undertake both searches. Jo Hallas and Martin Towers met with the shortlist of candidates, after which the preferred candidates met with the other members of the Committee. Following careful consideration of feedback from interviews and references that had been taken, the Committee recommended the appointments of Jason Ashton and Paul Withers to the Board.

Induction of the new Chief Executive Officer and Chief Financial Officer

In 2019, Jo Hallas and Jason Ashton joined the Board as Chief Executive Officer and Chief Financial Officer respectively. Both received tailored induction programmes relevant to their skills and experience and their roles on the Board.

Jo Hallas's induction included an overview of the Group's operations and activities, the role of the Board and matters reserved for its decision, the Group's corporate governance practices and procedures as well as the operating and financial performance of the Group. Jo visited the majority of the Group's operating sites during her first four months in role, including meeting senior management teams and engaging with groups of employees across the business. She also met with a range of key customers and suppliers around the world and with key shareholders.

Jason Ashton's induction included an overview of the Group's operations and activities, the role of the Board and the matters reserved for its decision, the Group's corporate governance practices and procedures as well as the operating and financial performance of the Group.

Senior management succession planning

In December 2019, the Committee reviewed the work being undertaken to ensure that the Group has the appropriate organisation capability in place to deliver on its strategic objectives. This involved a structured Organisation Capability Review (OCR), prepared by the executive leadership. It is intended that the OCR will be undertaken annually as a key element of the Group's talent management programme and that it will be used to strengthen the development of a diverse executive pipeline.

The Committee also engaged directly with senior management at the Board Strategy Meeting on 4 November 2019, where it received strategy updates from the divisional leaders. Site visits were made to the AmesburyTruth facility in Statesville US, the Profab (ERA) facility in Atherstone UK and, the SchlegelGiesse facility in Newton Aycliffe UK. In each case the Board toured the facility, met with a range of employees and senior managers, and received updates on progress against divisional strategic initiatives.

Diversity of the Board

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

Although Tyman is not a member of the FTSE 350, the Committee is mindful of the Hampton-Alexander Review targets in respect of gender diversity and keeps this under review when considering appointments to the Board and is pleased to confirm continued adherence to these recommendations. At 31 December 2019, the Board had 50% female representation on the Board.

The Committee is also aware of the Parker Review recommendation that each board should have at least one Director of colour by 2024. The Committee will continue to ensure all aspects of diversity are considered for each appointment.

Committee Evaluation

The Committee's performance was considered as part of the Board Effectiveness Review, as outlined in the Statement of Governance on page 70. It was concluded that the Committee had operated effectively, as evidenced by the successful recruitment of Jo Hallas, Jason Ashton and Paul Withers to the Board. It was also concluded that good progress had been made on furthering the work of the Committee through the new Organisation Capability Review described above.

Committee priorities for 2020

The priorities of the Committee for 2020 are set out below:

- Recruitment of Martin Towers' successor as Board Chair. The search process has commenced and is being led by Paul Withers as Senior Independent Director.
- Continue to ensure the right organisation capability is in place for the Group to deliver on its strategic priorities, including reviewing senior management succession planning and the development of a more diverse senior management pipeline.
- Oversee the external Board evaluation process to be undertaken during 2020.

On behalf of the Nominations Committee

Martin Towers
Chair, Nominations Committee

5 March 2020

Other statutory information

Principal activities
The Group is a leading international supplier of engineered fenestration components and access solutions to the construction industry. These activities remain unchanged from the prior year. The Company is the ultimate holding company of the Tyman Group of companies. A full list of subsidiaries may be found on pages 160 to 162.

Articles of Association
The Company's current Articles of Association were last approved by shareholders on 25 May 2012 and it was thought appropriate to refresh the Articles at the 2020 AGM, in order to bring them up to date. The principal differences between the new and the existing Articles of Association are summarised in Appendix 2 to the Notice of AGM. Other changes, which are of a minor, technical or clarifying nature, have not been detailed. The amended Articles of Association will be put to shareholders as a special resolution at the AGM. These new Articles of Association as proposed, should they be approved, will take effect from the conclusion of the AGM.

A copy of the Company's current Articles of Association, and a copy marked to show the differences between those and the new Articles of Association, will be available for inspection from 8 April 2020 and up to the time of the AGM at the registered office of the Company during usual business hours and at the place of the AGM. Both sets of Articles may also be found on the Group's website.

Share capital
The Company's shares are listed in the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Company's share capital consists of ordinary shares of 5.00 pence each, carrying the right to attend, vote and speak at general meetings of the Company. The ordinary shares also have the right to profits of the Company which are available for distribution and the return of capital on a winding up.

The issued share capital of the Company as at 31 December 2019 was 196,762,059 ordinary shares of 5.00 pence each, of which 529,183 shares are held in Treasury.

Further information on the Company's share capital may be found in note 22 to the financial statements.

Distributable reserves
Following a review in 2018 of Tyman plc's distributable reserves position, the Group sought approval to convert the Company's unrealised profits into distributable reserves by way of a bonus share issue and capital reduction.

The Capital Reduction, as approved by shareholders at the Annual General Meeting held on 9 May 2019, was approved on 4 June 2019 by the Court. The Court Order confirming the Capital Reduction, and a statement of capital approved by the Court, were then registered with the Registrar of Companies and, accordingly, the Capital Reduction became effective.

The purpose of the Capital Reduction was to create additional distributable reserves, to ensure a suitable level of headroom remains for the Company to pay dividends in the future. It has been effected by (i) the capitalisation of certain of the Company's non-distributable reserves by way of an issue of Bonus Shares, and (ii) the subsequent cancellation of the Bonus Shares and of the whole of the balance standing to the credit of the share premium account of the Company. There was no change in the number of the Company's Ordinary Shares in issue or their nominal value as a result of the Capital Reduction, which was described in the Notice of Annual General Meeting sent to shareholders on 1 April 2019.

Directors
The names and biographical details of the Directors are on pages 62 and 63 of this report. Further information regarding the Directors who served during the year to 31 December 2019 may be found on pages 88 to 98 in the Remuneration report.

Re-election of Directors
With the exception of Mark Rollins, who will be stepping down from the Board, each Director will stand for election or re-election at the AGM. Accordingly, Pamela Bingham, Helen Clatworthy, Jo Hallas and Martin Towers will offer themselves for re-election at the 2019 AGM. As this is Jason Ashton's and Paul Withers' first year of appointment, they will offer themselves for election to the Board.

Annual General Meeting
At the Company's 2019 AGM the Directors were authorised to allot shares equal to approximately one-third of the issued share capital of the Company as at 9 May 2019 or a further one-third of the issued share capital in connection with a pre-emptive offer by way of a rights issue.

The Directors were also given the authority to allot shares for cash representing up to 5.0% of the Company's issued share capital as at 10 May 2019, without first offering these shares to existing shareholders in the proportion to their existing holding. The Directors confirmed there was no intention to issue more than 7.5% of the issued share capital of the Company on a non-pre-emptive basis in any rolling three-year period without prior consultation with the relevant investor groups (except in connection with an acquisition or specified capital investment as contemplated by the Pre-Emption Group's Statement of Principles).

Shareholders also approved an additional authority for the Directors to issue ordinary shares, or sell treasury shares, for cash in connection with an acquisition or capital investment of the kind contemplated by the Pre-Emption Group's Statement of Principles up to an additional aggregate amount being approximately 5.0% of the issued ordinary share capital as at 9 May 2019.

Other statutory information CONTINUED

At the 2019 AGM the Company was also authorised to make market purchases of its own shares of up to approximately 14.99% of the shares in issue as at 9 May 2019. The Board had no immediate intention of exercising this authority but wished to retain the flexibility to do so should it be needed in the future. This authority was not used during the year and therefore remained in full at the year end.

The Directors believe that it is in the best interests of the Company that these powers are renewed and, as in previous years, resolutions to renew these authorities will be put to shareholders at the Company's AGM to be held on 20 May 2020.

The Notice of the Company's AGM and related explanatory notes accompany this Annual Report and Accounts, which may also be found with further information on these resolutions on the Group's website. Other than elections to the Board and authorities to allot shares, to dis-apply pre-emption rights in certain limited circumstances and to purchase its own shares as explained above, the principal business to be considered at the AGM is the approval of a new set of Articles of Association, the approval of a new Directors' Remuneration Policy, approval of new LTIP and DSBP Rules and other routine matters.

Waiver of dividends

The Tyman Employee Benefit Trust purchased 353,417 ordinary shares in the Company on 20 March 2019 to ensure that it continued to hold sufficient shares to satisfy the future vesting of awards. As at 31 December 2019 the Trust held 1,381,330 ordinary shares in Tyman plc. Further information on the Employee Benefit Trust may be found on page 35. Dividend waivers are in place from Tyman plc in respect of the 529,183 shares held in Treasury as at 31 December 2019 and all but £0.01 of the total dividend to the Tyman Employee Benefit Trust.

Strategic report

Pages 1 to 106 inclusive of this Annual Report comprise the Strategic report, Governance and Directors' report and the Remuneration report and have been written and presented in accordance with English law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided accordingly.

The Directors are required under the Disclosure Guidance and Transparency Rules to include a Management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company. The Management report disclosures can be found in the Strategic report on pages 1 to 61.

A description of the main features of the Group's internal control and risk management systems in relation to the process for preparing the consolidated accounts continues further on pages 38 to 45 of the Strategic report.

Pursuant to Section 414c of the Companies Act 2006 the Strategic report on pages 1 to 61 contains disclosures in relation to future developments, dividends, finance and financial risk management, the disclosures relating to the Group's greenhouse gas emissions and environmental policy and performance.

A full description of the Group's activities relating to our employees, their involvement with the Company and our employment and health and safety practices and policies may be found on pages 52 to 57 of the Strategic report.

Share transfer restrictions

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

Directors' insurance

Details of Directors' insurance may be found on page 71.

Substantial shareholders

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

	Ordinary shares held as at 31 December 2019	%	**Ordinary shares notified as at 5 March 2020**	**%**
Alantra Asset Management	25,232,434	12.86	**25,446,620**	**12.97**
Wellington Management	24,278,478	12.37	**23,938,572**	**12.20**
Allianz Global Investors	14,581,372	7.43	**13,472,973**	**6.87**
Aberdeen Standard Investments	12,798,424	6.52	**12,187,203**	**6.21**
GVQ Investment Management	11,269,257	5.74	**10,961,181**	**5.59**
Sterling Strategic Value	9,694,025	4.94	**9,815,544**	**5.00**
T Rowe Price Global Investments	9,548,628	4.87	**9,465,778**	**4.82**
M&G Investment Management	8,761,730	4.46	**8,758,596**	**4.46**
Unicorn Asset Management	7,285,000	3.71	**6,017,492**	**3.07**
Columbia Threadneedle Investments	6,774,338	3.45	**6,770,056**	**3.45**
Chelverton Asset Management	5,850,000	2.98	**6,586,304**	**3.36**

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 18 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 19 to the financial statements.

Financial reporting
The Annual Report and Accounts is 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 pages 71 and a statement by the auditors on their responsibilities is given on page 83.

Going concern
As a consequence of the work undertaken to support the viability statement, which may be found on pages 46 and 47, the Directors have continued to adopt the going concern basis in preparing the financial statements (see note 2 to the financial statements).

Auditors and disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

Political donations
The Company did not make any political donations during the year (2018: £Nil).

Disclosure of information under Listing Rule 9.8.4
Reporting requirements under LR 9.8.4R (4), (5) and (6) and LR 9.8.6 (1), if applicable, have been included in the Remuneration report on pages 84 to 106. All other information required to be disclosed, under LR 9.8.4R (1), (2) and (7) to (14), if applicable, is covered in this report. There is no further information to disclose.

Events after the reporting year
None.

By order of the Board

Kevin O'Connell
Group Company Secretary

5 March 2020

Company registration number: 02806007

Incentivising a high performance culture and sustainable long-term growth

Mark Rollins
Chair, Remuneration Committee

Meetings held

6

Dear Shareholder

On behalf of the Board I am pleased to present the report on Directors' remuneration for the year ended 31 December 2019.

This Remuneration report is set out in three sections:

- this Annual Statement, which summarises the key decisions made by the Remuneration Committee during the year and how they were arrived at;
- the Annual Report on Directors' Remuneration, which sets out the remuneration paid to the Directors in 2019 and provides details on how the Committee intends to implement the Remuneration Policy in 2020. The Annual Report on Directors' Remuneration will be put to shareholders, for an advisory vote, at the 2020 AGM (pages 88 to 98); and
- a summary of the Remuneration Policy. This policy has been recently updated and will be submitted for approval at the Annual General Meeting scheduled for May 2020. The new policy will then take formal effect from the date of approval. It sets out the Company's policy on Directors' remuneration for the three years until the 2023 AGM.

Group performance in 2019

2019 was a challenging year for Tyman although, against the backdrop of soft market demand and operational challenges in North America, the Group reported increases in Revenue and adjusted operating profit of 3.8% and 2.2% respectively. Growth was mainly derived from the full-year impact of prior-year acquisitions and favourable currency movements. In addition, the adoption of IFRS 16 "Leases" increased adjusted operating profit by £1.6m. On a like-for-like basis Revenue declined

by 1.8% and adjusted operating profit declined by 4.8% compared to the prior year, primarily as a result of the customer losses and operating inefficiencies associated with the US footprint consolidation project.

Adjusted profit before taxation decreased by 2.3% and Underlying Earnings per Share decreased by 0.8% over the prior year to 27.46 pence. Cash generation was very strong, driven by increased efficiency in working capital management. As a consequence Leverage at the year-end was 1.72×, significantly better than the prior year's 1.98×.

Work of the Committee

The Committee considered the following matters during the past 12 months:

Salaries

- Reviewed and approved the base salaries to be paid to the Executive Directors and senior managers from 1 January 2020, taking account of the general pay awards across the Group.

Bonus
- Determined the level of bonus payable for 2019 to the Executive Directors and senior managers.
- Established the basis of the 2020 bonus arrangements and thresholds for the Executive Directors and senior managers.

Share plans
- Set the Earnings per Share thresholds, ROCE underpin and TSR comparator group for the 2019 LTIP, awarded in March 2019. Approved the proposed participant list and level of award for each person.
- Following the end of the year it reviewed and approved the extent to which the 2017 LTIP awards, whose performance period was the three years ended 31 December 2019, would vest.
- Reviewed and approved the revised rules for the LTIP and DSBP plans to be approved by shareholders at the 2020 AGM. This process included consultation with major shareholders.
- Approved the terms of the UK, US, and International Employee Sharesave plans.

Contemporary hardware

AmesburyTruth's contemporary hardware range combines style and innovation. The extensive breadth of products provides a unified and modern look that can be carried throughout a home, with consumers increasingly placing more emphasis on aesthetics.

The range includes the Maxim® LP lock which is low profile; is non-handed, which reduces inventory complexity; and has reduced operating force for smooth and easy operation. It also has a closed system minimising air, water, light, and insect intrusion.

- Consideration and approval, in March 2020, of the proposed list of participants for the forthcoming 2020 LTIP award and the approximate number of shares proposed to be awarded to each participant, as well as the performance targets.

CFO succession
- Considered and approved the remuneration arrangements for the incoming CFO.
- Reviewed and approved the lapsing of outstanding LTIP and SAYE awards for the outgoing CFO.

Policy
- Engaged in a consultation process with shareholders, representing over 85% of the Group's issued shares, and with a number of governance bodies in respect to the new Remuneration Policy.
- Reviewed and approved the drafting of the Company's new Remuneration Policy in light of revisions to the 2018 Code and feedback from the shareholder consultation process. The key amendments to the Policy are set out on page 99 of this report and include: additional powers to help ensure that the in-employment shareholding requirement is reached in a timely manner; a post-employment shareholding requirement; pension contributions for new Executive Directors set in line with those of the wider workforce, currently 7%; and an extension to the discretionary powers of the Committee to override the formulaic outcomes of bonus and LTIP schemes if they produce an outcome that was not intended.

Governance
- Approved the purchase by the Employee Benefit Trust of shares for the satisfaction of future employee awards.
- Ensured the Group complied with gender pay gap and CEO pay ratio reporting.
- Reviewed changes to the Committee's terms of reference, in line with changes to the Code.
- Monitored the Committee's progress against its set objectives.
- Assessed the Committee's performance.
- Reviewed and approved this 2019 Annual Remuneration Report.

Market trends in remuneration
- Received presentations on market trends and corporate governance developments in corporate remuneration.

Remuneration report CONTINUED

Annual Statement

Performance and reward in 2019

Full details of the Directors' remuneration for 2019 are set out in the Annual Report on Remuneration on pages 88 to 98. Explanations for some of the key aspects of 2019 remuneration are below.

Pay review

As reported in the 2018 Annual Report, the salaries of Louis Eperjesi and James Brotherton were increased by 2.85% to £432,000 and £306,000 respectively from the start of 2019. Jo Hallas joined Tyman on 1 March 2019 and succeeded Louis Eperjesi as CEO with effect from 1 April 2019 at a basic annual salary of £445,000. The incoming CFO, Jason Ashton, joined the Board on 9 May 2019 at a basic annual salary of £318,000.

Annual bonus

The 2019 annual bonus scheme for the Executive Directors, which offers a maximum award of 125% of bonusable salary, continued to be based on stretching targets: 70.0% bonusable on Underlying Profit targets and 30.0% on Free Cash Flow targets. The awards were assessed across four categories: profit growth over prior year; profit performance versus target; the ratio of operating cash generated to operating profit; and absolute cash generation versus target.

The specific targets and outcomes of each element of the bonus scheme for 2019 are set out in a table on page 91 of the Remuneration report. This shows that the strong cash generation of the Group in 2019 delivered the maximum 30.0% available for cash measures, whereas the absence of the anticipated profit growth for the Group meant that none of the profit threshold targets were achieved which resulted in no pay-out for the profit measures. Therefore, Jo Hallas, Jason Ashton and James Brotherton earned 30.0% of their maximum bonus of 125% of bonusable salary, which equates to a total bonus of 37.5% of their 2019 salary (2018: James Brotherton 45.6% of salary). All three Executive Directors are to have their bonuses prorated for the time they were employed during 2019.

Part of the annual bonuses payable to members of the Executive Committee (50% for Executive Directors and 75% for other Executive Committee members) will be settled in cash with the remainder being settled through the award of shares whose vesting is deferred for two years. Annual bonuses for all other senior managers will be fully settled in cash.

Long Term Incentive Plan

The LTIP awarded in 2017 was subject to a performance condition of cumulative three-year underlying Earnings per Share of between 89.1 pence (25.0% vesting) and 103.3 pence (100.0% vesting). In addition, for the Executive Directors the award was subject to financial underpins of relative TSR and ROCE achieved in 2019. The actual cumulative underlying Earnings per Share outcome for the three years, 2017 to 2019, was 82.05 pence which was less than the threshold target. Consequently, the 2017 LTIP did not vest.

Incoming CFO

Jason Ashton was appointed to the Board as Chief Financial Officer on 9 May 2019. As part of this recruitment process the Committee was asked to determine his remuneration arrangements.

The Committee considered the total remuneration paid for the position should be commensurate with the scope, complexities and international nature of the role and should be similar to that of the outgoing CFO and at broadly median level. As a result the basic salary paid to Jason Ashton was set at £318,000, with all other elements and benefits paid in accordance with the Remuneration Policy. It is anticipated that future increases will be in line with the general workforce. In respect of the cash allowance paid in lieu of pension contributions, Jason receives a pension allowance of 7% of salary, which is in line with the general UK workforce and is a reduction from the 15% of salary received by the former CFO.

Retiring CFO

The Committee also considered the remuneration arrangements for James Brotherton, as retiring CFO, and confirmed all remuneration would remain in line with policy, with James being treated as a good leaver. Accordingly, James is eligible for the Executive Directors' 2019 bonus, which will be prorated to reflect the time he worked as an Executive Director during the year. The bonus will be paid wholly in cash at the end of March 2020. His outstanding deferred bonus awards will continue to vest on the normal vesting dates. James was not eligible for the LTIP awards granted in 2019 and all of his outstanding LTIP and SAYE awards lapsed on his departure. James has undertaken to voluntarily continue to

hold at least 250,000 shares (broadly two times salary) for a period of 12 months following his departure and at least 150,000 shares for a further year. This is a voluntary commitment and as such the Committee has no means to enforce compliance. The new Remuneration Policy, which will be submitted for approval at the 2020 AGM, includes a post-employment shareholding requirement.

Remuneration in 2020

Salaries

The Committee is responsible for remuneration arrangements for Executive Directors and senior management, as well as overseeing the pay conditions of the general workforce. The Committee receives updates on the pay and benefits of all employees and takes these into account when setting remuneration and benefits for the Executive Directors and senior managers.

The salaries of the Group's senior management team were reviewed in December 2019 and in general were awarded an increase to their base salaries of between 2.0% and 2.75%, these being in line with the average increases for the Group's UK, USA and Europe-based employees. Taking these awards into account, along with the performance of the Executive Directors themselves, the Committee awarded Jo Hallas a base salary of £457,000 for 2020, representing an increase of 2.7%, and Jason Ashton a base salary of £326,000, representing an increase of 2.5%.

Annual bonus

The overall structure of the 2020 annual bonus scheme for Executive Directors and other senior managers remains broadly unchanged from that operated in 2019 with 70.0% of their bonus based on Underlying Profit targets and 30.0% on Free Cash Flow targets. During 2020 the Executive Directors will have all of their bonuses assessed on financial targets and there will be no personal objectives element to their bonus.

Consistent with prior years, the precise financial bonus targets for 2020 (which the Committee considers to be commercially sensitive) will be disclosed in detail in the 2020 Annual Report rather than the 2019 Annual Report.

Long Term Incentive Plan

Historically, the LTIP performance metric was solely cumulative Adjusted EPS measured over a three-year period. In addition, TSR and ROCE underpins operated for more recent awards.

For awards made in 2020, the performance measures have been broadened to: 50% being based on a point-to-point measure of the adjusted EPS in the final year of the three-year performance period; and 50% on an underlying ROCE measure on a point-to-point basis over the same three year period. 25% of the total LTIP award will vest for threshold performance, with 0% below threshold, increasing pro rata to full vesting for stretch performance. In addition, relative TSR will continue to be used as a discretionary underpin, although now compared with the Small-cap Index (excluding financial services). LTIP awards will continue to be required to be retained by the Executive Directors for two years after vesting.

The performance measure targets, for the forthcoming 2020 LTIP award, are set out on page 92 of the Annual Report on Remuneration.

Members of the Executive Committee, other than the Executive Directors, will not be required to hold shares after vesting, although they are instead to be required to build up an in-employment shareholding equivalent to 100% of salary.

Other matters

UK Corporate Governance Code

In accordance with the 2018 Code, the Annual Report on Directors' Remuneration includes the disclosure of the CEO pay ratio (see page 96).

Committee membership changes

I am delighted to welcome Dr Paul Withers who joined the Board and the Committee on 1 February 2020. Paul brings extensive experience from previous roles as a non-executive director, SID and chair of Remuneration Committees. As previously announced, I will be stepping down as SID and Remuneration Committee Chair on 31 March 2020, when Paul will succeed me in both roles.

Annual General Meeting

Shareholder support for the remuneration arrangements for the Executive Directors remains strong, which is reflected in the high level of votes received at the 2019 AGM, details of which may be found on page 98.

The Remuneration Policy is set and applied with the objective of attracting and retaining the highest calibre of individuals who are incentivised to deliver long-term shareholder value. This is achieved through the setting of appropriate targets and these individuals receiving rewards commensurate with their performance. The Committee is committed to ensuring executive remuneration is fully aligned with the strategic aims of the business and is balanced with the wider stakeholder interest.

The Committee looks forward to your continued support at the 2020 AGM, where Paul Withers, and the other members of the Committee, will be happy to answer questions or receive feedback on any aspect of the Group's remuneration.

Mark Rollins
Chair, Remuneration Committee

5 March 2020

Remuneration report CONTINUED
Annual Report on Directors' Remuneration

The Annual Report on Directors' Remuneration set out below (together with the Remuneration Committee Chair's Annual Statement) will be put to a single advisory shareholder vote at the 2020 AGM. This report sets out the pay outcomes in respect of the 2019 financial year and explains how the Committee intends to operate the proposed new Remuneration Policy in 2020. The information from the single total remuneration figures for Directors on page 89 to the end of the section on payments to past directors on page 90 has been audited. The remainder of the Annual Report on Directors' Remuneration is unaudited.

Role of the Remuneration Committee

The Remuneration Committee is responsible for setting and implementing the Remuneration Policy for the Executive Directors and the Company's Chair.

In addition, the Committee considers the remuneration arrangements for all senior executives in the Group and other relevant senior managers. This ensures a consistent application of Remuneration Policy across the Group and aligns all senior managers' remuneration to the Group's strategic objectives. Remuneration received reflects the contribution made by senior executives to the business, the performance of the Group, the size and complexity of the Group's operations and the need to attract, retain and incentivise executives of the highest quality.

Committee membership

The members of the Committee during the year ended 31 December 2019 were as follows:

Remuneration Committee member	Appointed to the Committee
Pamela Bingham	January 2018
Helen Clatworthy	January 2017
Mark Rollins (Chair)	April 2015
Martin Towers	December 2009

Paul Withers was appointed to the Board and Remuneration Committee after the period end on 1 February 2020. He will take over as the Committee Chair at the end of March 2020 upon the retirement of Mark Rollins from the Board.

All members of the Committee are Independent Non-executive Directors. The Chief Executive attends meetings at the invitation of the Committee Chairman. Other individuals such as external advisers may be invited to attend all or part of any meeting, as and when appropriate and necessary. None of these individuals were present or participated in any discussion in respect of their own remuneration.

The Committee held six meetings during the year. There was full attendance at all meetings. Four of the meetings were scheduled meetings timed to coincide with the reporting cycle of the Company, including the approval of the Annual Report, and the management of the Executive Directors' remuneration and incentive plans. Two additional meetings were held: the first to consider and approve the remuneration package for the new CFO; and the second to discuss the new remuneration policy and the nature of the future LTIP performance measures. The Committee operates under terms of reference approved by the Board. The terms of reference were reviewed by the Committee during the year to ensure they: remained relevant for the aims of the Committee; continued to meet the requirements of the business, the Group's shareholders and other stakeholders; and reflected changes in corporate governance best practice. The terms of reference may be found on the Group website.

External advisers

The Committee is advised by Aon. Aon is a signatory of the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code which sets out guidelines to ensure that its advice is independent and free of undue influence. Aon did not provide any other service to the Group during the year. Total fees for advice provided to the Committee during the year were £82,752 (2018: £57,647) excluding VAT.

Remuneration outcomes for 2019

Single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2018 and 2019:

	Salary/fees[1]		Annual bonus: cash		Annual bonus: deferred shares		Cash Payments in lieu of pension[2]		Benefits[3]		Vested LTIP Awards[4]		Buyout Awards under Listing Rule 9.4.2[5]		Total remuneration	
Directors' remuneration for the year ended 31 December 2019	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Executive Directors																
Jo Hallas[1,2]	**334**	–	**63**	–	**63**	–	**50**	–	**14**	–	**–**	–	**775**	–	**1,299**	–
Jason Ashton[1,2]	**206**	–	**39**	–	**39**	–	**14**	–	**13**	–	**–**	–	**–**	–	**310**	–
Louis Eperjesi[1,2]	**108**	420	**–**	122	**–**	122	**22**	84	**4**	19	**–**	386	**–**	–	**134**	1,153
James Brotherton[1,2]	**109**	298	**40**	68	**–**	68	**16**	95	**6**	18	**–**	238	**–**	–	**171**	735
Non-executive Directors																
Helen Clatworthy	**56**	55	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56**	55
Mark Rollins	**60**	58	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**60**	58
Martin Towers	**138**	133	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**138**	133
Pamela Bingham	**48**	48	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48**	48

1. Jo Hallas was appointed to the Board as the Chief Executive Officer on 1 April 2019. Jason Ashton was appointed to the Board as the Chief Financial Officer on 9 May 2019.

   Louis Eperjesi stepped down from the Board on 1 April 2019, and James Brotherton stepped down from the Board on 9 May 2019. The figures in the table for Louis Eperjesi and James Brotherton are prorated for the period they served as Executive Directors.
2. Louis Eperjesi and James Brotherton received cash in lieu of pension amounting to 20% and 15% of base salary respectively. Jo Hallas receives cash in lieu of pension amounting to 15% of base salary, which is a reduction from the former CEO. Jason Ashton receives cash in lieu of pension amounting to 7% of base salary, in line with the majority of the wider workforce. The Executive Directors are not members of any of the Group pension schemes.
3. The benefits provided to the Executive Directors included car allowance, private medical insurance, permanent health insurance and life assurance. There were no changes to the benefit policies or levels during the year.
4. The LTIP awards scheduled for vesting in 2020, which were granted in 2017, failed to meet the threshold target and therefore will not vest as planned on 14 March 2020. The comparative value of LTIP awards for 2018 has been restated using the actual share price at vesting on 19 March 2019 and so it is different to the value shown in the 2018 Remuneration report.
5. Conditional share awards granted on 1 April 2019 to Jo Hallas under Listing Rule 9.4.2 in order to buy out outstanding LTIP awards forfeited on leaving her previous employment. Further details of these awards are set out below.

Annual Report on Directors' Remuneration

Appointment of Jo Hallas as the Chief Executive Officer

As reported last year, Jo Hallas was appointed to the Board as the Chief Executive Officer on 1 April 2019. The Committee considered the total remuneration paid for the position should be commensurate with the scope, complexities and international nature of the role, and would therefore be similar to that of the former CEO and at broadly median level for a business of Tyman's size, nature and complexity. As a result, on appointment, Jo Hallas received a basic salary of £445,000 p.a. She is eligible to receive an annual bonus award up to a maximum of 125% of base salary subject to the satisfaction of annual performance metrics. In addition, she is eligible to participate in the Company's LTIP where she may be awarded nil-cost options up to a maximum of 125% of base salary subject to performance conditions measured over three years. A further two-year post-vesting holding period will apply to all LTIP awards. She receives a pension allowance of 15% of salary, in accordance with the Policy in effect at the time of her appointment, which represented a reduction from the 20% of salary that the former CEO received.

As previously notified to shareholders, on 1 April 2019, Jo Hallas also received an award of shares to compensate her for the loss of a number of long-term incentive awards received from her previous employer. In accordance with the Group's approved remuneration policy, when structuring these awards the Committee sought to ensure that the expected value of the replacement awards was no greater than the expected value being forfeited taking into consideration the form of payment, timing and degree of conditionality of the awards forgone.

The Award is composed of two tranches. The first tranche consists of 156,813 shares, due to vest on 30 April 2020, and the second tranche consists of 156,814 shares, due to vest on 30 April 2021. In each case, vesting is subject to Jo Hallas's continued service.

These awards were made under the terms of a share award agreement in connection with Jo's recruitment as Chief Executive Officer of Tyman plc. They were made to facilitate recruitment and to compensate for loss of certain benefits and share awards from Jo's previous employment, which were forfeited as a result of her employment by Tyman. The Remuneration Committee believes that these awards fairly reflect the awards Jo forfeited on leaving her previous employment in terms of value and timing of vesting. These one-off awards of nil cost options were granted under the exemption to the requirement for prior shareholder approval, to which Listing Rule 9.4.2(2) applies.

No consideration was paid for the grant of these awards and no consideration is due on the vesting of these awards. The awards made are in accordance with Tyman's approved remuneration policy and are subject to clawback in certain circumstances. The awards will be satisfied with the transfer of existing shares. The 30-day average share price before 1 April 2019, was £2.4718p.

Appointment of Jason Ashton as the Chief Financial Officer

Jason Ashton was appointed to the Board on 9 May 2019. He received a basic salary of £318,000 p.a. Jason is eligible to receive an annual bonus award up to a maximum of 125% of base salary subject to the satisfaction of annual performance metrics. In addition, he is eligible to participate in the Company's LTIP where he may be awarded nil-cost options up to a maximum of 125% of base salary subject to performance conditions measured over three years. A further two-year post-vesting holding period will apply to all LTIP awards. Jason receives a pension allowance of 7% of salary, which is in line with the general UK workforce and is a reduction from the 15% of salary that the previous CFO received.

Louis Eperjesi's leaving arrangements

As reported last year, Louis stepped down from the Board on 1 April 2019 and was treated as a good leaver. The remuneration he received during 2019 was all paid in line with the Remuneration Policy. He received a salary of £108,000 for the three-month period he worked as the CEO during the year. He was not eligible for any annual bonus or LTIP in respect of the 2019 performance. His outstanding LTIP awards will continue to be subject to the existing performance conditions and periods (including post-vesting holding period), with the number of shares vesting being prorated for the portion of the performance period he was employed by the Group. As a good leaver his outstanding deferred bonus awards will continue to vest on the normal timetable. Although not contractually required to do so, in line with emerging best practice, Louis indicated he would voluntarily continue to hold shares worth at least two times his salary (i.e. 350,000 shares) for one-year post-cessation and worth at least one times his salary (i.e. 175,000 shares) for a further year. The number of shares was calculated using a share price of 240.0 pence per share.

James Brotherton's leaving arrangements

James Brotherton stepped down from the Board on 9 May 2019. He received salary of £109,066 for the four-month period he worked as the CFO during the year. James was treated as a good leaver for the purpose of his 2019 bonus and outstanding deferred bonus awards. He was eligible for the 2019 bonus, which was calculated on the same basis as the actual bonus outcome for the other Executive Directors and was prorated to reflect the time worked as an Executive Director during the year. In light of his departure prior to the year end, and in line with the Remuneration Policy, his 2019 bonus will be paid wholly in cash at the end of March 2020, with no deferral. His outstanding deferred bonus awards will continue to vest on the normal vesting dates.

James was not eligible for the LTIP awards granted in 2019. All of his outstanding LTIP and SAYE awards lapsed on his departure. Similar to Louis Eperjesi, in line with emerging best practice, James indicated he would voluntarily continue to hold at least 250,000 shares for a period of 12 months following his departure, which broadly equated to two times his salary, and at least 150,000 shares for a further year.

Determination of the 2019 Group Bonus Plan

The maximum bonus opportunity for Executive Directors in respect of the 2019 financial year was 125% of bonusable salary for the Chief Executive Officer and the Chief Financial Officer, of which 50% is to be paid in cash and 50% is deferred in shares, which vest after three years. For 2019 the Executive Directors' bonus was 100% based on financial metrics. Both Executive Directors joined the Company during the year and, in line with the Remuneration Policy, their earned bonuses were prorated to reflect the portion of the year that they were employed with the Company. The outcome of the 2019 bonus, alongside the performance targets set, is shown below:

Measure	Threshold 0%	Target 50%	Exceeds 100%	Performance achieved	Bonus as % of salary[1]
Profit growth over prior year (25% weighting)[2]	£72.7m	£76.3m	£79.9m	£72.5m	0.0
Profit performance versus target (45% weighting)[2]	£77.9m	£86.5m	£95.2m	£72.5m	0.0
Cash conversion of operating profit (15% weighting)	75%	85%	95%	134%	15.0
Cash generation versus target (15% weighting)[3]	£87.2m	£96.9m	£106.6m	£112.8m	15.0
Total bonus achieved					30.0

1. Calculation is performed on the basis of targets and performance is stated in £'000 rounded to one decimal percentage place.
2. Profit performance versus target is measured on a constant currency basis under 2018 GAAP, excluding the impact of IFRS 16.
3. Cash generation excludes the impact of pension contributions, income tax paid and exceptional cash spend but is after capital expenditure on tangible and intangible assets.

Straight-line vesting occurs between target and stretch performance.

In total, Jo Hallas, Jason Ashton and James Brotherton each earned a bonus of 37.5% (being 30.0% × 125%) of salary. As reported last year, Louis Eperjesi was not eligible to receive an annual bonus in respect of 2019 performance. The monetary amounts are payable in cash and deferred shares as set out below:

Director	Bonusable salary £'000	Bonus maximum (% of bonusable salary)	Achievement (% of award)	Total bonus awarded £'000	Cash bonus £'000	Deferred bonus £'000
Jo Hallas[1]	334	125	30.0	125	63	63
Jason Ashton[2]	206	125	30.0	78	39	39
James Brotherton[3]	109	125	30.0	40	40	Nil

1. Prorated bonusable salary calculated from 1 April 2019, the date Jo joined the Board. In addition, her bonus calculated for the period 1 March to 31 March 2019 was £14k, which was split equally cash and deferred shares.
2. Prorated bonusable salary calculated from 9 May 2019, the date Jason joined the Board.
3. Prorated bonusable salary calculated from 1 January 2019 to 8 May 2019. In addition, the bonus calculated for the period 9 May to 31 May 2019 was £7k, which was payable in cash.

Bonuses in respect of 2019 performance are subject to recovery and withholding provisions, which include exceptional circumstances such as material misstatement of the accounts, a material miscalculation of the performance of the Company or gross misconduct before the vesting date. The Committee believes the above payments to be in line with Company performance and therefore no discretion was used during the year.

DSBP awards granted during the year

The table below details the deferred shares granted in 2019 in respect of the 2018 annual bonus award:

Director	Number of shares[1]	Share price – five-day average	Face value[2]	Vesting date
Louis Eperjesi	48,599	2.517	122,324	March 2022
James Brotherton	26,972	2.517	67,889	March 2022

1. Shares are deferred for three years.
2. The actual value will be the value at the vesting date and will include dividend equivalent award shares.

LTIP awards vesting in March2020

LTIP awards were made to Executive Directors on 14 March 2017, subject to performance measured over three years ended 31 December 2019. Awards were measured against targets outlined below dependent upon adjusted EPS from continuing operations:

EPS targets (100% weighting)	Cumulative EPS target over the three years ending December 2019[1]
Threshold – 25% award	**89.10p**
Maximum – 100% award	**103.30p**

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

Performance year	Earnings per share
2017	26.91p
2018	27.68p
2019	27.46p
Adjusted cumulative EPS	82.05p

The EPS in 2019 was earned against the backdrop of soft market demand and operational challenges in North America primarily as a result of the customer losses and operating inefficiencies associated with the North American footprint consolidation project. As the adjusted cumulative EPS of 82.05p was less than the threshold target of 89.10p, none of the LTIP awards vested.

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

Director	Date of grant	Earliest date for vesting	Number of shares under award	Number of shares cancelled[1]	Number of shares lapsed	Estimated award value on vesting
Louis Eperjesi	14 March 2017	March 2020	140,661	23,444	117,217	£Nil
James Brotherton	14 March 2017	March 2020	86,816	86,816	–	£Nil

1. Number of shares cancelled due to termination of employment.

LTIP awards granted during the financial year

LTIP awards were granted to both Executive Directors on 18 March 2019 and 14 May 2019 respectively, with a face value of 125% of salary.

Director	Award scheme	Date of award	Normal vesting date[1]	Number of shares awarded	Face value of award £'000	Share price – 30-day average	Share award receivable at lower threshold
Jo Hallas	LTIP	18 March 2019	March 2022	225,038	556	£2.4718	56,259
Jason Ashton	LTIP	14 May 2019	May 2022	155,912	397	£2.5495	38,978

1. The award is subject to a two-year holding period after normal vesting.

Vesting of the 2019 Awards is based on the Company's three-year cumulative adjusted EPS targets set out below and subject to a discretionary underpin based on, inter alia, relative TSR over the period 2019–2021 and reported ROCE performance in 2021 of not less than 15% (calculated on a 2018 GAAP basis).

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

EPS targets (100% weighting)	Cumulative EPS target over the three years ending December 2021	CAGR of EPS over 2018 EPS required to meet target
Threshold – 25% award	95.0p	6.9%
Maximum – 100% award	112.0p	15.7%

Directors' interests in shares

The interests of each person who was a Director of the Company as at 31 December 2019 (together with interests held by his or her connected persons) were:

	Unrestricted shares	Restricted shares	Total ordinary shares held[1]	% of salary required (2019)[2]	% of salary achieved[3]	2019 guidelines met?	Ordinary shares at 31 December 2018
Jason Ashton	19,010	–	19,010	200%	16	No	–
Pamela Bingham	3,928	–	3,928	–	–	–	–
Helen Clatworthy	15,000	–	15,000	–	–	–	15,000
Jo Hallas	74,127	–	74,127	200%	45	No	–
Mark Rollins	40,000	–	40,000	–	–	–	40,000
Martin Towers	120,000	–	120,000	–	–	–	62,984

1. From 31 December 2019 to 5 March 2020 there were no changes to the above stated holdings.
2. Base salary as at 31 December 2019.
3. Based on the closing price of Tyman plc ordinary shares of £2.715 on 31 December 2019.

Directors' interests in shares under all share plans (LTIP, share awards issued under Listing Rule 9.4.4(2), DSBP and SAYE) (audited)

		Shares over which awards						
Award scheme	Award date	held at 1 Jan 2019	granted during the year	vested during the year[1]	lapsed/ cancelled during the year	held at 31 Dec 2019	Exercise price	Earliest vesting date[2]
Jo Hallas								
LTIP	18/03/19	–	225,038	–	–	**225,038**		Mar 2022
LR 9.4.2(2) awards[3]	01/04/19	–	156,813	–	–	**156,813**		Apr 2020
LR 9.4.2(2) awards[3]	01/04/19	–	156,814	–	–	**156,814**		Apr 2021
UK ESPP	30/09/19	–	4,066	–	–	**4,066**	£1.7706	Nov 2022
Jason Ashton								
LTIP	14/05/19	–	155,912	–	–	**155,912**		Mar 2022
UK ESPP	30/09/19	–	4,066	–	–	**4,066**	£1.7706	Nov 2022
Louis Eperjesi								
DSBP	08/03/16	40,099	–	40,099	–	**–**		Mar 2019
LTIP	09/03/16	151,442	–	136,297	15,145	**–**		Mar 2019
DSBP	14/03/17	58,581	–	–	–	**58,581**		Mar 2020
LTIP	14/03/17	140,661	–	–	23,444	**117,217**		Mar 2020
DSBP	14/03/18	34,419	–	–	–	**34,419**		Mar 2021
LTIP	05/04/18	176,381	–	–	88,191	**88,190**		Mar 2021
DSBP	18/03/19	–	48,599	–	–	**48,599**		Mar 2022
James Brotherton								
UK ESSP	24/09/15	2,608	–	–	2,608	**–**	£2.7612	Nov 2018
DSBP	08/03/16	24,557	–	24,557	–	**–**		Mar 2019
LTIP	09/03/16	93,459	–	84,113	9,346	**–**		Mar 2019
UK ESSP	22/09/16	2,750	–	–	2,750	**–**	£2.6177	Nov 2019
DSBP	14/03/17	36,152	–	–	–	**36,152**		Mar 2020
LTIP	14/03/17	86,816	–	–	86,816	**–**		Mar 2020
UK ESSP	22/09/17	1,101	–	–	1,101	**–**	£3.2685	Nov 2020
DSBP	14/03/18	21,243	–	–	–	**21,243**		Mar 2021
LTIP	05/04/18	115,487	–	–	115,487	**–**		Mar 2021
UK ESSP	28/09/18	–	2,217	–	2,217	**–**	£3.2462	Nov 2021
DSBP	18/03/19	–	26,972	–	–	**26,972**		Mar 2022

1. LTIPs are subject to a mandatory two-year holding period, upon vesting, after the sale of the necessary number of shares to cover tax and national insurance payments.
2. All awards lapse ten years from the date of grant.
3. These one-off awards of nil cost options were granted under the exemption to the requirement for prior shareholder approval, to which Listing Rule 9.4.2(2) applies and were made to facilitate recruitment and to compensate for loss of certain benefits and share awards from Jo's previous employment, which were forfeited.

Annual Report on Directors' Remuneration

Payments to past Directors

In order to facilitate a smooth handover with the incoming CEO, Louis Eperjesi continued to be employed by the Company for a period of three months after his retirement from the Board on 1 April 2019. During this time he continued to receive his contractual salary £108,000 for the three-month period and benefits, but received no bonus or LTIP award. In a similar manner, and to ensure a smooth handover to the incoming CFO, James Brotherton continued to be employed by the Company, after his retirement from the Board on 9 May 2019, until the end of May 2019. During this time he continued to receive his contractual salary (£18,845 for the period), benefits and bonus of £7,231, but no LTIP award. There were no other payments to past Directors during the year.

Service contracts

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

	Commencement date	Notice period in months
Jo Hallas	1 April 2019	Twelve
Jason Ashton	9 May 2019	Twelve

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

Non-executive Director	Date of appointment	Latest date of appointment/ reappointment	Expiry date	Notice period in months
Pamela Bingham	18 January 2018	18 January 2018	18 January 2021	One
Helen Clatworthy	9 January 2017	9 January 2017	8 January 2023	One
Mark Rollins	1 April 2015	1 April 2018	1 April 2021	One
Martin Towers	17 December 2009	12 May 2017	–	One

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

External appointments of Executive Directors

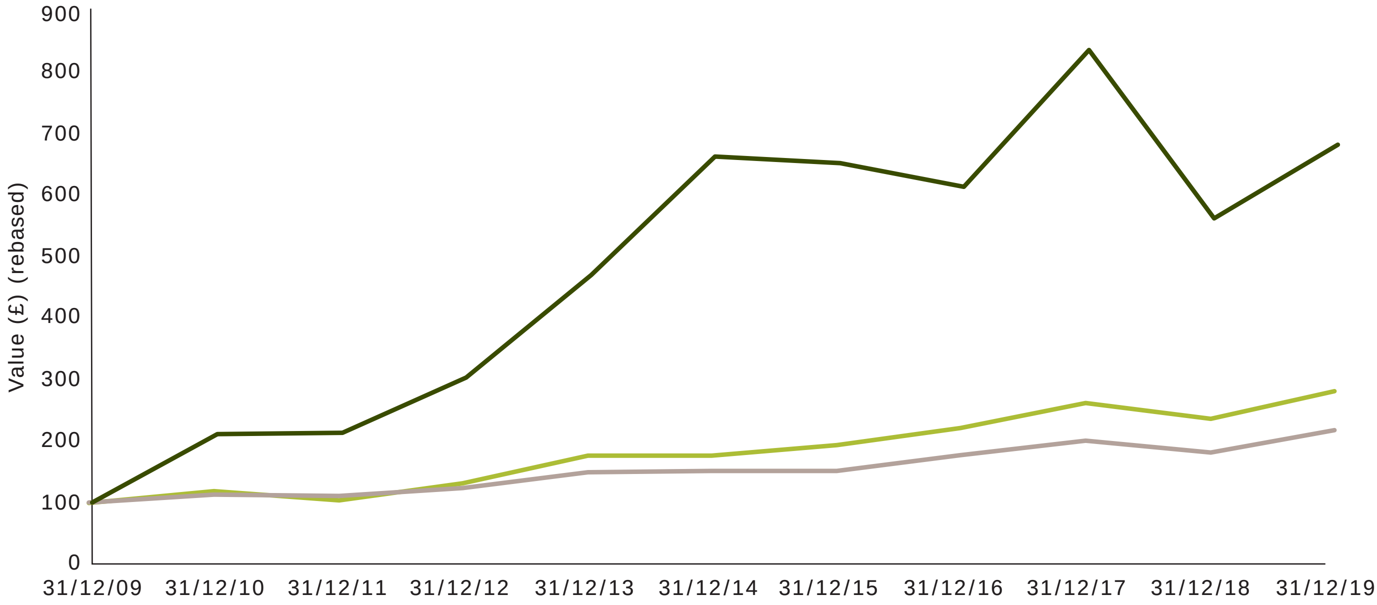
The Executive Directors do not hold any external appointments.

James Brotherton became a director of the Quoted Companies Alliance on 17 January 2017 (this is an unpaid position). Louis Eperjesi was appointed a trustee of the Cheltenham Trust on 2 February 2018 (this is an unpaid position) and a non-executive director of Ibstock plc on 1 June 2018. For the three-month period during the year when Louis Eperjesi worked as an Executive Director at Tyman, he received fees of £12,813 in respect of his non-executive director role at Ibstock plc, which he retained.

Performance graph and table

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

Total shareholder return



Source: FactSet

This graph shows the value, by 31 December 2019, of £100 invested in Tyman plc on 31 December 2009, compared with the value of £100 invested in the FTSE All Share and FTSE SmallCap Indices on the same date.

The increase in the Tyman TSR over the ten-year period is 687%.

Percentage change in CEO remuneration compared to average employee

The table below shows the percentage movement in the salary, benefits and bonus and LTIP for the Chief Executive between the current and previous financial year compared to that for the average UK employee.

	% change 2018 to 2019	
Remuneration Element	CEO	Average Employee
Salary	5.2%	1.7%
Benefits	(12.5)%	7.9%
Bonus and LTIP[1]	(80.2)%	(84.0)%

1. The CEO bonus and LTIP excludes the one-off share award of £775,224 in respect of the buy-out of unvested share awards forfeited by the new CEO on leaving her previous employment. Including the one-off share award would result in an increase in bonus and LTIP of 42.6% over prior year.

The CEO remuneration reflects the remuneration of Louis Eperjesi for the first three months ended 31 March 2019 and the remuneration of the new CEO, Jo Hallas, for the remainder of 2019. The decrease in the CEO benefits reflects the lower pension contribution rate of 15% for the new CEO (previously 20% for Louis Eperjesi). The increase in the benefits of the average employee reflects increases in pension contributions, matching the employee contributions.

The decrease in both the CEO and the average employee bonus and LTIP remuneration resulted from a nil vesting of LTIP awards in 2019 compared to a 100% LTIP vesting in 2018. The 2018 vesting was reduced by the Remuneration Committee exercising its discretion to a 90% vesting for the Executive Directors.

Annual Report on Directors' Remuneration

Historical Chief Executive remuneration outcomes

The table below sets out the single figure for the total remuneration paid to the Chief Executive Officer, together with the annual bonus payout (expressed as a percentage of the maximum opportunity) and the LTIP payout (expressed as a percentage of the maximum opportunity), for the current year and previous nine years.

Year	CEO	Single figure of total remuneration £'000	Annual bonus payout %	LTIP payout %
2019	Jo Hallas	1,299[3]	30	n/e[2]
	Louis Eperjesi	134	n/e[2]	Nil
2018	Louis Eperjesi	1,153[1]	39.5%	90%
2017	Louis Eperjesi	876	51%	42%
2016	Louis Eperjesi	1,052	91%	49%
2015	Louis Eperjesi	1,026	58%	100%
2014	Louis Eperjesi	1,137	31%	94%
2013	Louis Eperjesi	1,821	90%	100%
2012	Louis Eperjesi	493	68%	Nil
2011	Louis Eperjesi	338	22%	Nil
2010	Louis Eperjesi	394	100%	Nil
	Denis Mulhall	438	Nil	Nil
	Keith Taylor	73	n/e[2]	n/e[2]

1. The LTIP awards that vested in 2019 have been recalculated using the actual exercise share price.
2. '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.
3. The single figure shown for Jo Hallas for 2019 of £1,299k includes £775k in relation to the buy-out of the share awards at her previous employer which she forfeited by joining Tyman during the year. Consequently, the amount paid to Jo Hallas solely in respect to her Tyman employment during 2019 was £524k.

Relative spend on pay

The table below sets out, for the years ended 31 December 2019 and 31 December 2018, the total cost of employee remuneration for the Group together with the total distributions made to shareholders by way of dividends.

Relative spend on pay (£'000)	**2019**	2018	Year on year % change
Total employee remuneration for the Group (excluding share-based payments)	**147,212**	142,199	3.5
Dividends paid in the financial year	**23,577**	22,362	5.4

CEO pay ratio

The Regulations require certain companies to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the 25th percentile, median and 75th percentile total remuneration of full-time equivalent UK employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019[1]	Option A	1:32	1:27	1:19

1. The CEO total pay excludes the one-off share award of £775,224 in respect of the buy-out of unvested share awards forfeited by the new CEO on leaving her previous employment. If the one-off share award was included in the CEO total pay, the CEO pay ratios would be 1:70, 1:59 and 1:42 for the 25th percentile, the median and the 75th percentile respectively.

	CEO pay (£)	P25 pay (£)	P50 pay (£)	P75 pay (£)
Salary	441,750	19,550	23,335	33,598
Total pay[1]	657,510	20,333	24,268	33,598

1. The CEO total pay excludes the one-off share award of £775,224 in respect of the buy-out of unvested share awards forfeited by the new CEO on leaving her previous employment. Including the one-off share award would result in total pay for both the departing and current CEOs of £1,432,734

The 25th percentile, median and 75th percentile figures used to determine the above ratios were selected from an analysis of the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all the UK employees for the year end 31 December 2019. This methodology is defined as Option A.

Statement of implementation for the 2020 financial year

Details of the Directors' remuneration for the 2020 financial year are set out in the table below:

Salary	Jo Hallas – £457,000 (2019: £445,000 – 2.7% increase)
	Jason Ashton – £326,000 (2019: £318,000 – 2.5% increase)
Pension allowance	Jo Hallas – 15% of base salary
	Jason Ashton – 7% of base salary.
Benefits	Life assurance cover, critical illness cover, private medical and dental cover, car allowance and professional tax and financial advice. The Directors to receive a car allowance of £17,500 per annum with effect from 1 January 2020 (2019: £17,000).
Annual bonus	125% of base salary, with half payable in cash and half in shares deferred for three years. Bonuses will be based entirely on financial measures for both Jo Hallas and Jason Ashton and will remain 70% linked to adjusted profit before tax and 30% linked to cash generation. Consistent with prior years, the precise bonus targets will be disclosed in detail in the 2020 Annual Report and Accounts.
LTIP	Nil-cost options of 125% of base salary. Historically the performance metric was solely cumulative Adjusted EPS measured over a three-year period. For awards made in 2020 the performance measures have been broadened to: 50% being based on a point-to-point measure of the Underlying EPS in the final year of the three-year performance period; and 50% on an Underlying ROCE measure on a point-to-point basis over the same three year period. In addition, relative TSR will continue to be used, although now compared with the Small-cap Index (excluding financial services), as a discretionary underpin. 25% of the award will vest for threshold performance, with 0% below threshold, increasing pro rata to full vesting for stretch performance. LTIP awards continue to be required to be retained for two years after vesting.

The salaries of the Group's senior management team were reviewed in December 2019 and in general were awarded an increase to their base salaries of 2.5%, these being in line with the average increases for all UK-based employees, excluding exceptional increases reflecting local operating or market conditions in the various geographies where Tyman operates. The average increase for the general worldwide workforce was between 2.00% and 2.75%.

Non-executive Director fees

The Chair is paid a fee of £142,500 per annum, with no additional fee for chairing the Nominations Committee.

Non-executive Directors are paid an annual basic fee, plus an additional fee for chairing a Board Committee.

Position	**Annual fee 2020 £**	Annual fee 2019 £
Chair	**142,500**	137,500
Non-executive Director	**49,250**	48,500
Annual fee for the Chair of the Audit or Remuneration Committees	**8,500**	8,000
Annual fee for the Senior Independent Director[1]	**7,000**	6,500

1. Paid at 50% if Senior Independent Director is also Chair of a Committee.

All Non-executive Director fees, the fee for the Chair, fees for the Committee Chairs and the fee for the Senior Independent Director were reviewed in December 2019. Taking into account the time commitment, continued work on the Group's succession planning and overall commitment to the Company it was decided that the Chair should be awarded an increase of 3.6%, raising his fee for 2020 to £142,500. The Non-executive Directors were awarded an increase of 1.5%, raising the basic fee to £49,250 per annum. These increases reflect the increases made to the wider workforce and Executive Directors, along with the relative marketplace values associated with the roles.

The fees paid to the Chairs of the Audit and Remuneration Committees were increased by £500 to £8,500 per annum and the fee for the role of Senior Independent Director was reviewed and similarly increased by £500 to £7,000 per annum. As in prior years, where the Senior Independent Director is also Chair of a Committee, this fee is reduced by 50%.

Given the additional time commitment involved, the Designated NED responsible for employee engagement across the Group, Pamela Bingham, will receive an additional fee of £5,100 per annum (being 60% of the Committee chair fee), with effect from 1 March 2020.

Annual Report on Directors' Remuneration

Other items

Details of share plans

During the year awards were made under the following plans:

- Tyman Sharesave Plans: in the form of options totalling 240,399 shares at a price of £1.7706 to £2.0562, vesting over a one or three-year period, depending on jurisdiction. The total number of awards outstanding as at 31 December 2019 is 406,195.
- Deferred Share Bonus Plan: in the form of deferred share awards totalling 145,855 shares. Awarded as a nil-cost option in respect of deferred bonus, vesting over a three-year period. The total number of share awards outstanding as at 31 December 2019 is 455,683.
- Tyman Long Term Incentive Plan: awards totalling 1,331,604 shares were made in the year. Awarded with performance conditions, vesting over a three-year period, with a further two-year holding period. The total number of LTIP awards outstanding as at 31 December 2019 is 2,156,584.

The total number of shares outstanding under all share plans as at 31 December 2019 is 3,018,462.

Dilution

As at 31 December 2019, shares equivalent to 1.55% of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Executive and employee share plans, assuming maximum vesting.

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

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

In accordance with The Investment Association Principles of Remuneration, the Company can satisfy awards to employees under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling ten-year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury) 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under Executive (discretionary) plans.

As well as the LTIP and DSBP, the Company operates various all employee share schemes as described on page 105. Subject to Trustee consent, shares acquired on the Market have been used to satisfy the exercise of options under the Sharesave Scheme and the International Sharesave Plans.

Statement of voting at Annual General Meetings

The table below sets out the results of the 2017 and 2019 AGMs in respect of the Remuneration Policy and Annual Report on Directors' Remuneration respectively:

	Votes for	Votes at discretion	Votes against	Total number of votes cast	Total number of votes withheld
Remuneration Policy (2017 AGM)	138,245,599 (96.79%)	48,673 (0.03%)	4,546,304 (3.18%)	142,840,576 (100%)	1,436,928
Annual Report on Directors' Remuneration (2019 AGM)	156,326,772 (95.92%)	5,164 (0.01%)	6,635,803 (4.07%)	162,967,739 (100%)	–

The Committee is grateful to the Group's shareholders for their support as shown in the voting levels at the 2019 AGM and looks forward to receiving their continued support in 2020.

This Annual Report on Directors' Remuneration has been approved by the Remuneration Committee and is signed on its behalf by:

Mark Rollins
Chairman, Remuneration Committee

5 March 2020

Remuneration report CONTINUED
Policy report

The Group's current policy statement, which was approved by shareholders at the 2017 Annual General Meeting, only remains in effect until the 2020 Annual General Meeting, due to be held in May 2020. Accordingly, a new policy prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 has been prepared and will be put to shareholders for approval at the forthcoming Annual General Meeting. Full details of the new policy are set out below. If approved by shareholders then the new policy (the 'Policy') will be effective from the date of approval until the Group's 2023 Annual General Meeting.

Governance best practice
In determining the Executive Director Remuneration Policy and practices, the Committee has also considered alignment with the 2018 UK Corporate Governance Code with respect to the following characteristics:

- Clarity: We are committed to transparent Director pay decisions, with the rationale for decisions, awards and in particular, incentive targets and outcomes, published in detail.
- Simplicity: Our Policy consists of fixed remuneration, annual and long-term incentive components only. The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind.
- Risk: The combination of reward for short-term business performance (paid part in cash and part in deferred shares) and long-term, sustainable earnings performance and shareholder returns ensures the incentives drive the right behaviours for the Group, its shareholders, employees and customers. Formulaic outcomes produced by the performance conditions can be overridden where in the Committee's opinion they do not reflect the true performance of the business or individual Directors' contributions. Furthermore, all variable pay awards are subject to malus and clawback provisions.
- Predictability: There are defined threshold and maximum pay scenarios which we have disclosed on page 106 and which now include a payout scenario under the LTIP based on assumed share price growth of 50%.
- Proportionality: There is a clear and direct link between Group performance and individual rewards under the annual bonus and LTIP. No variable remuneration is payable for performance below a defined threshold level.
- Alignment to culture: The Remuneration Committee has worked hard to formulate a Policy and incentive plans that support a high performance culture, driving sustainable growth while also rewarding appropriate short-term business performance, without encouraging excessive risk taking or unsustainable Company performance. Financial and non-financial incentive measures reflect and support business strategy. Our assessment of annual performance considers both what is delivered and how the Executive Directors have delivered it.

Amendments to the Policy
The current Remuneration Policy was approved at the May 2017 Annual General Meeting, with 96.79% of votes cast in favour. As such, no fundamental changes are proposed. However, the Policy has been reviewed against the backdrop of changes in the governance environment and best practice expectations of investors and a number of key enhancements have been made to the proposed Policy. These include:

- Clarification that, if the minimum in-employment shareholding requirement of 200% of salary has not been achieved within five years of appointment then the Remuneration Committee may determine that a higher percentage, than the current 50%, of the net number of shares vesting should be retained until the requirement has been met.
- The requirement that the Executive Directors are required to retain the lower of their existing shareholding and one times their base salary for two years post-employment.
- The maximum pension contribution to be paid to Executive Directors be in line with that granted to the wider workforce, currently around 7% of base salary. This is the level that already applies to the current CFO. However, the current CEO, Jo Hallas, pension was set at 15% (lower than the 20% received by her predecessor) in accordance with the existing policy and market practice at the time her appointment was agreed during 2018. It is intended that her pension arrangements, for which she is contractually entitled, will be grandfathered under the new Policy.
- An extension to the discretionary powers of the Committee to override the formulaic outcomes of bonus and LTIP schemes if they produce a result that is not intended or does not reflect the underlying financial performance of the Company.

Remuneration Policy table

Base salary

Link to strategy
To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved.

The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and the management of its business in the international environment in which it operates.

Operation
Base salary is paid monthly in cash.

The Executive Directors' salaries are set having regard to typical pay levels at companies of a similar size, internationality and complexity.

Salaries are normally reviewed annually and are typically effective from 1 January each year. When reviewing salaries, the Committee considers all relevant factors including:

- prevailing market and economic conditions;
- scope and responsibilities of the role;
- the level of increase for other roles within the business; and
- Company and individual performance.

Maximum opportunity
There is no prescribed maximum salary.

Salary increases will normally be broadly in line with the general annual salary increase received by Group employees in the relevant Director's country of residence.

The Committee retains the discretion to award larger increases, for example, to reflect a change in role, development and performance of a Director or reflect an increase in complexity of the Group.

Metrics
While there are no performance targets attached to the payment of salary, Company and individual performance is a factor considered in the salary review process.

Benefits

Link to strategy
To provide a range of market competitive benefits to facilitate the recruitment of high calibre individuals and encourage their retention.

Operation
Executive Directors are eligible for a range of benefits that may include:

- life assurance cover;
- critical illness cover;
- private medical and dental cover;
- car allowance; and
- professional tax and financial advice.

Additional benefits may also be provided in certain circumstances which may include relocation and associated expenses.

Other benefits may be offered if considered appropriate, reasonable and necessary by the Committee and any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit).

Executive Directors are eligible for other benefits introduced for the wider workforce on broadly similar terms.

Maximum opportunity
No overall maximum level has been set since some costs may change in accordance with market conditions.

Benefits are reviewed by the Committee on an annual basis and set at an appropriate market rate.

Metrics
No performance metrics apply.

Pension

Link to strategy
To provide a market-competitive benefit for retirement, to facilitate the recruitment of high calibre individuals and encourage their retention.

Operation
Executive Directors are eligible to participate in the relevant pension arrangements offered by the Group or to receive a cash salary supplement in lieu of pension entitlement.

The Committee may amend the form of any Executive Director's pension arrangements in response to changes in legislation or similar developments, provided that the amendment does not materially increase the cost to the Company of the pension provision.

Maximum opportunity
The maximum pension allowance for the current Chief Executive is 15% of base salary.

For all other and any new Executive Directors, the maximum pension contribution/allowance will be in line with the majority of the wider workforce. Currently, this is 7% of base salary.

Metrics
No performance metrics apply.

Annual bonus

Link to strategy
To incentivise and reward achievement of annual goals consistent with the strategic direction of the business.

To create further alignment with shareholders' interests via the delivery and retention of deferred equity.

Operation
Rewards annual performance against targets set and assessed by the Committee.

Any bonus payable under the annual bonus scheme is paid 50% in cash and 50% in shares deferred for three years under the DSBP and is not pensionable.

Dividend equivalents may accrue on deferred bonus during the deferral period, at the Committee's discretion on vested deferred bonus shares at the time of vesting.

Three-year recovery and withholding provisions apply.

The Committee has discretion to override formulaic outcomes (under both financial and non-financial metrics) if deemed appropriate.

Maximum opportunity
The normal maximum annual bonus opportunity for the Executive Directors is 125% of salary.

Metrics
Performance metrics are selected annually based on the objectives of the business at the time, with the majority of the bonus linked to financial metrics. Annual financial performance targets have historically been focused on profit and cash generation metrics.

Performance below threshold results in zero payment. Payments normally rise from 0% to 100% of the maximum opportunity for performance between the threshold and maximum targets.

Long Term Incentive Plan

Link to strategy
To align the interests of senior executives to those of shareholders in developing the long-term growth of the business and execution and delivery of the Group's strategy.

To facilitate share ownership.

Operation
Consists of awards of shares that vest subject to the achievement of performance conditions.

Participation and individual award levels will be determined at the discretion of the Committee and within the approved limits of the policy.

The Committee reviews the LTIP performance measures in advance of each grant to ensure their ongoing appropriateness and, where material changes to performance measures are proposed, it consults with shareholders.

Awards made under the LTIP are non-pensionable and will normally require Executive Directors to retain any awards that vest, net of tax, (whether held as shares or options) for a minimum of two further years from the date of vesting.

Three-year recovery and withholding provisions apply.

Dividend equivalents may accrue during the performance period to the extent that awards vest.

The Committee has discretion to override formulaic outcomes (under both financial and non-financial metrics) if deemed appropriate.

Maximum opportunity
125% of salary or 200% in exceptional circumstances, such as the recruitment or retention of critical talent on a targeted basis.

Metrics
Awards are subject to the achievement of defined targets measured over three financial years, starting at the beginning of the financial year in which the award is made.

In respect of each performance measure, performance below threshold results in zero vesting. The starting point for the vesting of each performance element will be no higher than 25% of the maximum opportunity and will rise in a straight-line basis to 100% of maximum opportunity for attainment of levels of performance between threshold and maximum.

Awards will be granted subject to performance conditions that measure the long-term success of the Company. The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.

Shareholding requirement

Link to strategy
To motivate and reward the creation of long-term shareholder value. To ensure alignment with shareholders' interests.

Operation
Executive Directors are required to retain a minimum shareholding equivalent to 200% of basic salary, normally to be achieved within five years of appointment.

Executive Directors are required to retain at least 50% of shares vesting (after any disposals necessary to pay associated tax charges) or such higher percentage (as the Committee may determine in light of the extent to which the holding requirement has been met) under both the Deferred Share Bonus Plan and the LTIP until the minimum shareholding is reached.

Maximum opportunity
–

Metrics
No performance metrics apply.

Post-employment shareholding requirement

Link to strategy
To further strengthen alignment with shareholders' interests in the long term.

Operation
Executive Directors are required to retain a minimum number of shares for two years post-employment equivalent to the lower of 100% of basic salary or the actual shareholding at the time of departure. Shares purchased by Executive Directors and shares under any buy-out awards are not included for the purpose of post-employment shareholding.

Maximum opportunity
–

Metrics
No performance metrics apply.

Chairman and Non-executive Director fees

Link to strategy
To attract and retain high calibre Non-executive Directors.

Operation
Non-executive Director fees are set by the Board.

Fees are normally reviewed annually, but not necessarily increased. Reviews take into account the time commitment, responsibilities and fees paid by companies of a similar size and complexity.

Fee increases, if applicable, for Non-executive Directors, take effect from 1 January.

Additional fees may be paid to Chairs of Board Committees, to the Senior Independent Director and to the Non-executive Director designated as being responsible for employee engagement.

If there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload.

No eligibility to receive bonuses or retirement benefits or to participate in the Group's long-term incentive plans or employee share plans.

Any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit).

Maximum opportunity
Aggregate annual fees to Directors are limited to £500,000 under the Company's Articles of Association.

Metrics
No performance metrics apply.

Notes to the Remuneration policy table

1. Recovery and withholding provisions may be applied to LTIP and DSBP awards in the circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.
2. For the avoidance of doubt, by approval of the policy, authority has been given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous Directors' remuneration reports. Details of any payments to former Directors, where required by relevant regulations, will be set out in the Annual Report on Remuneration as they arise.
3. The Remuneration Committee retains discretion over the operation of certain elements of pay, particularly variable pay. This includes the overriding discretion to adjust either the annual bonus or LTIP if the formulaic outcome is not considered to be reflective of Company performance. In addition, the Committee may adjust elements of the plan including, but not limited to:
   - participation;
   - the timing of the grant and/or payment;
   - the size of an award (up to plan limits) and/or payment;
   - discretion relating to the measurement of performance in the event of a change of control;
   - determination of a good leaver for incentive plan purposes;
   - adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
   - in certain circumstances to grant and/or settle bonus or LTIP awards in cash. In practice, this will only be used in exceptional circumstances for Executive Directors;
   - revise any formulaic outcomes of bonus and LTIP awards downwards or upwards in the event that an exceptional negative or positive event occurs during the bonus year in question. However, in practice, the Committee would not normally expect to revise any formulaic outcomes upwards; and
   - the ability to recognise exceptional events within the existing performance conditions.
4. Annual bonus performance metrics are determined at the start of each year based on the key business priorities for the year. The majority will be based on clear financial targets that may include, but are not limited to, profit and cash generation as, when combined, these are often strong indicators of sustainable growth.
5. LTIP performance metrics are determined at the time of grant. Performance measures may include measures of profitability (such as EPS), measures of capital allocation discipline (such as ROCE) and other measures of long-term success (such as relative TSR). These measures align with the Company's goal of value creation for shareholders through financial growth and above market returns. Performance against targets may also be subject to appropriate discretionary underpins.

Executive Directors' service agreements and exit payment policy

The service agreements of the Executive Directors provide for a notice period of no more than 12 months from either party. On termination of their contract by Tyman, and during the period of notice, Executive Directors would be eligible to be paid their salary, pension contributions and other employment benefits (but not annual bonus or grants under long-term incentive plans) until the earlier of the end of the notice period or the Director obtaining full-time employment, with an obligation on the part of the Director to mitigate.

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

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

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

Non-executive Directors' letters of appointment and shareholding guidelines

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

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

Other policies

Recruitment of Executive Directors

The Committee's general policy on recruitment remuneration is that new Executive Directors should be offered a contract on similar terms to the existing Executive Directors, except for pension contributions or equivalent allowance which would be in line with the majority of the wider workforce. The Committee may agree that the Company will meet certain relocation and associated expenses of a new Executive Director, subject to circumstances.

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

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

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

Any such awards would be made in cash or in shares in Tyman plc, and may be subject to performance conditions attached to Tyman.

Appointment of Non-executive Directors

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

Policy on external appointments

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

Other share plans

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

Employment conditions elsewhere in the Group

The Remuneration Policy for Executive Directors is consistent with that for other employees save lower levels of incentive opportunity based on seniority and market norms. All senior management employees of the Group participate in bonus arrangements, with all permanent UK, US and other international employees eligible to participate in one or more share schemes. Employees in certain other jurisdictions are also eligible to participate in all-employee share plans. Although the Committee does not consult directly with employees on the Directors' Remuneration Policy, the Committee considers any feedback gathered by management or the designated NED as well as the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining remuneration policy for the Executive Directors.

Consultation with shareholders and shareholder bodies

The Committee is committed to regular engagement with shareholders and governance bodies. During 2019, the Committee wrote to shareholders representing over 85% of the Group's issued shares and a number of governance bodies advising them of the proposed changes to the Policy. Overall, the responses received were positive and, in the vast majority of instances, fully supportive of the new Policy.

In advance of implementing any material future changes to the Executive Directors' remuneration, the Committee would normally engage in consultation with shareholders.

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

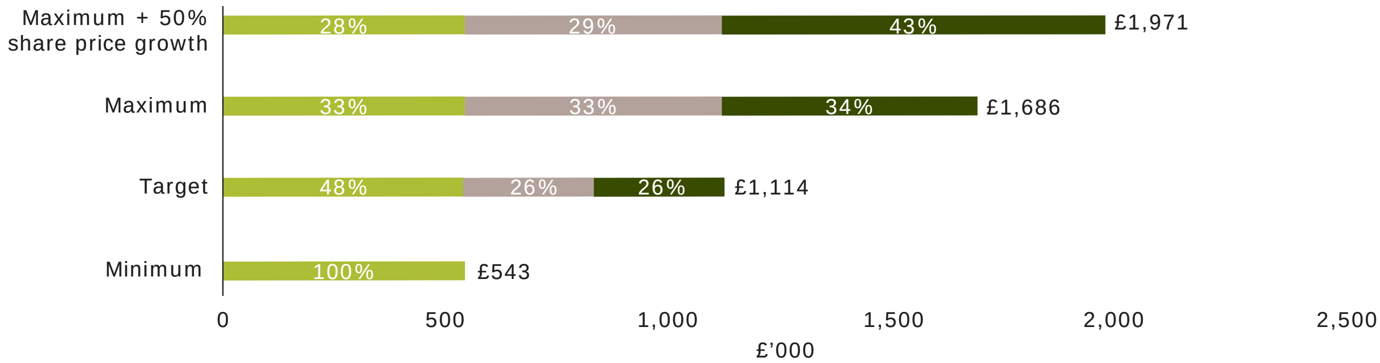
Remuneration report CONTINUED

Policy report

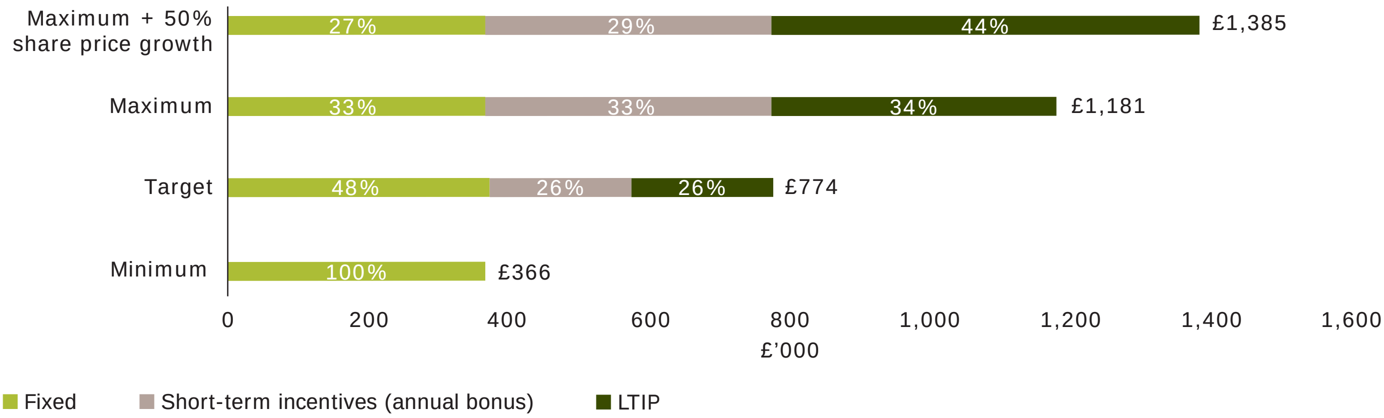
Illustrative performance scenarios

The table below sets out performance scenarios for each Executive Director, for the financial year 2020, showing an indication of the level of remuneration that would be received at minimum, on-target and maximum performance.

Chief Executive Officer



Chief Financial Officer



The above charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration and the value of each component. These assumptions are shown for illustration purposes only.

Three scenarios have been illustrated for each Executive Director:	2020
Minimum performance	Fixed remuneration No annual bonus No vesting of LTIP awards
On target performance	Fixed remuneration 50% annual bonus payout (62.5% of salary) 50% of LTIP awards vest (62.5% of salary)
Maximum performance	Fixed remuneration 100% annual bonus payout (125% of salary) 100% of LTIP awards vest (125% of salary)
Maximum + 50 per cent share price growth	Fixed remuneration 100% annual bonus payout (125% of salary) 100% of LTIP awards vest (125 of salary) and 50% share price growth applied to the LTIP award

The fixed pay element is based on the following elements:

- Base salary is the base salary effective for Jo Hallas and Jason Ashton for the year ended 31 December 2020, as set out on page 97.
- Benefits are the annualised value of benefits paid in the year ended 31 December 2019, as set out in the table of Directors' remuneration on page 89.
- Cash contribution in lieu of pension of 15 per cent of base salary for the CEO and 7 per cent for the CFO.

Independent auditors' report

Report on the audit of the group financial statements

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 2019 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, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual report and accounts (the 'Annual Report'), which comprise: the consolidated balance sheet as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Audit Committee report, we have provided no non-audit services to the group in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall group materiality: £4.3 million (2018: £4.2 million), based on 5% of underlying profit before tax.

- 8 operating units subject to full scope audits on the basis of financial significance.
- Specific procedures over certain classes of transactions and balances at 4 further operating units where the particular balances were financially significant.
- 74% (2018: 72%) of Group revenue accounted for by reporting units where full scope audit work or specific audit procedures performed over revenue. 69% (2018: 62%) of Group underlying operating profit before taxation accounted for by the reporting units where full scope audit work was performed.
- Specific audit procedures on certain balances and classes of transactions provided additional coverage.

- Goodwill and intangible assets impairment assessment.
- IFRS 16.
- Exceptional items.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches in health and safety regulations and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the entity's whistleblowing helpline;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to goodwill and intangible assets impairment assessment and exceptional items (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted to exceptional items.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment *Refer to page 74 (Audit Committee Report), page 133 (notes).* *There is £371.3 million of goodwill and £104 million of intangible assets recognised on the balance sheet, predominantly arising from past acquisitions. The Group operates in the building products market and therefore future results are impacted by fluctuations in the housing market and wider economy.* *We focused on these balances because the determination of whether or not an impairment charge was necessary involved significant judgements about the future results of the business and the allocation of assets to cash generating units (CGUs).*	We evaluated the appropriateness of the allocation of acquired assets to CGUs. We considered the level of integration of acquisitions made during the year to assess the level at which cash flows were independently generated. For all CGUs, namely AmesburyTruth, ERA and SchlegelGiesse, we evaluated the reasonableness of management's future cash flow forecasts and tested the underlying value in use calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management's forecasting. Where performance was below budget, we assessed why this was the case and then understood the impact on current year forecasts. The key assumptions in the calculations were growth in revenue and EBITDA margins. In assessing these assumptions we considered external construction industry outlook reports and economic growth forecasts from a variety of sources, as these were good indicators of building product sales. 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. We performed sensitivity analysis in respect of the key assumptions, which were flexed to determine at what level this would eliminate the headroom in the model. There were no changes in the key assumptions that were considered reasonably possible which would eliminate headroom, as outlined in the disclosure in note 10.
IFRS 16 *Refer to page 75 (Audit Committee Report), page 162 (notes).* *The Group adopted IFRS 16 as of 1 January 2019. The new standard replaces IAS 17 and specifies how the Group recognizes, measures, presents and discloses leases. The application had a material impact on the balance sheet with the recognition of £59.4 million of right of use assets and £60.0 million of lease liabilities as of 31 December 2019.* *The calculation is based on judgments and estimates around extension and termination options which determine the lease term and the incremental borrowing rates used to discount the lease liabilities.* *We focused on these balances because the calculation is complex and involves judgement in determining the key underlying assumptions.*	We have tested the accuracy and completeness of the underlying data and the calculation of the net present values for a sample of lease contracts with no material exceptions. We have considered all facts and circumstances impacting the lease term and evaluated the reasonableness of estimates involved in the determination. We have assessed the appropriateness of the incremental borrowing rates and conclude that the rates used in the calculation are within a reasonable range. We are satisfied that the disclosure included in note 32 is appropriate.

Key audit matter	How our audit addressed the key audit matter
Exceptional items *Refer to page 74 (Audit Committee Report), page 126 (notes).* *The Group has recognised £18.9 million (2018: £7.3 million) of net exceptional costs in the year, the classification of which is subject to judgement. The exceptional items relate to:* ***Footprint restructuring (£7.1 million charge and £0.6 million credit)*** *These costs relate to the footprint rationalisation programme across the Group, predominantly in AmesburyTruth, where the costs relate to plant closures (severance and clean-up costs) and relocation expenses.* *The North American footprint project is expected to conclude by 2020.* ***Impairment charges (£5.4 million charge)*** *The impairment charge relates to the write down of assets and inventory associated with the new door seals in North America. The level of expected future cash flows does not support these assets and therefore these have been written down to their estimated recoverable value.* ***M&A and integration (£5.3 million charge)*** *M&A and integration costs of £3.3 million mainly relate to costs associated with the Ashland, Zoo, Profab, and Reguitti acquisitions in 2018 and the acquisition of Y-Cam in 2019.* *Further costs of £2.0 million relate to balances in respect of prior acquisitions now outside of the measurement period for goodwill.* ***Loss on disposal of business (£1.7 million charge)*** *The charge relates to the impairment of a deferred consideration receivable in connection with the disposal of the Rochester non-fenestration business in December 2018.*	We have evaluated the appropriateness of recognising the income and charges as exceptional items and considered the impact of them on the underlying results. Specifically, we have understood the criteria for and governance over the footprint restructuring and M&A and integration projects and the costs associated with them that management deem to be exceptional items. Accordingly, we have tested the costs associated with such projects to underlying evidence on a sample basis to support the amounts recognised and challenged management on the rationale of classifying these amounts as exceptional. We have considered the governance in place with regards to the restructuring projects and note the current year expense is in line with guidance previously disclosed. We have determined that the rationale for including or excluding items from adjusted profit has been consistently applied across gains and losses and year on year. We consider the disclosure of the exceptional items within the financial statements to be in line with the Group's accounting policy in respect of such items.

How we tailored the audit scope

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

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 78 reporting units for the Group's operating businesses, which map into the three business lines and centralised functions.

Of the Group's 78 reporting units, we identified 8 which, in our view, required an audit of their complete financial information, due to their size. The units were based in the United Kingdom (UK), the United States (US), and Italy.

Specific audit procedures on certain balances and classes of transactions were performed at a further 4 reporting units, as while overall the units were not financially significant, certain classes of transactions and balances were material or considered to be higher risk, including interest, loans, cash, inventory, pension liabilities and revenue.

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

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

74% of the Group's revenue is accounted for by reporting units where we performed full scope audit work or performed specific audit procedures over revenue. 69% of the Group's underlying operating profit before taxation is accounted for by the 8 reporting units where we performed full scope audit work on the complete financial information.

Independent auditors' report

Audit procedures were performed at a further 4 reporting units as explained above. We considered the quantitative and qualitative characteristics of the remaining reporting units which comprise a large number of small units in which we considered the risk of material misstatement to the Group to be low. The Group team performed appropriate analytical procedures over these remaining units. Together with additional procedures performed at the Group level on balances such as goodwill, intangible assets, and taxation, this gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

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

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

Overall group materiality	£4.3 million (2018: £4.2 million).
How we determined it	5% of underlying profit before tax.
Rationale for benchmark applied	Underlying operating profit before tax is the key measure used internally by management in assessing the performance of the Group, externally by analysts, and is the measure disclosed as a key performance indicator in the annual report. This measure provides us with a consistent year on year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items. Underlying operating profit excludes net finance costs, exceptional items, amortisation of acquired intangible assets, and impairment of acquired intangible assets and goodwill.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £140,000 and £4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £212,500 (2018: £209,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' report	In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06) In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)
The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group	We have nothing material to add or draw attention to regarding: • The directors' confirmation on page 40 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. • The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. • The directors' explanation on pages 46 and 47 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the group and its environment obtained in the course of the audit. (Listing Rules)
Other Code Provisions	We have nothing to report in respect of our responsibility to report when: • The statement given by the directors, on page 71, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit. • The section of the Annual Report on pages 74 and 75 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. • The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Independent auditors’ report

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors’ responsibilities statement set out on page 71, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors’ remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 1 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2012 to 31 December 2019.

Other matter

We have reported separately on the company financial statements of Tyman plc for the year ended 31 December 2019 and on the information in the Directors’ Remuneration Report that is described as having been audited.

Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 March 2020

Consolidated income statement

For the year ended 31 December 2019

	Note	**2019** £'m	2018 (Restated[2]) £'m
Revenue	3	**613.7**	591.5
Cost of sales	3	**(408.1)**	(393.4)
Gross profit		**205.6**	198.1
Administrative expenses		**(165.1)**	(147.6)
Operating profit	4	**40.5**	50.5
Analysed as:			
Adjusted[1] operating profit	3	**85.4**	83.6
Exceptional items	6	**(18.9)**	(7.3)
Amortisation of acquired intangible assets	10	**(23.5)**	(25.8)
Impairment of acquired intangible assets	10	**(2.5)**	–
Operating profit		**40.5**	50.5
Finance income	7	**–**	0.4
Finance costs	7	**(15.7)**	(12.0)
Net finance costs	7	**(15.7)**	(11.6)
Profit before taxation	3	**24.8**	38.9
Income tax charge	8	**(7.1)**	(12.6)
Profit for the year		**17.7**	26.3
Basic earnings per share	9	**9.08p**	13.76p
Diluted earnings per share	9	**9.05p**	13.66p
Non-GAAP alternative performance measures[1]			
Adjusted[1] operating profit		**85.4**	83.6
Adjusted[1] profit before taxation	9	**71.0**	72.7
Basic Adjusted earnings per share	9	**27.46p**	27.68p
Diluted Adjusted earnings per share	9	**27.35p**	27.47p

1. Before amortisation of acquired intangible assets, deferred taxation on amortisation of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect. See definitions and reconciliations on page 175 to 182 for non-GAAP Alternative Performance Measures.
2. Depreciation on manufacturing assets was reclassified from administrative expenses to cost of sales in 2019 to better reflect the nature of this charge. For comparability, the 2018 comparatives have been amended to reflect the new classification. See note 2.4.3.

The notes on pages 120 to 164 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	**2019 £'m**	2018 £'m
Profit for the year		**17.7**	26.3
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	21	**(1.0)**	0.9
Total items that will not be reclassified to profit or loss		**(1.0)**	0.9
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(11.9)**	15.2
Total items that may be reclassified to profit or loss		**(11.9)**	15.2
Other comprehensive (expense)/income for the year, net of tax		**(12.9)**	16.1
Total comprehensive income for the year		**4.8**	42.4

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 120 to 164 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital £'m	Share premium £'m	Other reserves[1] £'m	Treasury reserve £'m	Hedging reserve £'m	Translation reserve £'m	Retained earnings £'m	Total equity £'m
At 1 January 2018	8.9	81.4	8.9	(2.8)	(0.3)	56.2	212.3	364.6
Change in accounting policy[2]	–	–	–	–	–	–	(0.7)	(0.7)
Total comprehensive (expense)/income	–	–	–	–	–	15.2	27.2	42.4
Profit for the year	–	–	–	–	–	–	26.3	26.3
Other comprehensive income/(expense)	–	–	–	–	–	15.2	0.9	16.1
Transactions with owners	0.9	50.8	(8.9)	(2.1)	–	–	(13.2)	27.5
Share-based payments[3]	–	–	–	–	–	–	1.3	1.3
Dividends paid	–	–	–	–	–	–	(22.4)	(22.4)
Issue of shares	0.9	50.8	–	–	–	–	–	51.7
Transfer of merger reserve	–	–	(8.9)	–	–	–	8.9	–
Issue of own shares from Employee Benefit Trust	–	–	–	1.1	–	–	(1.0)	0.1
Purchase of own shares for Employee Benefit Trust	–	–	–	(3.2)	–	–	–	(3.2)
At 31 December 2018	9.8	132.2	–	(4.9)	(0.3)	71.4	225.6	433.8
Change in accounting policy[4]	–	–	–	–	–	–	2.4	2.4
At 1 January 2019	9.8	132.2	–	(4.9)	(0.3)	71.4	228.0	436.2
Total comprehensive income/(expense)	–	–	–	–	–	(11.9)	16.7	4.8
Profit for the year	–	–	–	–	–	–	17.7	17.7
Other comprehensive income/(expense)	–	–	–	–	–	(11.9)	(1.0)	(12.9)
Transactions with owners	–	(132.2)	–	0.6	–	–	106.9	(24.7)
Share-based payments[3]	–	–	–	–	–	–	0.9	0.9
Dividends paid	–	–	–	–	–	–	(23.6)	(23.6)
Capital reduction	–	(132.2)	–	–	–	–	132.2	–
Issue of own shares from Employee Benefit Trust	–	–	–	2.6	–	–	(2.6)	–
Purchase of own shares for Employee Benefit Trust	–	–	–	(2.0)	–	–	–	(2.0)
At 31 December 2019	**9.8**	**–**	**–**	**(4.3)**	**(0.3)**	**59.5**	**351.6**	**416.3**

1. Other reserves relate to a merger reserve which arose on a previous acquisition. This was transferred to retained earnings in 2018 on the basis that it was available for distribution.
2. The change in accounting policy at 1 January 2018 related to adoption of new accounting standards IFRS 15 and IFRS 9.
3. Share-based payments include a tax credit of £0.1 million (2018: tax debit of £0.1 million) and a release of the deferred share-based payment bonus accrual of £0.4 million (2018: £0.3 million).
4. The change in accounting policy at 1 January 2019 relates to adoption of new accounting standard IFRS 16. See note 32.

The notes on pages 120 to 164 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2019

	Note	**2019 £'m**	2018 £'m
TOTAL ASSETS			
Non-current assets			
Goodwill	10	**371.3**	382.1
Intangible assets	10	**104.0**	134.8
Property, plant and equipment	11	**65.8**	76.9
Right of use assets	12	**59.4**	–
Financial assets at fair value through profit or loss	14	**1.1**	1.2
Deferred tax assets	8	**17.2**	17.4
		618.8	612.4
Current assets			
Inventories	13	**88.6**	105.3
Trade and other receivables	14	**76.3**	87.3
Cash and cash equivalents	15	**49.0**	51.9
Derivative financial instruments	17	**–**	0.3
		213.9	244.8
TOTAL ASSETS		**832.7**	857.2
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(84.9)**	(87.0)
Derivative financial instruments	17	**(0.7)**	–
Borrowings	18	**(0.3)**	(1.5)
Lease liabilities	12	**(6.0)**	–
Current tax liabilities		**(6.5)**	(7.4)
Provisions	20	**(2.5)**	(7.0)
		(100.9)	(102.9)
Non-current liabilities			
Borrowings	18	**(211.5)**	(259.2)
Lease liabilities	12	**(54.0)**	–
Derivative financial instruments	17	**–**	(0.3)
Deferred tax liabilities	8	**(31.3)**	(38.2)
Retirement benefit obligations	21	**(11.2)**	(10.8)
Provisions	20	**(7.1)**	(8.1)
Other payables	16	**(0.4)**	(3.9)
		(315.5)	(320.5)
TOTAL LIABILITIES		**(416.4)**	(423.4)
NET ASSETS		**416.3**	433.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	**9.8**	9.8
Share premium	22	**–**	132.2
Treasury reserve		**(4.3)**	(4.9)
Hedging reserve		**(0.3)**	(0.3)
Translation reserve		**59.5**	71.4
Retained earnings		**351.6**	225.6
TOTAL EQUITY		**416.3**	433.8

The notes on pages 120 to 164 are an integral part of these consolidated financial statements.

The financial statements on pages 115 to 119 were approved by the Board on 5 March 2020 and signed on its behalf by:

Jo Hallas
Chief Executive Officer

Jason Ashton
Chief Financial Officer

Tyman plc

Company registration number: 02806007

Consolidated cash flow statement

For the year ended 31 December 2019

	Note	2019 £'m	2018 £'m
Cash flow from operating activities			
Profit before taxation	3	**24.8**	38.9
Adjustments	26	**71.9**	53.6
Changes in working capital[1]:			
Inventories		**13.7**	(4.5)
Trade and other receivables		**7.7**	(2.8)
Trade and other payables		**0.7**	3.3
Provisions utilised		**(6.5)**	(2.5)
Pension contributions		**(1.0)**	(1.1)
Income tax paid		**(14.2)**	(12.3)
Net cash generated from operations		**97.1**	72.6
Cash flow from investing activities			
Purchases of property, plant and equipment	11	**(10.7)**	(15.7)
Purchases of intangible assets	10	**(0.8)**	(1.6)
Proceeds on disposal of property, plant and equipment		**0.8**	5.3
Acquisitions of subsidiary undertakings, net of cash acquired	25	**(0.9)**	(106.4)
Interest received		**–**	0.1
Net cash used in investing activities		**(11.6)**	(118.3)
Cash flow from financing activities			
Interest paid		**(15.0)**	(9.1)
Dividends paid		**(23.6)**	(22.4)
Net proceeds on issue of shares	22	**–**	50.4
Purchase of own shares for Employee Benefit Trust		**(2.0)**	(3.2)
Refinancing costs paid		**(0.3)**	(2.0)
Proceeds from drawdown of revolving credit facility		**33.5**	272.7
Repayments of revolving credit facility		**(73.4)**	(229.6)
Principal element of lease payments		**(5.6)**	–
Net cash (used in) / generated from financing activities		**(86.4)**	56.8
Net (decrease) / increase in cash and cash equivalents		**(0.9)**	11.1
Exchange losses on cash and cash equivalents		**(2.0)**	(1.8)
Cash and cash equivalents at the beginning of the year		**51.9**	42.6
Cash and cash equivalents at the end of the year		**49.0**	51.9

1. Excluding the effects of acquisition and exchange differences on consolidation.

The notes on pages 120 to 164 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. General information

Tyman plc is a leading international supplier of engineered fenestration and access solutions to the construction industry. The Group designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman serves its markets through three regional divisions. Headquartered in London, the Group employs approximately 3,900 people with facilities in 18 countries worldwide.

Tyman plc is a public limited company listed on the London Stock Exchange, incorporated in the United Kingdom and registered and domiciled in England and Wales. The address of the Company's registered office is 29 Queen Anne's Gate, London SW1H 9BU.

2. Accounting policies and basis of preparation

The accounting policies in this section relate to the financial statements in their entirety. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, that relate to a particular note are described in the specific note to which they relate. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Tyman plc have been prepared in accordance with IFRS as adopted by the European Union, interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments.

2.2 Going concern

The Directors are confident, on the basis of current financial projections, the banking facilities available, and after considering sensitivities, that the Company and the Group have sufficient resources for its operational needs that will enable the Group to remain in compliance with its financial covenants in its bank facilities for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis. Further details on the Group's Viability statement is set out on pages 46 and 47 of the Annual report and accounts.

2.3 Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any affected future periods.

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

- exceptional items (note 6);
- Leases (note 12); and
- business combinations (note 25).

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);
- the carrying amount of goodwill and intangible assets (note 10);
- valuation of lease liabilities (note 32);
- the carrying amount of inventories (note 13);
- the carrying amount of trade receivables (note 14);
- provisions (note 20);
- business combinations (note 25); and
- defined benefit pension and post-retirement benefit schemes (note 21).

2. Accounting policies and basis of preparation continued

2.4 Changes in accounting policies and disclosures

2.4.1 New, revised and amended EU-endorsed accounting standards

Certain new or amended standards became applicable for the current reporting year and the Group changed certain accounting policies and made adjustments to opening balances as at 1 January 2019 as a result of adopting IFRS 16 'Leases'.

The adoption of IFRS 16 had a material impact on the Group's financial statements, and the impact of the adoption of this standard is disclosed in note 32.

The other standards that became applicable in the year did not materially impact the Group's accounting policies and did not require retrospective adjustments.

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 on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements.

None of the standards which have been issued by the IASB but are not yet effective are expected to have a material impact on the Group.

2.4.3 Other changes to accounting policies

In 2019, depreciation on assets used in the manufacturing process was reclassified from administrative expenses to cost of sales to better reflect the nature of this charge. For comparability, the 2018 comparatives were amended to reflect the new classification. The effect of this was to increase cost of sales by £10.2 million and reduce administrative expenses by £10.2 million. There is no net effect on profit and no impact on the statement of financial position.

In addition, following changes to the information reported to the Chief Operating Decision Maker in 2019, an amendment has been made to the presentation of segment information. The 2018 comparatives have been restated the reflect the new basis. See note 3.1.3 for further information.

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

2.6 Foreign exchange

2.6.1 Functional and presentation currency

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

2.6.2 Transactions and balances

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

2.6.3 Group companies

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

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

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

3. Segment reporting

3.1 Accounting policy

3.1.1 Revenue recognition

The Group derives revenue solely from the sale of goods to customers. This revenue recognition policy applies to all product types and sales channels. Revenue from the sale of goods is recognised when control of the goods has been transferred to the buyer. Control transfers when the customer has the ability to direct the use of and obtain substantially all of the benefits of the goods. This is either on dispatch of the goods or on receipt of goods by the customer, depending on the terms of shipment.

Where the Group is responsible for arranging shipping services, an evaluation is made to determine whether the shipping services are a separate performance obligation. Where these are considered to be a separate performance obligation, the revenue recognition criteria are applied to the performance obligations of sale of goods and shipping services separately. Revenue is allocated to each performance obligation based on its standalone selling price.

The Group is considered to be acting as the principal in shipping arrangements when it has discretion over setting prices, has primary responsibility for fulfilling the obligation, and retains inventory risk. In these circumstances, as the cost of freight to customers is considered a distribution expense, the cost of freight is recorded within administrative expenses.

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied, stated net of discounts, returns, rebates and value-added taxes. Where customers have a right to return goods, a refund liability is recognised (included in trade and other payables) for the expected value of refunds to be provided to customers. A corresponding contract asset is recognised reflecting the value of goods expected to be returned (included in other receivables).

Accumulated experience is used to estimate and provide for rebates, discounts, and expected returns using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Incremental costs of obtaining a contract, such as sales commissions, are expensed as incurred as the period over which the Group obtains benefit from these is less than 12 months.

3.1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, defined as the Board of Directors of the Group, is responsible for allocating resources and assessing performance of the operating segments.

3.1.3 Change to segment reporting

In 2019, an amendment was made to the method of eliminating inter-segment revenue as well as the allocation of share-based payment charges in the internal reporting provided to the Chief Operating Decision Maker. Consequently, for comparability the 2018 comparatives have been restated to reflect the new method of presentation. The changes were not material and there is no effect on the total Group. Inter-segment revenue has been disclosed separately to provide additional information.

3.2 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions: AmesburyTruth, ERA and SchlegelGiesse.

AmesburyTruth comprises all the Group's operations within the US, Canada and Mexico. ERA comprises the Group's UK and Ireland hardware business, together with Access 360, Ventrolla, and Tyman Sourcing Asia. SchlegelGiesse comprises the Group's remaining businesses outside the US, Canada, Mexico and the UK (although includes the two UK seal manufacturing plants).

Centrally incurred functional costs that are directly attributable to a Division are allocated or recharged to the Division. All other centrally incurred costs and eliminations are disclosed as a separate line item in the segment analysis.

Each reporting segment broadly represents the Group's geographical focus, being the North American, UK and international operations respectively. In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically defined segments to be reportable. For completeness, the Group discloses certain financial data for business carried on in the UK that is not accounted for in ERA in notes 3.2.1 and 3.2.4.

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

3. Segment reporting continued

3.2 Segment information continued

3.2.1 Revenue

	2019			2018 (Restated)		
	Segment revenue £'m	**Inter-segment revenue £'m**	**External revenue £'m**	Segment revenue £'m	Inter-segment revenue £'m	External revenue £'m
AmesburyTruth	**388.3**	**(2.3)**	**386.0**	380.5	(2.6)	377.9
ERA	**107.5**	**(0.3)**	**107.2**	97.6	(0.2)	97.4
SchlegelGiesse	**122.8**	**(2.3)**	**120.5**	118.7	(2.5)	116.2
Total revenue	**618.6**	**(4.9)**	**613.7**	596.8	(5.3)	591.5

Included within the SchlegelGiesse segment is revenue attributable to the UK of £19.4 million (2018: £18.6 million).

There are no single customers which account for greater than 10% of total revenue.

3.2.2 Profit before taxation

	Note	**2019 £'m**	2018 (Restated) £'m
AmesburyTruth		**64.5**	62.5
ERA		**13.8**	12.7
SchlegelGiesse		**14.8**	15.2
Operating segment result		**93.1**	90.4
Centrally incurred costs		**(7.7)**	(6.8)
Adjusted operating profit		**85.4**	83.6
Exceptional items	6	**(18.9)**	(7.3)
Amortisation of acquired intangible assets	10	**(23.5)**	(25.8)
Impairment of acquired intangibles	10	**(2.5)**	–
Operating profit		**40.5**	50.5
Net finance costs	7	**(15.7)**	(11.6)
Profit before taxation		**24.8**	38.9

3.2.3 Operating profit disclosures

	Cost of sales		Depreciation		Amortisation	
	2019 £'m	2018 (restated) £'m	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m
AmesburyTruth	**(270.3)**	(264.3)	**(13.3)**	(8.7)	**(17.1)**	(21.2)
ERA	**(67.2)**	(62.3)	**(2.6)**	(1.2)	**(4.1)**	(3.0)
SchlegelGiesse	**(70.6)**	(66.8)	**(4.7)**	(2.6)	**(3.8)**	(3.0)
Total	**(408.1)**	(393.4)	**(20.6)**	(12.5)	**(25.0)**	(27.2)

3.2.4 Segment assets and liabilities

	Segment assets		Segment liabilities[1]		Non-current assets[2]	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m
AmesburyTruth	**530.5**	562.1	**(169.5)**	(180.1)	**422.6**	428.1
ERA	**142.2**	132.8	**(40.1)**	(28.7)	**92.1**	82.1
SchlegelGiesse	**153.8**	156.3	**(70.2)**	(64.0)	**85.9**	84.8
Unallocated	**6.2**	6.0	**(136.6)**	(150.6)	**1.0**	–
Total	**832.7**	857.2	**(416.4)**	(423.4)	**601.6**	595.0

1. Included within unallocated segment liabilities are centrally held borrowings of £133.0 million (2018: £145.4million), provisions of £0.4 million (2018: £0.4 million) and other liabilities of £3.2 million (2018: £4.8 million). Where borrowings can be directly attributed to segments, these have been allocated.
2. Non-current assets exclude amounts relating to deferred tax assets.

Non-current assets of the SchlegelGiesse segment include £14.2 million (2018: £13.3 million) attributable to the UK.

3. Segment reporting continued

3.2.5 Capital expenditure

	Property, plant and equipment		Intangible assets	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
AmesburyTruth	**5.8**	11.1	**0.2**	0.9
ERA	**0.8**	1.3	**–**	0.3
SchlegelGiesse	**4.1**	3.3	**0.5**	0.5
Total	**10.7**	15.7	**0.7**	1.7

3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m
AmesburyTruth	**275.7**	286.0	**68.8**	91.7	**(7.7)**	(7.0)
ERA	**60.2**	59.7	**11.3**	14.5	**–**	–
SchlegelGiesse	**35.4**	36.4	**23.9**	28.6	**(3.5)**	(3.8)
Total	**371.3**	382.1	**104.0**	134.8	**(11.2)**	(10.8)

4. Operating profit

Operating profit is stated after charging the following:

	Note	**2019 £'m**	2018 £'m
Depreciation of property, plant and equipment	11	**(13.1)**	(12.5)
Depreciation of right of use assets	12	**(7.5)**	–
Amortisation of acquired intangible assets	10	**(23.5)**	(25.8)
Amortisation of other intangible assets	10	**(1.5)**	(1.4)
Operating lease rentals		**–**	(10.4)
Foreign exchange loss/(gain)		**(1.0)**	0.2
Employee costs	5	**(147.7)**	(143.3)

Analysis of auditors' remuneration:

	2019 £'m	2018 £'m
Audit of Parent Company and consolidated financial statements	**(0.2)**	(0.2)
Audit of subsidiaries	**(0.6)**	(0.7)
Total audit	**(0.8)**	(0.9)
Audit related assurance services	**(0.1)**	–
Total fees	**(0.9)**	(0.9)
Total audit fees	**(0.8)**	(0.9)
Total non-audit fees	**(0.1)**	–
Total fees	**(0.9)**	(0.9)

Audit related assurance services were in respect of the interim review and were £50,000 (2018: £41,000).

5. Employees and employee costs

5.1 Accounting policy

5.1.1 Wages and salaries

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

5.1.2 Termination benefits

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

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

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

5.1.3 Profit sharing and bonus plans

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

5.2 Number of employees

The average monthly number of employees during the financial year and total number of employees as at 31 December 2019 was:

	Average		**Total**	
	2019	2018	**2019**	2018
Administration	**408**	420	**393**	425
Operations	**3,318**	3,478	**3,111**	3,390
Sales	**420**	405	**408**	420
	4,146	4,303	**3,912**	4,235

The analysis above includes Directors.

5.3 Employment costs

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

	Note	**2019 £'m**	2018 £'m
Wages and salaries		**(130.9)**	(126.2)
Social security costs		**(11.7)**	(11.3)
Share-based payments	23	**(0.5)**	(1.1)
Pension costs – defined contribution schemes	21	**(3.8)**	(3.9)
Pension costs – defined benefit schemes	21	**(0.8)**	(0.8)
		(147.7)	(143.3)

Full details of Directors' remuneration are set out in the Remuneration report on pages 84 to 106.

6. Exceptional items

6.1 Accounting policy

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

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

6.1.1 Key judgement: Exceptional items

The Group aims to be both consistent and clear in its recognition and disclosure of exceptional gains and losses. Management judgement is required in assessing the nature and amounts of transactions that satisfy the conditions for classification as an exceptional item.

6.2 Exceptional items

	2019 £'m	2018 £'m
Footprint restructuring – costs	**(7.1)**	(4.8)
Footprint restructuring – credits	**0.6**	0.9
Footprint restructuring – net	**(6.5)**	(3.9)
M&A and integration – costs	**(5.3)**	(1.7)
Write-off of inventory fair value adjustments	**–**	(2.5)
Loss on disposal of business	**(1.7)**	(0.1)
Impairment charges	**(5.4)**	–
Other	**–**	0.9
	(18.9)	(7.3)

6.2 Exceptional items continued

Footprint restructuring

As announced in March 2015 and reported in previous years, footprint restructuring principally relates to directly attributable costs incurred in the ongoing North American footprint project. This includes costs associated with the closure of the Fremont, Nebraska facility which was announced in late 2019. Costs attributable to footprint restructuring in the year amounted to £5.7 million, with credits of £0.6 million related to gains on the disposal of assets and release of unused provisions.

Additionally, in December 2019 a restructuring project was announced in the International division to streamline the satellite operations. This includes ceasing manufacturing facility in Australia and China and closing the distribution facility in Singapore. Estimated costs associated with this of £1.4 million are therefore included in exceptional items in 2019.

M&A and integration

£2.8 million of the M&A and integration costs relate to costs associated with the integration of Ashland, Zoo, Profab, and Reguitti which were acquired in 2018 and Y-cam which was acquired in 2019. The remaining £2.5 million of these costs relate to adjustments made to the consideration and fair value of inventory in respect of previous acquisitions which are outside of the measurement period for adjustment against goodwill. The adjustment to consideration related to finalisation of a tax liability on closure of an escrow account, and the adjustment to inventory resulted from further information that has come to light regarding the condition of certain aged inventory at the acquisition date.

Write-off of inventory fair value adjustments

The write-off of inventory fair value adjustments in 2018 of £2.5 million related to non-cash adjustments relating to the IFRS requirement that finished goods held in inventory must be revalued to their market value on acquisition. This uplift in the book value was considered to be of a one off nature and is of a magnitude that would distort the adjusted trading result of acquisitions in the year and was therefore classified as exceptional.

Loss on disposal of business

This charge relates to a reduction in expected deferred consideration receivable in respect of the non-fenestration business which was disposed of in December 2018.

Impairment charges

Impairment charges relate to the write down of assets and inventory associated with the new door seals product in North America. There is uncertainty over the level of future cash flows that will be generated to support these assets in the near term and therefore these have been written down to their estimated recoverable value.

7. Finance income and costs

	Note	**2019 £'m**	2018 £'m
Finance income			
Interest income from short term bank deposits		**–**	0.1
Gain on revaluation of fair value hedge		**–**	0.3
		–	0.4
Finance costs			
Interest payable on bank loans, private placement notes and overdrafts		**(11.1)**	(10.7)
Interest payable on leases		**(3.0)**	–
Amortisation of borrowing costs		**(0.5)**	(1.0)
Pension interest cost		**(0.3)**	(0.3)
Loss on revaluation of fair value hedge		**(0.8)**	–
		(15.7)	(12.0)
Net finance costs		**(15.7)**	(11.6)

8. Taxation

8.1 Accounting policy

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

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax liabilities are recognised if they arise from the initial recognition of:

- goodwill; or
- an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

8.1.1 Key source of estimation uncertainty: deferred tax assets and uncertain tax positions

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

The Group has made provisions for uncertain tax positions in accordance with IFRIC 23. Judgement is required in making an assessment of whether it is probable a tax authority will accept an uncertain tax treatment. If it is not probable the position will be accepted, estimation is required in making a provision using either the expected value approach or the most likely outcome approach. The amounts at which tax liabilities are finally settled may differ from the amounts provided.

8. Taxation continued

8.2 Taxation – income statement and other comprehensive income

8.2.1 Tax on profit on ordinary activities

	Note	2019 £'m	2018 £'m
Current taxation			
Current tax on profit for the year		**(15.0)**	(15.6)
Prior year adjustments		**1.6**	0.2
Total current taxation		**(13.4)**	(15.4)
Deferred taxation			
Origination and reversal of temporary differences		**6.8**	4.0
Rate change adjustment		**(0.1)**	1.1
Prior year adjustments		**(0.4)**	(2.3)
Total deferred taxation	8.3	**6.3**	2.8
Income tax charge in the income statement		**(7.1)**	(12.6)
Total (charge) / credit relating to components of other comprehensive income			
Current tax (charge)/credit on translation		**–**	(0.4)
Current tax credit on share-based payments		**0.2**	–
Deferred tax charge on actuarial gains and losses	8.3	**0.3**	(0.3)
Deferred tax (charge)/credit on share-based payments	8.3	**(0.1)**	(0.1)
Deferred tax (charge)/credit on translation	8.3	**0.3**	(0.3)
Income tax (charge) / credit in the statement of other comprehensive income		**0.7**	(1.1)
Total current taxation		**(13.2)**	(15.8)
Total deferred taxation		**6.8**	2.1
Total taxation		**(6.4)**	(13.7)

The Group's UK profits for this financial year are taxed at the statutory rate of 19.0% (2018: 19.0%). A reduction to the UK corporation tax rate to 17.0% was introduced in the Finance Act 2016 with effect from 1 April 2020. The deferred tax balances have been measured using the applicable enacted rates.

Under the Tax Cuts and Jobs Act 2017 the US Federal tax rate reduced from 35.0% to 21.0% with effect from 1 January 2018. Accordingly, the Group's US profits are taxed at 21.0% (2018: 21.0%).

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

8.2.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £'m	2018 £'m
Profit before taxation	**24.8**	38.9
Rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**(4.7)**	(7.4)
Effects of:		
Expenses not deductible for tax purposes	**(1.6)**	(1.3)
Overseas tax rate differences	**(1.9)**	(3.0)
Rate change adjustment	**(0.1)**	1.1
Prior year adjustments	**1.2**	(2.0)
Income tax charge in the income statement	**(7.1)**	(12.6)

8. Taxation continued

8.3 Taxation – balance sheet

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

	2019 £'m	2018 £'m
Deferred tax assets	**17.2**	17.4
Deferred tax liabilities	**(31.3)**	(38.2)
Net deferred tax liabilities	**(14.1)**	(20.8)

The net movement in deferred tax is as follows:

	Note	**2019 £'m**	2018 £'m
At 31 December		**(20.8)**	(13.1)
Change in accounting policy	32	**(0.5)**	–
At 1 January		**(21.3)**	(13.1)
Income statement credit	8.2	**6.3**	1.7
Rate change adjustment	8.2	**(0.1)**	1.1
Acquisitions of subsidiaries	25	**(0.1)**	(8.6)
Tax (charge)/credit relating to components of other comprehensive income	8.2	**0.5**	(0.7)
Exchange difference		**0.6**	(1.2)
At 31 December		**(14.1)**	(20.8)

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

Deferred tax assets	Accelerated tax depreciation £'m	Post-retirement benefit provisions £'m	Purchased goodwill £'m	Other timing differences £'m	Total £'m
At 1 January 2018	0.5	2.4	3.8	5.2	11.9
Income statement (charge)/credit	–	(0.3)	0.3	0.5	0.5
Rate change adjustment	–	(0.1)	–	0.8	0.7
Acquisitions of subsidiaries	0.4	–	1.9	2.0	4.3
Tax (charge)/credit relating to components of other comprehensive income	–	(0.3)	–	(0.1)	(0.4)
Exchange difference	–	0.1	0.1	0.2	0.4
At 31 December 2018	0.9	1.8	6.1	8.6	17.4
Income statement credit/(charge)	(0.2)	–	(0.4)	1.1	0.5
Rate change adjustment	–	–	–	(0.2)	(0.2)
Tax (charge)/credit relating to components of other comprehensive income	–	0.3	–	(0.1)	0.2
Exchange difference	–	(0.1)	(0.1)	(0.5)	(0.7)
At 31 December 2019	**0.7**	**2.0**	**5.6**	**8.9**	**17.2**

8. Taxation continued

8.3 Taxation – balance sheet continued

Deferred tax liabilities	Accelerated tax depreciation £'m	Intangible assets on acquisition £'m	Other timing differences £'m	Total £'m
At 1 January 2018	(5.5)	(16.1)	(3.3)	(24.9)
Income statement credit/(charge)	(1.4)	1.9	0.7	1.2
US Federal tax rate change adjustment	0.4	0.1	(0.1)	0.4
Acquisitions of subsidiaries	(0.1)	(12.4)	(0.4)	(12.9)
Tax credit relating to components of other comprehensive income	–	–	(0.3)	(0.3)
Exchange difference	(0.4)	(0.9)	(0.4)	(1.7)
At 31 December 2018	(7.0)	(27.4)	(3.8)	(38.2)
Change in accounting policy			(0.5)	(0.5)
At 1 January 2019	(7.0)	(27.4)	(4.3)	(38.7)
Income statement (charge)/credit	0.3	5.1	0.5	5.9
Rate change adjustment	0.2	–	–	0.2
Acquisitions of subsidiaries	–	(0.1)	–	(0.1)
Tax credit relating to components of other comprehensive income	–	–	0.3	0.3
Exchange difference	0.2	0.8	0.1	1.1
At 31 December 2019	**(6.3)**	**(21.6)**	**(3.4)**	**(31.3)**

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

Deferred tax liabilities of £22.5 million (2018: £28.9 million) are expected to fall due after more than one year and deferred tax assets of £16.5 million (2018: £12.0 million) are expected to be recovered after more than one year.

8.3.1 Factors that may affect future tax charges

The estimated tax losses within the Group are as follows:

Estimated tax losses:

	Gross losses		**Tax effect of losses**	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Capital losses	**4.0**	4.0	**(0.7)**	(0.7)
Trading losses	**21.3**	22.3	**(5.6)**	(5.8)
	25.3	26.3	**(6.3)**	(6.5)

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

There are no temporary differences relating to the unremitted earnings of overseas subsidiaries, as UK legislation largely exempts from UK tax dividends received from overseas subsidiaries.

On 25 April 2019, the European Commission published its final decision regarding its investigation into the UK CFC rules, concluding that the exemption applied to income derived from UK activities constituted a breach of EU State Aid rules. On 12 June 2019, the UK government applied to the EU General Court to annul this decision. Like many other multinational Groups that have acted in accordance with UK legislation, the Group may be affected by the final outcome of this case. The Group estimates the potential range of exposure is between £nil and £4 million. The Group does not consider that a provision is required at this stage based on the level of uncertainty that exists over the potential liability. This is considered to be a contingent liability at 31 December 2019.

9. Earnings per share

9.1 Non-GAAP Alternative Performance Measures accounting policy

The Directors believe that the underlying profit and earnings per share measures provide additional useful information to shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally. The Adjusted profit before tax measure is not recognised under IFRS and may not be comparable with Adjusted profit measures used by other companies (see Alternative Performance Measures on page 176).

9.2 Earnings per share

	2019 £'m	2018 £'m
Profit for the year	**17.7**	26.3
Basic earnings per share	**9.08p**	13.76p
Diluted earnings per share	**9.05p**	13.66p

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

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

9.2.1 Weighted average number of shares

	2019 £'m	2018 £'m
Weighted average number of shares (including treasury shares)	**196.8**	193.2
Treasury and Employee Benefit Trust shares	**(1.9)**	(1.8)
Weighted average number of shares – basic	**194.9**	191.4
Effect of dilutive potential ordinary shares – LTIP awards and options	**0.8**	1.5
Weighted average number of shares – diluted	**195.7**	192.9

9.2.2 Non-GAAP Alternative Performance Measure: Adjusted earnings per share

The Group presents an Adjusted earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets and certain non-recurring items. Adjusted earnings per share has been calculated using the Adjusted profit before taxation and using the same weighted average number of shares in issue as the earnings per share calculation. See Alternative Performance Measures on page 176.

Adjusted profit after taxation is derived as follows:

	2019 £'m	2018 £'m
Profit before taxation	**24.8**	38.9
Exceptional items	**18.9**	7.3
Gain/(Loss) on revaluation of fair value hedge	**0.8**	(0.3)
Amortisation of borrowing costs	**0.5**	1.0
Amortisation of acquired intangible assets	**23.5**	25.8
Impairment of acquired intangible assets	**2.5**	–
Adjusted profit before taxation	**71.0**	72.7
Income tax charge	**(7.1)**	(12.6)
Add back: Adjusted tax effect[1]	**(10.4)**	(7.1)
Adjusted profit after taxation	**53.5**	53.0

[1] Tax effect of exceptional items, amortisation of borrowings costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Adjusted earnings per share is summarised as follows:

	2019	2018
Basic Adjusted earnings per share	**27.46p**	27.68p
Diluted Adjusted earnings per share	**27.35p**	27.47p

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

10. Goodwill and intangible assets

10.1 Accounting policy

10.1.1 Goodwill

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

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

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

10.1.2 Intangible assets

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

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

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

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

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

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

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

10.1.3 Impairment of goodwill and intangible assets

Intangible assets, including goodwill, that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. 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. Goodwill and intangible assets continued

10.1 Accounting policy continued

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

As at 31 December 2019, the Group had goodwill of £371.3 million with intangible assets amounting in total to £104.0 million. An impairment review using a value in use calculation has been performed for each CGU. There is significant judgement involved in determining the appropriate assumptions to use in the calculations, including the forecasted cash flows of each CGU and appropriate discount rates relative to the Company's cost of capital. These assumptions have been subjected to sensitivity analyses. Details of estimates used and sensitivities in the impairment reviews are set out in this note.

10.2 Carrying amount of goodwill

	Note	£'m
Net carrying value		
At 1 January 2018		323.8
Acquisitions of subsidiaries		40.8
Exchange difference		17.5
At 31 December 2018		382.1
Acquisitions of subsidiaries	25	0.9
Exchange difference		(11.7)
At 31 December 2019		**371.3**

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

	2019 £'m	2018 £'m
AmesburyTruth	**275.7**	286.0
ERA	**60.2**	59.7
SchlegelGiesse	**35.4**	36.4
	371.3	382.1

10.2.1 Impairment tests for goodwill

Assumptions

The Group's CGUs have been defined as each of the Group's three operating Divisions. In the opinion of the Directors, the Divisions represent the smallest groups of assets that independently generate cash flows for the Group. This conclusion is consistent with the approach adopted in previous years. The acquisitions made in the year have been allocated to the CGUs of the acquiring Division on the basis that these are now managed by the relevant Division and integration has progressed to a level where cash flows are not generated independently from the Division.

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

Cash flow projections, which have been reviewed and approved by the Board, are derived from the bottom-up budget for 2020 and the strategic plan for 2021 – 2022, extrapolated for a further two-years at the estimated medium-term growth rate for each CGU. The five-year cash flows were extrapolated using a long term growth rate of 1.5% in order to calculate the terminal recoverable amount.

Discount rates are estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk profiles of the CGUs.

The key assumptions used in the VIU calculations in each of the Group's CGUs at 31 December are as follows:

	Average pre-tax discount rate		**Average EBITDA margin: years one to five**	
	2019	2018	**2019**	2018
AmesburyTruth	**12.0%**	12.5%	**22.3%**	21.8%
ERA	**11.9%**	8.5%	**15.5%**	15.9%
SchlegelGiesse	**12.8%**	12.2%	**19.6%**	17.0%

Impairment review results: 2019

A review of the carrying amount of goodwill and intangible assets across the Group has been carried out at year end in light of current trading conditions and future prospects. The annual impairment review did not result in any impairment losses being recognised in 2019.

The ERA CGU has significant headroom such that a permanent diminution of the VIU to below the carrying value of goodwill is considered by the Board to be highly unlikely.

10. Goodwill and intangible assets continued

10.2 Carrying amount of goodwill continued

10.2.1 Impairment tests for goodwill continued

Impairment review results: 2019 continued

AmesburyTruth is the CGU with the lowest relative VIU headroom. If the average EBITDA margin for AmesburyTruth for the five years from 2020 to 2024 was to decrease by 570 basis points from 22.3% to 16.6% and continue at that reduced level in perpetuity, the VIU headroom for AmesburyTruth would be zero. Given that the EBITDA margin achieved in 2019 was 20.5% and considering the margin uplift potential of the footprint rationalisation project once completed and the full benefit of synergies from the Ashland acquisition, this scenario is felt unlikely to occur.

SchlegelGiesse is the CGU with the smallest absolute VIU headroom. If the average EBITDA margin for SchlegelGiesse for the five years from 2020 to 2024 was to decrease by 550 basis points from 19.6% to 14.1% and continue at that reduced level in perpetuity, the VIU headroom of SchlegelGiesse would be zero. Given that the EBITDA margin in 2019 was 15.8%, this scenario is felt unlikely to occur.

Impairment review results: 2018

The annual impairment review did not result in any impairment losses being recognised in 2018.

10.3 Carrying amount of intangible assets

	Note	Computer software £'m	Acquired brands £'m	Customer relationships £'m	Total £'m
Cost					
At 1 January 2018		13.0	73.5	216.7	303.2
Additions		1.7	–	–	1.7
Disposals		(0.3)	(0.9)	–	(1.2)
Acquisitions of subsidiaries	25	–	12.3	38.1	50.4
Transfers to property, plant and equipment	11	(0.1)	–	–	(0.1)
Exchange difference		0.6	4.0	12.1	16.7
At 31 December 2018		14.9	88.9	266.9	370.7
Additions		0.7	–	–	0.7
Disposals		(1.8)	–	–	(1.8)
Acquisitions of subsidiaries	25	–	0.6	–	0.6
Transfers from property, plant and equipment	11	–	0.3	–	0.3
Exchange difference		(0.6)	(3.3)	(8.8)	(12.7)
At 31 December 2019		**13.2**	**86.5**	**258.1**	**357.8**
Accumulated amortisation					
At 1 January 2018		(4.1)	(41.6)	(154.1)	(199.8)
Amortisation charge for the year	4	(1.4)	(5.3)	(20.5)	(27.2)
Disposals		0.3	0.9	–	1.2
Impairment		(0.1)	–	–	(0.1)
Exchange difference		(0.2)	(2.1)	(7.7)	(10.0)
At 31 December 2018		(5.5)	(48.1)	(182.3)	(235.9)
Amortisation charge for the year	4	(1.5)	(6.4)	(17.1)	(25.0)
Disposals		0.5	–	–	0.5
Impairment		–	–	(2.5)	(2.5)
Exchange difference		0.6	2.0	6.5	9.1
At 31 December 2019		**(5.9)**	**(52.5)**	**(195.4)**	**(253.8)**
Net carrying value					
At 1 January 2018		8.9	31.9	62.6	103.4
At 31 December 2018		9.4	40.8	84.6	134.8
At 31 December 2019		**7.3**	**34.0**	**62.7**	**104.0**

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £23.5 million (2018: £25.8 million) relating to amortisation of acquired intangible assets and £1.5 million (2018: £1.4 million) relating to amortisation of other intangible assets.

An impairment charge of £2.5 million was recognised on customer relationship intangibles in 2019 as a result of the closure of the Fremont, Nebraska facility. This charge related to intangible assets allocated to the AmesburyTruth CGU. An impairment charge of £0.1 million was recognised on computer software in 2018.

11. Property, plant and equipment

11.1 Accounting policy

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

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

- Freehold buildings – 2.0% to 5.0%
- Plant and machinery – 7.5% to 33.0%

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

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

11.2 Carrying amount of property, plant and equipment

	Note	Freehold land and buildings £'m	Plant and machinery £'m	Total £'m
Cost				
At 1 January 2018		33.0	90.3	123.3
Additions		0.2	15.5	15.7
Acquisitions of subsidiaries	25	–	6.3	6.3
Disposals		(4.8)	(7.4)	(12.2)
Transfers from intangible assets		–	0.1	0.1
Exchange difference		1.1	9.6	10.7
At 31 December 2018		29.5	114.4	143.9
Change in accounting policy		(0.8)		(0.8)
At 1 January 2019		28.7	114.4	143.1
Additions		0.8	9.9	10.7
Disposals		(0.7)	(11.8)	(12.5)
Impairment		–	(4.3)	(4.3)
Transfers from/(to) intangible assets	10	0.2	(0.5)	(0.3)
Exchange difference		(2.4)	(8.0)	(10.4)
At 31 December 2019		**26.6**	**99.7**	**126.3**
Accumulated depreciation				
At 1 January 2018		(8.6)	(46.3)	(54.9)
Depreciation charge for the year	4	(0.9)	(11.6)	(12.5)
Disposals		1.6	6.6	8.2
Exchange difference		(0.5)	(7.3)	(7.8)
At 31 December 2018		(8.4)	(58.6)	(67.0)
Depreciation charge for the year	4	(0.8)	(12.3)	(13.1)
Disposals		0.3	11.2	11.5
Exchange difference		1.5	6.6	8.1
At 31 December 2019		**(7.4)**	**(53.1)**	**(60.5)**
Net carrying value				
At 1 January 2018		24.4	44.0	68.4
At 31 December 2018		21.1	55.8	76.9
At 31 December 2019		**19.2**	**46.6**	**65.8**

11. Property, plant and equipment continued

Depreciation on property, plant, and equipment is included in the income statement as follows:

	2019 £'m	2018 £'m
Cost of sales	**9.9**	10.2
Administrative expenses	**3.2**	2.3
Total depreciation charge	**13.1**	12.5

12. Leases

12.1 Accounting policy

Policy applicable from 1 January 2019

Recognition

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. The Group recognises a right of use (ROU) asset and a lease liability at the commencement of the lease.

Short term and low value assets

The Group has elected not to recognise ROU assets and lease liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of assets with a value less than £5,000. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Non-lease components

Fees for components such as property taxes, maintenance, repairs and other services which are either variable or transfer benefits separate to the Group's right to use the asset are separated from lease components based on their relative stand alone selling price. These components are expensed in the income statement as incurred.

Measurement

Lease liabilities

Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, or where this cannot be readily determined, the lessee's incremental borrowing rate. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- Fixed payments
- Variable payments that depend on an index or rate
- The exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments made. The interest expense is recorded in finance costs in the income statement. The liability is remeasured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

Right of use assets

The ROU asset is initially measured at cost, being the value of the lease liability, plus the value of any lease payments made at or before the commencement date, initial direct costs and the cost of any restoration obligations, less any incentives received.

The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is adjusted for any remeasurement of the lease liability. The ROU asset is subject to testing for impairment where there are any impairment indicators.

Policy prior to 1 January 2019

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

12.2 The Group's leasing arrangements

The Group leases manufacturing and warehousing facilities, offices, and various items of plant, machinery and vehicles used in its operations.

Leases of manufacturing and warehousing facilities and offices generally have lease terms between 5 and 25 years, while plant, machinery and vehicles generally have lease terms between 6 months and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

12 Leases continued

12.3 Carrying value of right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Note	Land and buildings £'m	Plant and machinery £'m	Total £'m
At 31 December 2018		–	–	–
Change in accounting policy	32	62.8	2.2	65.0
At 1 January 2019 (revised)		62.8	2.2	65.0
Additions		1.9	1.2	3.1
Depreciation charge		(6.5)	(1.0)	(7.5)
Exchange difference		(1.2)	–	(1.2)
At 31 December 2019		**57.0**	**2.4**	**59.4**

12.4 Carrying value of lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	Note	**2019 £'m**
At 31 December 2018		**–**
Change in accounting policy	32	**(63.7)**
At 1 January 2019 (revised)		**(63.7)**
New leases		**(3.0)**
Lease modifications		**(0.1)**
Interest charge		**(3.0)**
Lease payments		**8.6**
Foreign exchange		**1.2**
At 31 December 2019		**(60.0)**

	2019 £'m	1 January 2019 £'m
Current liabilities	**(6.0)**	(5.5)
Non-current liabilities	**(54.0)**	(58.2)
	(60.0)	(63.7)

12.5 Amounts recognised in profit of loss:

The following are the amounts recognised in profit or loss.

	2019 £'m
Depreciation of RoU assets	**(7.5)**
Interest expense (included in finance cost)	**(3.0)**
Expense relating to short-term and low-value assets not included in lease liabilities (included in cost of sales and administration expenses)	**(1.3)**
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales and administration expenses)	**(0.5)**
	(12.3)

12.6 Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. For a description of judgements and estimates associated with extension and termination options, see note 32.

As at 31 December 2019, potential future cash outflows of £63.0 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

13. Inventories

13.1 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.

13.1.1 Critical accounting estimates and judgements: carrying amount of inventories

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

13.2 Carrying amount of inventories

	2019 £'m	2018 £'m
Raw materials and consumables	**26.5**	28.3
Work in progress	**14.0**	15.2
Finished goods	**48.1**	61.8
	88.6	105.3

The cost of materials charged to the income statement during the year was £265.3 million (2018: £238.3 million).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £19.9 million (2018: £19.2 million).

An impairment charge of £1.3 million (2018: £0.5 million) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2018: £Nil).

14. Trade and other receivables

14.1 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 the amount of consideration that is unconditional. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method, less appropriate allowances for estimated credit losses (provision for impairment).

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the length of time overdue. An estimate is made of the expected credit loss based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

14.1.1 Critical accounting estimates and judgements: carrying amount of trade receivables

The trade receivables impairment provision requires the use of estimation techniques by Group management. The estimate is made based on the assessments of the creditworthiness of customers, the ageing profile of receivables, historical experience, and expectations about future market conditions.

14. Trade and other receivables continued

14.2 Carrying amounts of trade and other receivables

	2019 £'m	2018 £'m
Trade receivables	**63.6**	75.5
Less: Provision for impairment of trade receivables	**(3.1)**	(3.9)
Trade receivables – net	**60.5**	71.6
Other receivables – net	**9.2**	10.6
Prepayments	**6.6**	5.1
	76.3	87.3

All trade and other receivables are current. Other receivables are net of an expected credit loss provision of £1.9 million. The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

Impairment of trade receivables

An expected credit loss of £3.1 million has been recognised at 31 December 2019 (2018: £3.9 million).

The impairment loss allowance was determined as follows:

31 December 2019	**Not yet Due**	**0–3 months overdue**	**3–12 months overdue**	**> 12 months overdue**	**Total**
Expected credit loss rate	**1.1%**	**13.5%**	**100.0%**	**100.0%**	**4.9%**
Gross trade receivables	**52.8**	**9.6**	**0.4**	**0.8**	**63.6**
Loss allowance	**0.6**	**1.3**	**0.4**	**0.8**	**3.1**

31 December 2018	Not yet Due	0–3 months overdue	3–12 months overdue	> 12 months overdue	Total
Expected credit loss rate	0.6%	16.9%	36.4%	100.0%	5.2%
Gross trade receivables	61.7	11.0	1.7	1.1	75.5
Loss allowance	0.4	1.9	0.6	1.1	3.9

Movement in the allowance for impairment of trade receivables is as follows:

	Note	**2019 £'m**	2018 £'m
At 1 January (as previously reported)		**(3.9)**	(2.9)
Adjustment to opening retained earnings		**–**	(0.4)
At 1 January (restated under IFRS 9)		**(3.9)**	(3.3)
Provision for receivables impairment		**(0.8)**	(0.5)
Receivables written off during the year		**0.7**	0.4
Unused amounts reversed		**0.8**	0.2
Acquisitions of subsidiaries	25	**–**	(0.6)
Exchange difference		**0.1**	(0.1)
At 31 December		**(3.1)**	(3.9)

Movements in the impairment allowance are recognised in administrative expenses in the income statement.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2019 £'m	2018 £'m
Sterling	**18.0**	20.3
US Dollars	**29.7**	38.5
Euros	**18.8**	20.1
Other currencies	**9.8**	8.4
	76.3	87.3

14. Trade and other receivables continued

14.3 Financial assets at fair value through profit or loss

The Group classifies equity investments as assets held at FVPL. See note 19.1 for financial instruments accounting policy.

Financial assets measured at FVPL are as follows:

	2019 £'m	2018 £'m
Unlisted shares	**1.1**	1.2

There was no gain or loss recognised in profit or loss in the year. The maximum credit risk exposure at the end of the year is the carrying amount of this investment.

15. Cash and cash equivalents

15.1 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.

15.2 Carrying amounts of cash and cash equivalents

	2019 £'m	2018 £'m
Cash at bank and in hand	**53.1**	55.6
Short term deposits	**0.4**	1.1
Bank overdrafts	**(4.5)**	(4.8)
	49.0	51.9

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2019 £'m	2018 £'m
Sterling	**9.6**	9.1
US Dollars	**19.2**	23.8
Euros	**10.9**	10.6
Other currencies	**9.3**	8.4
	49.0	51.9

16. Trade and other payables

16.1 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.

16.2 Carrying amounts of trade and other payables

	2019 £'m	2018 £'m
Trade payables	**(46.6)**	(52.5)
Other taxes and social security costs	**(7.9)**	(6.3)
Accruals	**(30.4)**	(29.2)
Deferred income	**(0.4)**	(2.9)
	(85.3)	(90.9)
Analysed as:		
Current liabilities	**(84.9)**	(87.0)
Non-current liabilities	**(0.4)**	(3.9)
	(85.3)	(90.9)

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

16. Trade and other payables continued

16.2 Carrying amounts of trade and other payables continued

The carrying amounts of trade and other payables are denominated in the following currencies:

	2019 £'m	2018 £'m
Sterling	**(17.9)**	(18.9)
US Dollars	**(41.9)**	(42.9)
Euros	**(16.7)**	(21.3)
Other currencies	**(8.8)**	(7.8)
	(85.3)	(90.9)

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:

- fair value hedge: hedges of the fair value of recognised assets or liabilities or a firm commitment;
- cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or
- net investment hedge: hedges of a net investment in a foreign operation.

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 in a similar manner to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

17. Derivative financial instruments continued

17.2 Carrying amount of derivative financial instruments

	2019		2018	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
Forward exchange contracts – fair value hedges	**–**	**(0.5)**	0.3	–
Interest rate swaps – cash flow hedges	**–**	**(0.2)**	–	(0.3)
Total	**–**	**(0.7)**	0.3	(0.3)
Analysed as:				
Current		**(0.7)**	0.3	–
Non-current	**–**	**–**	–	(0.3)
Total	**–**	**(0.7)**	0.3	(0.3)

The carrying amounts of derivative financial instruments are denominated in the following currencies:

	2019		2018	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
Sterling	**–**	**(0.1)**	–	–
US Dollars	**–**	**(0.5)**	0.2	(0.3)
Other currencies	**–**	**(0.1)**	0.1	–
	–	**(0.7)**	0.3	(0.3)

17.2.1 Fair value hedges

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2019 was £34.1 million (2018: £12.6 million). The hedge ratio of foreign exchange contracts is 1:1, holding all other variables constant.

During the year, a loss of £0.8 million (2018: gain of £0.3 million) was recognised in the income statement for the changes in value of the fair value hedges.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

17.2.2 Cash flow hedges

The notional principal amounts of the outstanding interest rate swap at 31 December 2019 were £18.5 million (2018: £19.0 million). The hedge ratio of foreign exchange contracts is 1:1, holding all other variables constant.

During the year a gain of £0.1 (2018: loss of £Nil) was recognised in the statement of comprehensive income and £Nil (2018: £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 'm	Fixed interest rate paid	Floating interest rate received	Fair value 'm
At 31 December 2019				
Swaps – Sterling	**£6.0**	**1.7490%**	**0.7980%**	**£(0.1)**
Swaps – US Dollar	**$16.5**	**1.7225%**	**0.8800%**	**$(0.3)**
At 31 December 2018				
Swaps – Sterling	£6.0	1.7490%	0.6597%	–
Swaps – US Dollar	$16.5	1.7225%	2.1617%	$0.3

The maturity date of the swaps is 17 June 2020. 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 19.4 for the fair value measurement methodology.

17. Derivative financial instruments continued

17.2 Carrying amount of derivative financial instruments continued

17.2.3 Net investment hedges

The Group uses foreign currency-denominated debt to hedge the value of its US Dollar and Euro-denominated net assets which may change due to respective movements in US Dollar and Euro exchange rates. At 31 December 2019, the value of the net investment hedges was £133.9 million (2018: £238.8million). These hedges are considered highly effective and no ineffective portion has been recognised in the income statement.

The hedge ratio of each net investment hedge was 1:1, holding all other variables constant. The weighted average hedged rate of the US net investment hedge was 1.277 (2018: 1.335) and of the EUR net investment hedge was 1.141 (2018: 1.130). The effect of the net investment hedges on the Group's financial statements is summarised as follows:

	2019 £'m US net investment hedge	**2019 £'m EUR net investment hedge**	2018 £'m US net investment hedge	2018 £'m EUR net investment hedge
Loan carrying amount (£m)	**(88.4)**	**(45.5)**	(188.0)	(50.8)
Loan carrying amount ($m/€m)	**(116.5)**	**(53.5)**	(239.4)	(56.5)
Hedge ratio (holding all other variables constant)	**1:1**	**1:1**	1:1	1:1
Change in carrying amount of loans as a result of foreign currency movements recognised in OCI	**3.1**	**2.6**	(11.0)	(0.6)
Change in value of hedged item used to determine hedge effectiveness	**(3.1)**	**(2.6)**	11.0	0.6

18. Interest-bearing loans and borrowings

18.1 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.

18.2 Carrying amounts of interest-bearing loans and borrowings

	Note	**2019 £'m**	2018 £'m
Unsecured borrowings at amortised cost:			
Bank borrowings		**(137.7)**	(183.8)
Senior notes		**(75.8)**	(78.5)
Finance leases		**–**	(0.2)
Capitalised borrowing costs		**1.7**	1.8
Borrowings		**(211.8)**	(260.7)
Lease liabilities	12	**(60.0)**	–
Total interest-bearing liabilities		**(271.8)**	(260.7)
Analysed as:			
Current liabilities		**(6.3)**	(1.5)
Non-current liabilities		**(265.5)**	(259.2)
		(271.8)	(260.7)

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

Non-cash movements in the carrying amount of interest-bearing loans and borrowings relate to the amortisation of borrowing costs (see note 7).

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

	2019 £'m	2018 £'m
Sterling	**1.7**	(4.2)
US Dollars	**(146.7)**	(188.1)
Euros	**(66.8)**	(68.4)
	(211.8)	(260.7)

18. Interest-bearing loans and borrowings continued

18.2.1 Bank borrowings

Multi-currency revolving credit facility

On 19 February 2018, the Group entered into the 2018 Facility. The 2018 Facility gives the Group access to up to £310.0 million of borrowings and comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility, expiring in February 2024. The banking facility is unsecured and is guaranteed by Tyman plc and its principal subsidiary undertakings.

As at 31 December 2019, the Group has undrawn amounts committed under the multi-currency revolving credit facility of £102.8 million (2018: £58.5 million). These amounts are floating rate commitments which expire beyond 12 months.

Other borrowings

The Group acquired bank borrowings as part of the acquisitions of Giesse, Zoo Hardware, and Reguitti. At 31 December 2019, the remaining facilities have a carrying value of £0.5 million (2018: £2.3 million) and an undrawn value of £Nil (2018: £Nil). These facilities have a maturity ranging between 28 May 2020 and 10 September 2020 and are unsecured. In 2018, £0.8 million was secured against trade receivables in a factoring arrangement, which was terminated in 2019.

18.2.2 Private placement notes

On 19 November 2014, the Group issued private debt placement notes with US financial institutions totalling US$100.0 million.

The debt placement is unsecured and comprises US$55.0 million debt with a seven-year maturity at a coupon of 4.97% and US$45.0 million with a ten-year maturity at a coupon of 5.37%.

18.3 Net debt

18.3.1 Net debt summary

	2019 £'m	2018 £'m
Borrowings	**(211.8)**	(260.7)
Lease liabilities	**(60.0)**	–
Cash	**49.0**	51.9
At 31 December	**(222.8)**	**(208.8)**

18.3.2 Net debt reconciliation

	Cash	**Borrowings**	**Lease liabilities**	**Total**
At 1 January 2018	42.6	(205.4)	–	(162.8)
Cash flows	9.6	(41.2)	–	(31.6)
Acquisitions	1.5	(2.5)	–	(1.0)
Foreign exchange adjustments	(1.8)	(10.6)	–	(12.4)
Amortisation of borrowing costs	–	(1.0)	–	(1.0)
At 31 December 2018	51.9	(260.7)	–	(208.8)
Change in accounting policy	–	–	(63.7)	(63.7)
At 1 January 2019	51.9	(260.7)	(63.7)	(272.5)
Cash flows	–	40.4	8.6	49.0
Acquisitions	(0.9)	–	–	(0.9)
New leases	–	–	(3.0)	(3.0)
Lease modifications	–	–	(0.1)	(0.1)
Lease interest accretion	–	–	(3.0)	(3.0)
Foreign exchange adjustments	(2.0)	9.0	1.2	8.2
Amortisation of borrowing costs	–	(0.5)	–	(0.5)
At 31 December 2019	**49.0**	**(211.8)**	**(60.0)**	**(222.8)**

19. Financial risk management and financial instruments

19.1 Accounting policy

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

19. Financial risk management and financial instruments continued

19.1.1 Financial assets

Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured subsequently at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss.

Initial measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement
Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in administrative expenses in the income statement, together with foreign exchange gains and losses.
- FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value, with any gains or losses recorded in profit or loss.

Impairment
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For policy on impairment of trade receivables, see note 13.

19.1.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise 'trade and other payables' (see note 16) and 'interest-bearing loans and borrowings' (see note 18).

19.2 Financial instruments: by category

Assets as per balance sheet:

	31 December 2019				31 December 2018			
	Financial assets at amortised cost £'m	**Financial assets at fair value through profit or loss £'m**	**Derivatives used for hedging £'m**	**Total £'m**	Loans and receivables £'m	Financial assets at fair value through profit or loss £'m	Derivatives used for hedging £'m	Total £'m
Trade and other receivables[1]	**60.5**	**–**	**–**	**60.5**	71.6	–	–	71.6
Financial assets at FVPL	**–**	**1.1**	**–**	**1.1**	–	1.2	–	1.2
Cash and cash equivalents	**49.0**	**–**	**–**	**49.0**	51.9	–	–	51.9
Derivative financial instruments	**–**	**–**	**–**	**–**	–	–	0.3	0.3
Total financial assets	**109.5**	**1.1**	**–**	**110.6**	123.5	1.2	0.3	125.0

1. Excludes non-financial assets

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

19. Financial risk management and financial instruments continued

19.2 Financial instruments: by category continued

Liabilities as per balance sheet:

	31 December 2019			31 December 2018		
	Derivatives used for hedging £'m	**Other financial liabilities at cost £'m**	**Total £'m**	Derivatives used for hedging £'m	Other financial liabilities at cost £'m	Total £'m
Borrowings[1]	**–**	**(213.5)**	**(213.5)**	–	(262.5)	(262.5)
Lease liabilities[2]	**–**	**(60.0)**	**(60.0)**	–	–	–
Derivative financial instruments	**(0.7)**	**–**	**(0.7)**	(0.3)	–	(0.3)
Trade and other payables[3]	**–**	**(77.0)**	**(77.0)**	–	(81.7)	(81.7)
Total financial liabilities	**(0.7)**	**(350.5)**	**(351.2)**	(0.3)	(344.2)	(344.5)

1. Excludes capitalised borrowing costs of £1.7 million (2018: £1.8 million).
2. See note 32 for details of the impact from changes in accounting policies.
3. Excludes non-financial liabilities.

19.3 Financial instruments: risk profile

19.3.1 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 15), interest-bearing loans and borrowings (see note 18) and equity attributable to the shareholders of the Company as disclosed in the consolidated statement of changes in equity.

19.3.2 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.

19.3.3 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 2019 the Group operated within its borrowing facilities.

19. Financial risk management and financial instruments continued

19.3 Financial instruments: risk profile continued

19.3.3 Liquidity and credit risk continued

The table below analyses the contractual undiscounted cash flows of the Group's financial liabilities into relevant maturity groupings based on the contractual maturity date.

	Not later than one year £'m	Later than one year but not later than five years £'m	Later than five years £'m	Total £'m
Borrowings[1]	**–**	**(137.7)**	**(79.7)**	**(217.4)**
Lease liabilities	**(8.7)**	**(25.3)**	**(50.1)**	**(84.1)**
Derivative financial instruments	**(0.5)**	**(0.2)**	**–**	**(0.7)**
Trade and other payables[2]	**(77.0)**	**–**	**–**	**(77.0)**
At 31 December 2019	**(86.2)**	**(163.2)**	**(129.8)**	**(379.2)**
Borrowings[1]	–	(183.8)	(82.5)	(266.3)
Derivative financial instruments	–	(0.3)	–	(0.3)
Trade and other payables[2]	(80.2)	(1.5)	–	(81.7)
At 31 December 2018	(80.2)	(185.6)	(82.5)	(348.3)

1. Excludes capitalised borrowing costs of £1.7 million (2018: £1.8 million).
2. Excludes non-financial liabilities.

19.3.4 Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2019 was as follows:

	Floating rate borrowings[1] £'m	Fixed rate borrowings[2] £'m	Fixed rate lease liabilities £m	Total £'m
Sterling	**–**	**–**	**(17.0)**	**(17.0)**
US Dollars	**(70.9)**	**(75.8)**	**(36.5)**	**(183.2)**
Euros	**(66.8)**	**–**	**(2.3)**	**(69.1)**
Other	**–**	**–**	**(4.2)**	**(4.2)**
At 31 December 2019	**(137.7)**	**(75.8)**	**(60.0)**	**(273.5)**
Sterling	(5.8)	(0.2)	–	(6.0)
US Dollars	(109.6)	(78.5)	–	(188.1)
Euros	(68.4)	–	–	(68.4)
At 31 December 2018	(183.8)	(78.7)	–	(262.5)

1. Excludes capitalised borrowing costs of £1.5 million (2018: £1.6 million).
2. Excludes capitalised borrowing costs of £0.1 million (2018: £0.2 million).

The interest rate on the floating bank loans is linked to LIBOR. The Board periodically reviews any exposure the Group may have to interest rate fluctuations. The Group has used interest rate swaps to fix the cost of a proportion of these floating rate borrowings.

	Floating rate borrowings[1] £'m	Covered by swaps £'m	Swap fixed rate
Sterling	**–**	**(6.0)**	**1.7490%**
US Dollars	**(70.9)**	**(13.0)**	**1.7225%**
Euros	**(66.8)**	**–**	**n/a**
At 31 December 2019	**(137.7)**	**(19.0)**	
Sterling	(5.8)	(6.0)	1.7490%
US Dollars	(109.6)	(13.0)	1.7225%
Euros	(68.4)	–	n/a
At 31 December 2018	(183.8)	(19.0)	

1. Excludes capitalised borrowing costs of £1.5 million (2018: £1.6 million).

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £2.1 million (2018: £1.0 million) impact on profits. This impact would be reduced by the tax effect on such a change.

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

19. Financial risk management and financial instruments continued

19.3 Financial instruments: risk profile continued

19.3.4 Interest rate risk *continued*

Interest rate risk of financial assets

The weighted average interest rate received on deposited funds was Nil% during the year (2018: 0.2%).

19.3.5 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 owns subsidiaries which transact in currencies other than Sterling and that have functional currencies other than Sterling, whose net assets are therefore subject to currency translation risk. The Group borrows in local currencies as appropriate to minimise the impact of this risk on the balance sheet. See details of net investment hedges in note 17.

Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

At 31 December 2019	**Sterling £'m**	**US Dollars £'m**	**Euros £'m**	**Other £'m**	**Total £'m**
Financial assets					
Trade and other receivables[1]	**14.8**	**24.3**	**17.2**	**4.2**	**60.5**
Financial assets at FVPL	**–**	**1.1**	**–**	**–**	**1.1**
Cash and cash equivalents	**9.6**	**19.2**	**10.9**	**9.3**	**49.0**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**
Total financial assets	**24.4**	**44.6**	**28.1**	**13.5**	**110.6**
Financial liabilities					
Borrowings[2]	**–**	**(146.7)**	**(66.8)**	**–**	**(213.5)**
Lease liabilities	**(17.0)**	**(36.4)**	**(2.3)**	**(4.3)**	**(60.0)**
Derivative financial instruments	**(0.1)**	**(0.5)**	**–**	**(0.1)**	**(0.7)**
Trade and other payables[3]	**(16.0)**	**(41.4)**	**(14.8)**	**(4.8)**	**(77.0)**
Total financial liabilities	**(33.1)**	**(225.0)**	**(83.9)**	**(9.2)**	**(351.2)**
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		**(0.8)**	**–**	**(0.2)**	**(1.0)**
10% decrease in functional currency		**0.1**	**0.4**	**0.3**	**0.8**
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		**16.5**	**5.1**	**(0.3)**	**21.3**
10% decrease in functional currency		**(20.2)**	**(6.2)**	**0.4**	**(26.0)**

At 31 December 2018	Sterling £'m	US Dollars £'m	Euros £'m	Other £'m	Total £'m
Financial assets					
Trade and other receivables[1]	16.6	33.0	18.4	4.7	72.7
Cash and cash equivalents	9.1	23.8	10.6	8.4	51.9
Derivative financial instruments	–	0.2	–	0.1	0.3
Total financial assets	25.7	57.0	29.0	13.2	124.9
Financial liabilities					
Borrowings[2]	(6.0)	(188.1)	(68.4)	–	(262.5)
Derivative financial instruments	(0.1)	(0.2)	–	–	(0.3)
Trade and other payables[3]	(15.6)	(42.2)	(19.2)	(4.7)	(81.7)
Total financial liabilities	(21.7)	(230.5)	(87.6)	(4.7)	(344.5)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(1.3)	(0.6)	(0.6)	(2.5)
10% decrease in functional currency		1.6	0.8	0.6	3.0
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		15.9	5.3	(0.7)	20.5
10% decrease in functional currency		(19.4)	(6.5)	0.8	(25.1)

1. Excludes non-financial assets.
2. Excludes capitalised borrowing costs of £1.7 million (2018: £1.8 million).
3. Excludes non-financial liabilities.

19. Financial risk management and financial instruments continued

19.3 Financial instruments: risk profile continued

19.3.5 Foreign currency risk continued

The 10% movements in exchange rates are considered to be indicative of a reasonable annual movement, based on historical average movements in exchange rates.

19.3.6 Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and benefits to stakeholders. The Group defines its capital as total equity plus net debt.

In maintaining the capital structure, the Group may adjust the amount paid as dividends to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors its financial capacity by reference to its financial covenant ratios, including leverage and interest cover. If the Group fails to meet its key financial covenant 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	**2019 £'m**	2018 £'m
Borrowings (excluding lease liabilities)[1]	18	**213.5**	262.5
Lease liabilities		**60.0**	–
Less: Cash and cash equivalents	15	**(49.0)**	(51.9)
Adjusted net debt		**164.5**	210.6
Total equity		**416.8**	433.8
Total capital		**640.8**	644.4

1. Excludes capitalised borrowing costs of £1.7 million (2017: £1.8 million).

19.4 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.

19.4.1 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 and foreign exchange contracts valued with reference to the period end exchange rate. The effects of discounting are generally insignificant for level 2 derivatives. The fair value of the derivative financial instruments at 31 December 2019 is a net liability of £0.8 million (2018: £0.1 million).

There were no changes in valuation techniques during the year.

19.4.2 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.

19.4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	2019 £'m	2018 £'m
Current liabilities	**(6.2)**	(1.4)
Non-current liabilities	**(265.4)**	(258.0)
Fair value of borrowings	**(271.6)**	(259.4)

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.

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

20. Provisions

20.1 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.

20.1.1 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.

20.2 Carrying amounts of provisions

	Property related £'m	Restructuring £'m	Warranty £'m	Other £'m	Total £'m
At 1 January 2018	(3.5)	(8.0)	(0.9)	(5.0)	(17.4)
(Charged)/credited to the income statement					
Additional provisions in the year	(1.1)	(0.1)	(0.3)	(0.1)	(1.6)
Unused amounts reversed	1.4	1.1	0.1	0.8	3.4
Utilised in the year	0.3	0.4	0.1	1.7	2.5
Acquisitions of subsidiaries	(0.3)	–	(1.4)	–	(1.7)
Exchange difference	–	(0.4)	(0.1)	0.2	(0.3)
At 31 December 2018	(3.2)	(7.0)	(2.5)	(2.4)	(15.1)
(Charged)/credited to the income statement					
Additional provisions in the year	(0.1)	(1.3)	(0.8)	–	(2.2)
Unused amounts reversed	–	1.0	–	–	1.0
Utilised in the year	–	6.4	0.1	–	6.5
Exchange difference	–	–	0.1	0.1	0.2
At 31 December 2019	**(3.3)**	**(0.9)**	**(3.1)**	**(2.3)**	**(9.6)**

Analysed as:

	2019 £'m	2018 £'m
Current liabilities	**(2.5)**	(7.0)
Non-current liabilities	**(7.1)**	(8.1)
	(9.6)	(15.1)

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

20.2.1 Property related

Property provisions include provisions for site restoration costs of £1.3 million (2018: £1.3million) and leasehold dilapidations of £2.1 million (2018: £2.0 million). Property provisions are expected to be utilised by 2042. Unused amounts released predominantly relate to an onerous lease provision that is no longer required.

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

20. Provisions continued

20.2 Carrying amounts of provisions continued

20.2.2 Restructuring

Restructuring provisions predominantly relate to provisions for the closure of the Fremont, NE facility as well as restructuring of the Group's International business. The utilisation in the year principally relates to costs incurred in respect of the closure of the Amesbury, MA and Rochester, NY facilities in the first half of the year. These restructuring provisions are expected to be utilised by 2021.

20.2.3 Warranty

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

20.2.4 Other

Included in other provisions is £0.4 million (2018: £0.4 million) relating to the tax consequences of international intragroup transactions for which the fiscal authorities may be expected to adopt opposing treatments in respect of revenue and cost recognition. The remaining £1.9 million (2018: £2.0 million) relates to various provisions for potential obligations mainly arising from the Group's M&A activity. These other provisions are expected to be utilised by 2021.

21. Retirement benefit obligations

21.1 Accounting policy

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

21.1.1 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.

21.1.2 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.

21. Retirement benefit obligations continued

21.1 Accounting policy continued

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

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

21.2 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 charge to the income statement was £3.8 million (2018: £3.9 million). At the year end, the Group had unpaid pension contributions of £0.1 million (2018: £0.2 million) included within employee benefit liabilities.

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

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

	Note	**2019 £'m**	2018 £'m
Balance sheet obligation for:			
Defined pension benefits		**(11.2)**	(10.8)
Net liability on the balance sheet		**(11.2)**	(10.8)
Income statement (charge)/credit for:			
Defined pension benefits	5	**(0.8)**	(0.8)
Total income statement (charge)/credit[1]		**(0.8)**	(0.8)
Remeasurements for:			
Defined pension benefits		**(1.3)**	1.0
Post-employment medical benefits		**–**	0.1
Total remeasurements		**(1.3)**	1.1

1. The income statement charge included within profit before taxation includes current service costs, past service costs, administrative costs and interest costs.

The Group's principal defined benefit pension schemes are operated in the US and Italy. The US defined benefit schemes provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The Italian schemes relate to TFR termination obligations payable to employees of the Group's Italian operations. Italian employers are required to make provision for a type of severance package to its employees equivalent to 6.9% of each employee's gross annual salary, revalued on the basis of 75.0% of inflation plus a fixed rate of 1.5% during the period of accrual. Upon termination of employment, the employer is obliged to pay a lump sum to the employee. TFR termination obligations are unfunded by the Group.

The buyout of the Bilco retirement benefit plan was completed in 2018. AmesburyTruth's obligations under this plan were fully recoverable from, and indemnified by, the previous owners. No cash outflow or gain or loss on the buyout was recorded by the Group. In 2018, the Rochester, NY, post-retirement medical benefit plan closed. The two remaining AmesburyTruth schemes are closed to new entrants and from January 2019 accrual of further service ceased on closure of the Rochester, NY, and Amesbury, MA, facilities.

For certain US plans, pensions in payment do not receive inflationary increases. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in the US, as is the nature of the relationship between the Group and the trustees and their composition.

Responsibility for governance of the plans, including investment and contribution schedules, lies jointly with the Group and the board of trustees. The board of trustees is composed of representatives of the Company and plan participants in accordance with the relevant plan rules.

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.

21. Retirement benefit obligations continued

21.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

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

		Present value of obligations		Fair value of plan assets		Net defined liability	
	Note	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m
Balance at 1 January		**(29.1)**	(42.8)	**18.3**	30.4	**(10.8)**	(12.4)
Included in the income statement:							
Current service (cost)/credit		**(0.1)**	(0.2)	**–**	–	**(0.1)**	(0.2)
Past service credit		**–**	–	**–**	–	**–**	–
Administration costs		**–**	–	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Interest (expense)/income	7	**(1.1)**	(0.9)	**0.7**	0.6	**(0.4)**	(0.3)
Sub-total in income statement[1]	5	**(1.2)**	(1.1)	**0.4**	0.3	**(0.8)**	(0.8)
Included in other comprehensive income							
Remeasurement (loss)/gain arising from:							
Net gain/(loss) on plan assets[2]		**–**	–	**1.8**	(1.2)	**1.8**	(1.2)
Changes in demographic assumptions		**0.1**	0.1	**–**	–	**0.1**	0.1
Change in financial assumptions		**(3.1)**	1.8	**–**	–	**(3.1)**	1.8
Experience loss		**(0.1)**	0.4	**–**	–	**(0.1)**	0.4
Sub-total in other comprehensive income[3]		**(3.1)**	2.3	**1.8**	(1.2)	**(1.3)**	1.1
Employer contributions		**–**	–	**0.8**	0.9	**0.8**	0.9
Plan participant contributions		**–**	(0.1)	**–**	0.1	**–**	–
Contribution by former owner		**–**	–	**–**	1.6	**–**	1.6
Benefit payments		**1.6**	3.2	**(1.3)**	(3.0)	**0.3**	0.2
Acquisitions of subsidiaries		**–**	(1.0)	**–**	–	**–**	(1.0)
Termination of pension		**–**	12.0	**–**	(12.0)	**–**	–
Exchange difference		**1.3**	(1.6)	**(0.7)**	1.2	**0.6**	(0.4)
Balance at 31 December		**(30.5)**	(29.1)	**19.3**	18.3	**(11.2)**	(10.8)

1. The current service cost, past service costs and expenses relating to the administration of the defined benefit schemes are included in the income statement within administrative expenses. Also see note 5.3. Net expense is included within net finance income and costs (note 7).
2. Excluding amounts included in interest expense.
3. A deferred tax debit of £0.2 million (2018: deferred tax debit of £0.2 million) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation. Also see note 8.

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

	Present value of obligations		Fair value of plan assets		Net defined liability	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m
United States	**(27.0)**	(25.3)	**19.3**	18.3	**(7.7)**	(7.0)
Italy	**(3.5)**	(3.8)	**–**	–	**(3.5)**	(3.8)
Balance at 31 December	**(30.5)**	(29.1)	**19.3**	18.3	**(11.2)**	(10.8)

Plan assets comprise the following asset classes:

	2019		2018	
	£'m	**%**	£'m	%
Equity instruments	**4.7**	**24.4%**	4.7	26.0%
Large US equity	**2.6**		2.8	
Small/mid US equity	**0.5**		0.4	
International equity	**1.6**		1.5	
Balanced/asset allocation	**0.4**	**2.1%**	0.4	2.0%
Fixed income	**13.1**	**67.9%**	13.2	72.0%
Other	**1.1**	**5.6%**	–	0.0%
Balance at 31 December	**19.3**		18.3	

Equity instruments comprise quoted investments.

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

21. Retirement benefit obligations continued

21.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The US plans hold a significant proportion of fixed income investments, comprising a mixture of government and corporate bonds, and provide an acceptable level of investment risk to better match liabilities. The Group believes that given the long term nature of plan liabilities, and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. Equities are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Italian plans do not have plan assets.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancies	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The significant actuarial assumptions were as follows:

	2019		2018	
	United States	**Italy**	United States	Italy
Discount rate	**3.27%**	**0.68%**	4.11%	1.35%
Inflation	**2.25%**	**1.00%**	2.25%	1.50%
Salary growth rate	**n/a**	**1.00%**	n/a	1.50%
Pension growth rate	**n/a**	**n/a**	n/a	n/a
Healthcare cost trend	**n/a**	**n/a**	n/a	n/a

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 for the US schemes as below. This assumption is not relevant to the Italian schemes.

	United States	Italy
Retiring at the end of the reporting year:		
Male	20.1	n/a
Female	22.1	n/a
Retiring 20 years after the end of the reporting year:		
Male	21.7	n/a
Female	23.7	n/a

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Change in discount rate assumption	Impact of increase in assumption	Impact of decrease in assumption
US	0.25%	(3.0)%	3.1%
Italy	0.50%	(4.5)%	5.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methodology has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous year.

21. Retirement benefit obligations continued

21.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

The US pension schemes are closed to new entrants and closed to further accrual of service; as a result there will be no further services costs incurred by the Group related to these schemes. The expected level of contributions to the defined benefit pension scheme and post-employment medical benefits in the year to December 2020 is £1.4 million.

The weighted average duration of the defined benefit obligation is 13 years for US plans and 10 years for Italian plans.

The expected maturity analysis of undiscounted post-employment pension benefits is as follows:

	Defined pension benefits £'m
No later than one year	(1.8)
Between one and two years	(1.7)
Between two and five years	(5.3)
Later than five years	(12.4)
Total	**(21.2)**

22. Share capital and share premium

22.1 Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds received by the Company.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

22.2 Share capital and share premium

	Number of shares 'm	Ordinary shares £m	Share premium £m
At 1 January 2018	178.6	8.9	81.4
Shares issued	18.2	0.9	50.8
At 31 December 2018	196.8	9.8	132.2
Capital reduction	–	–	(132.2)
At 31 December 2019	**196.8**	**9.8**	**–**

Ordinary shares in the Company have a par value of 5.00 pence per share (2018: 5.00 pence per share). All issued shares are fully paid up.

On 13 March 2018 the Group issued 17,758,620 shares by way of a placing at a price of 290 pence per share with institutional investors to part fund the acquisition of Ashland. On 15 May 2018 the Group issued 420,926 shares as part consideration for the acquisition of Zoo Hardware.

As outlined in the 2018 annual report and approved by shareholders at the AGM on 9 May 2019, a bonus share issue from undistributable reserves and subsequent capital reduction was completed on 4 June 2019. The entire share premium was cancelled and transferred to retained earnings.

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

23. Share-based payments

23.1 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. The Group also operates a save as you earn scheme for employees and a deferred share bonus plan for senior management.

The charge in respect of the save as you earn scheme of £0.1 million is immaterial and therefore further disclosures are not provided. Further details of the deferred share bonus scheme are included in the Remuneration Report on page 91.

23.2 LTIP

The charge to the income statement in 2019 in relation to the LTIP was £0.8 million (2018: £1.0 million).

Conditional, annual awards of shares are granted under the LTIP to the Executive Directors and certain senior managers at the discretion of the Remuneration Committee. Provided the participant remains an employee of the Group and the performance conditions are met, awards will vest three years after the date of the grant at no cost to the employee. Further information on the LTIP and the performance conditions for each grant are given in the Remuneration report.

The fair value of the awards granted under the LTIP in 2019 and the assumptions used in the calculation of the share-based payment charge are outlined below.

	Grant 1	**Grant 2**	**Grant 3**
Exercise price	£nil	£nil	£nil
Share price at grant date	£2.53	£2.47	£2.39
Fair value	£2.24	£2.47	£2.39
Expected volatility	27.34%	0.00%	0.00%
Expected dividend yield	4.04%	0.00%	0.00%
Risk free rate	0.9%	0.9%	0.9%
Grant date	18 March 2019	1 April 2019	26 July 2019
Expected life	3 years	2 years	2 years

For the LTIPs under Grant 1 to vest, employees must remain in continuous service for the three-year vesting period and cumulative Adjusted EPS over the three years 2018 to 2020 must be in the range of 92.0 to 109.0 pence. For the LTIPs under Grants 2 and 3, the LTIPs vest in tranches over a period of up to two-years if the employees remain in continuous service. There are no performance conditions attached to these.

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	2019 £'m	2018 £'m
At 1 January	**2.3**	2.1
Exercised	**(0.7)**	(0.2)
Granted	**1.3**	0.8
Lapsed	**(0.8)**	(0.4)
At 31 December	**2.1**	2.3

23. Share-based payments continued

23.3 Employee Benefit Trust purchases

Details of shares purchased by the Employee Benefit Trust to satisfy certain share awards vested in the year as well as future obligations under the Group's various share plans are as follows:

	2019 'm	2018 'm
Number of ordinary shares	**0.8**	1.1
Cost of ordinary shares (£'m)	**2.0**	3.2

24. Dividends

	2019 £'m	2018 £'m
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2018 of 8.25 pence (2017: 7.75 pence)	**16.1**	15.1
Interim dividend for the year ended 31 December 2019 of 3.85 pence (2018: 3.75 pence)	**7.5**	7.3
Total amounts recognised as distributions to owners in the year	**23.6**	22.4
Amounts not recognised in the financial statements:		
Final dividend proposed for the year ended 31 December 2019 of 8.35 pence (2018: 8.25 pence)	**16.3**	16.1

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 2019.

25. Business combinations

25.1 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 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 10.2). If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired (a bargain purchase), the difference is recognised directly in the income statement.

25.1.1 Critical accounting estimates and judgements: acquisition accounting

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

25. Business combinations continued

25.2 Summary of business combinations

The following table summarises the consideration paid and the fair value of assets acquired and liabilities assumed for all acquisitions in the year at the respective acquisition dates. The fair values will be finalised within 12 months of each acquisition date.

	Note	Y-cam (provisional) £'m	Amendments to 2018 acquisition fair values £'m	Total £'m
Intangible assets	10.3	0.6	–	0.6
Inventories		0.1	(0.1)	–
Trade and other receivables		(0.1)	–	(0.1)
Cash and cash equivalents		0.1	–	0.1
Trade and other payables		(0.1)	–	(0.1)
Current tax liabilities		–	(0.3)	(0.3)
Deferred tax liabilities		(0.1)	–	(0.1)
Total identifiable net assets		0.5	(0.4)	0.1
Goodwill arising on acquisition	10.2	0.5	0.4	0.9
Total consideration		**1.0**	**–**	**1.0**
Satisfied by:				
Cash		1.0	–	1.0
Deferred consideration		–	–	–
Total consideration		**1.0**	**–**	**1.0**
Net cash outflow arising on acquisition:				
Cash consideration		1.0	–	1.0
Net cash and cash equivalents acquired		(0.1)	–	(0.1)
Net cash outflow		**0.9**	**–**	**0.9**

25.3 Description of business combinations

Acquisition of Y-cam

On 18 February 2019, ERA completed the acquisition of Y-cam Solutions Limited, a UK-based smart home security pioneer for initial cash consideration of £1.0 million. The agreement includes provision for additional consideration of up to £10 million, subject to reaching certain performance targets, to be paid in instalments over a three-year period. Based on the current projections, no deferred consideration will be payable.

Intangible assets acquired relate to technology assets and residual goodwill is attributable to the expected benefits of using the acquired technology platform in conjunction with ERA smartware products and the acquired workforce. The estimated value of intangibles, including goodwill, deductible for tax purposes is nil.

Acquisition related costs of £0.2 million have been included in exceptional costs in the Group's consolidated income statement (note 6).

The fair value of trade and other receivables at the acquisition date, revenue and profit in the consolidated income statement since 18 February 2019 are not material. Had Y-cam been acquired on 1 January 2019, the Groups' revenue and profit would not have been materially different.

Changes to 2018 acquisition fair values

A number of changes have been made to the fair values of assets and liabilities in relation to Ashland, Zoo, and Reguitti which were acquired in 2018 as part of the finalisation of the acquisition accounting. These adjustments are not material and have therefore been recognised as adjustments to goodwill in the current year without restating prior years.

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	**2019 £'m**	2018 £'m
Net finance costs	7	**15.7**	11.6
Depreciation of PPE	11	**13.1**	12.5
Depreciation of right of use assets	12	**7.5**	–
Amortisation of intangible assets	10	**25.0**	27.2
Impairment of intangible assets	10	**2.3**	0.1
Impairment of property, plant and equipment	11	**4.3**	–
(Profit)/loss on disposal of property, plant and equipment		**1.6**	–
Write-off of inventory fair value adjustments	6	**–**	2.5
Pension service costs and expected administration costs		**0.3**	0.6
Non-cash provision movements		**1.3**	(1.9)
Share-based payments		**0.8**	1.0
		71.9	53.6

27. Financial commitments

27.1 Capital commitments

	2019 £'m	2018 £'m
Property, plant and equipment	**0.2**	0.2

28. Contingent liabilities

Details of a contingent liability associated with the EC State Aid investigation are included in note 8. There are no other contingent liabilities.

29. Events after the balance sheet date

There were no events after the balance sheet date.

30. Related party transactions

The following transactions were carried out with related parties of Tyman plc:

30.1 Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. There were no transactions between the Company and its subsidiaries made during the year other than intercompany loans.

30.2 Key management compensation

The Group considers its Directors to be the key management personnel. Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group are set out in the Remuneration report on pages 84 to 106.

Full details of individual Directors' remuneration are given in the Remuneration report on page 89.

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

31. Subsidiaries

Details of the subsidiaries of the Group as at 31 December 2019 are detailed below. Unless otherwise indicated, all subsidiaries are wholly owned.

Registered name and office address	Country of incorporation	Nature of business
UK operations		
29 Queen Anne's Gate, London SW1H 9BU		
Amesbury Holdings Limited[1]	United Kingdom	Dormant
Balance UK Limited[1]	United Kingdom	Dormant
Bilco Access Solutions Limited1	United Kingdom	Building products
Crompton Limited[1]	United Kingdom	Dormant
ERA Home Security Limited[1]	United Kingdom	Building products
ERA Products Limited[1]	United Kingdom	Dormant
ERA Security Hardware Limited[1]	United Kingdom	Dormant
Grouphomesafe Limited[1]	United Kingdom	Dormant
Howe Green Limited[1]	United Kingdom	Dormant
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Jasper Acquisition Limited[1]	United Kingdom	Holding company
Lupus Capital Limited	United Kingdom	Dormant
Octroi Group Limited	United Kingdom	Holding company
Octroi Investments Limited	United Kingdom	Dormant
Otterburn Limited[1]	United Kingdom	Dormant
Profab Access Limited[1]	United Kingdom	Dormant
Response Alarms Limited[1]	United Kingdom	Dormant
Response Electronics Limited[1]	United Kingdom	Building products
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Schlegel Building Products Limited[1]	United Kingdom	Dormant
Schlegel Limited[1]	United Kingdom	Building products
Tyman Equities Limited	United Kingdom	Dormant
Tyman Financial Services Limited[1]	United Kingdom	Financing company
Tyman Investments[1]	United Kingdom	Dormant
Tyman Management Limited[1]	United Kingdom	Holding company
Ventrolla Limited[1]	United Kingdom	Dormant
Window Fabrication and Fixing Supplies Limited[1]	United Kingdom	Dormant
Y-cam Solutions Limited[1]	United Kingdom	Building products
Zoo Hardware Limited[1]	United Kingdom	Building products
North American operations		
333 Bay Street, Toronto, Ontario M5H 2T4		
Amesbury Canada Inc[1]	Canada	Holding company
8005 Dixie Road, Unit 8043, Brampton, Ontario L6T 3V1		
Atlas Holdings Company Limited[1]	Canada	Holding company
1-460 Hanlan Road, Woodbridge ON L4L 3P6		
Ashland Hardware Canada Inc.	Canada	Building products
Roberto Fierro #6351, Industrial Park Aero Juarez, Juarez, Chihuahua 32695		
Amesbury Mexico S.De R.L. De C.V.[1]	Mexico	Building products
Deportistas 7820 Parque Industrial Gema Ciudad, Juarez, Chihuahua 32648		
Bilcomex Comercializadora S.De R.L. De C.V.[1]	Mexico	Building products
Bilcomex S.De R.L. De C.V.1	Mexico	Building products
Via Monterrey Matamoros No. 600, Parque Industrial Milenium, Apodaca, Nuevo Leon, Mexico, 66600		
Ashland Hardware and Casting Systems de Mexico, S.DE R.L. DE C.V.	Mexico	Building products

Registered name and office address	Country of incorporation	Nature of business
3600 Minnesota Drive, Edina, MN 55435		
Amesbury Acquisition Holdings (2) Inc1	United States	Holding company
Amesbury Finance Holdings LLC[1]	United States	Holding company
Amesbury Group Inc[1]	United States	Holding company
Amesbury Group Plastic Profiles Inc[1]	United States	Building products
Amesbury Industries Inc[1]	United States	Holding company
Balance Systems Inc[1]	United States	Building products
Bandlock Corporation Inc[1]	United States	Building products
Fastek Products Inc[1]	United States	Building products
Giesse Group North America Inc[1]	United States	Building products
Overland Products Company, Inc[1]	United States	Building products
Schlegel Acquisition Holdings USA Inc[1]	United States	Holding company
Schlegel Systems Inc[1]	United States	Building products
The Bilco Company[1]	United States	Holding company
The Bilco Holding Company[1]	United States	Holding company
Truth Hardware Corporation[1]	United States	Building products
Tyman Ventures Inc[1]		
Unipoly Schlegel Holdings Inc[1]	United States	Holding company
370 James Street, Suite 201, West Haven, CT 06513		
Bilco U.K. Limited[1]	United States	Building products
Suite 610, 545 East John Carpenter Freeway, Irving TX 75062		
Ashland Hardware Holdings, Inc	United States	Holding company
Ashland Hardware LLC	United States	Building products
European operations		
Nieuwpoortsesteenweg 1028400 Oostende		
Schlegel Belgium BVBA[1]	Belgium	Building products
Bredowstrasse, 33-22113, Hamburg		
Schlegel GmbH[1]	Germany	Building products
Carl-Zeiss-Strasse,37 63322 – Rodermark	Germany	Building products
Jatec GmbH1		
Kolonou 1-3, 12131 Peristeri		
Giesse Group Hellas S.A.[1]	Greece	Building products
Via Leonardo Da Vinci, 320/414 Fossatone, 40059, Ville Fontana Di Medicina, Bologna		
Giesse S.p.A.[1]	Italy	Building products
Località Fondi,33 25071 – Agnosine BS		
Regiutti S.P.A.[1]	Italy	Building products
Havenkade 99B, 1973 AK Ljmuiden, Holland		
Tetchy Investments BV1	Netherlands	Dormant
Constitucion, 84-Poligono Industrial Les Grases, 08980 Sant Feliu De Llobregat, Barcelona		
Giesse Group Iberia S.A.[1]	Spain	Building products

Notes to the financial statements CONTINUED

For the year ended 31 December 2019

31. Subsidiaries continued

Registered name and office address	Country of incorporation	Nature of business
Other international operations		
Enrique Becquerel 4873, Area de promocion el Triangulo, CP 1615, Buenos Aires		
Giesse Group Argentina S.A.[1]	Argentina	Building products
44 Riverside Road, Chipping Norton, NSW 2170		
Schlegel Australia Pty (2006) Ltd[1]	Australia	Holding company
Schlegel Pty Limited[1]	Australia	Building products
Rua Rosa Kasinski, 1109 Galpoes G02, G03, G04 Patio G01 do Condominio Empresarial Marino Lena Bairro Capuava 09.380-128 Maua, Sao Paolo		
Giesse Brasil Indústria e Comércio de Ferragens e Acessórios Ltda.[1]	Brazil	Building products
Alameda Itatinga, 617 Galpoa 2, Bairro Joapiranga II, CEP13278-480, Cidade Valinhos, Estado de Sao Paolo		
Giesse Brasil Indústria e Comércio de Ferragens e Acessórios Ltda.[1]	Brazil	Building products
Schlegel América Latina – Vedação, Esquadrias e Extrusão Ltda.[1]	Brazil	Building products
Room 810-815 F8, CWE Building, No.3 Guangqu East Road, Chaoyang District,100124, Beijing		
Giesse Hardware (Beijing) Co. Ltd.[1]	China	Building products
No 8 Xingye Road Pingyi Software Park Eastern Section Ningbo Free Trade Zone, Ningbo City, Zhejiang		
LSS Ningbo Limited[1]	China	Building products
Unit 14-2 New City Tower No 535 Qingshuiqiao Road Jiangdong District, Ningbo City		
LSS Trading (Ningbo) Limited[1]	China	Building products
Amesbury (Ningbo) Hardware Trading Co., Ltd[1]	China	Building products
1 Commonwealth Lane, 6-18, One Commonwealth, Singapore 149544		
Schlegel Asia Pte. Ltd1	Singapore	Building products
3rd Interchange, Sheikh Zayed Road, Al Quoz Industrial Area 1, Dubai		
Schlegel Middle East Building Materials Trading LLC[1,2]	United Arab Emirates	Building products
Overseas branch operations		
3 Park Farm Business Centre, Genevieve, Farnham Street, IP28 6TS		
Bilco UK Ltd	United Kingdom	Building products
Burrett Business Park, 10d Burrett Ave, Penrose, Auckland 1061		
Schlegel Pty Ltd	New Zealand	Building products
D-362, MIDC, TTC Industrial Area, Behind IOC Terminal, Kukshet Village, Juinagar, Navi Mumbai 400705		
Giesse S.p.A.	India	Building products
Istanbul Merkez Şubesi, Halk Sokak Ada IS Merkezi No: 46, Kat: 2 Daire: 4, 34734 Sahrayicedid, Kadikoy, Istanbul		
Giesse S.p.A.	Turkey	Building products
8 Chemin du Jubin, 69570 Dardilly		
Giesse S.p.A.	France	Building products
Av. Eng. Duarte Pacheco, 19 - 3° DTO., 1070-100 Lisboa		
Giesse Group Iberia S.A.	Portugal	Building products

1. Held by subsidiary.
2. Shareholding of 49% held by the Group. The Group has managerial control and is entitled to 100% of the profits and cash generated by the business.

32. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial statements.

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new standard are recognised in the opening balance sheet as at 1 January 2019.

32.1 Impact on the balance sheet

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Increase / decrease	**£'m**
Property, plant and equipment	Decrease	(0.8)
Right of use assets	Increase	65.0
Deferred tax liability	Increase	(0.5)
Prepayments	Decrease	(0.5)
Other payables	Decrease	2.9
Lease liabilities	Increase	(63.7)

The net impact on retained earnings on 1 January 2019 was an increase of £2.4 million.

a) Lease liabilities

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The lease liabilities at 31 December 2019 and 1 January 2019 were as follows:

	2019 £'m	1 January 2019 £'m
Current liabilities	**(6.0)**	(5.5)
Non-current liabilities	**(54.0)**	(58.2)
	(60.0)	(63.7)

32.1 Impact on the balance sheet continued

Lease liabilities recorded at 1 January 2019 can be reconciled to operating lease disclosures as at 31 December 2018 as follows:

	£'m
Operating lease commitments disclosed as at 31 December 2018	91.5
(Less): short-term leases recognised on a straight-line basis as expense	(0.7)
(Less): low-value leases recognised on a straight-line basis as expense	(0.4)
Gross future lease cashflows	90.4
Effect of discounting	(26.5)
Add: finance lease liabilities recognised as at 31 December 2018	(0.2)
Lease liability recognised as at 1 January 2019	**63.7**

b) Right of use assets

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to leases and dilapidations assets recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	2019 £'m	1 January 2019 £'m
Properties	**57.0**	62.8
Plant, equipment and vehicles	**2.4**	2.2
Total	**59.4**	65.0

32. Changes in accounting policies continued

32.2 Impact on the income statement and earnings per share

For year ended 31 December 2019, adjusted operating profit was £1.6 million higher as a result of applying IFRS 16 due to a portion of the lease expense now being recorded as interest expense. Profit before tax was £1.4 million lower due to interest expenses being higher at the beginning of the lease term. This also reduced Earnings Per Share by 0.73p.

The impact on Adjusted Operating Profit by operating segment for the year was:

	£'m
AmesburyTruth	1.3
ERA	0.1
SchlegelGiesse	0.2
Total	**1.6**

32.3 Impact on the cash flow statement

Payments in respect of leases which were previously recognised within cash flows from operating activities are now recorded within cash flow from financing activities, separated between payment of interest and payment of principal elements. This has increased net cash generated from operations and increased net cash used in financing activities by £8.6 million.

32.4 Judgements and estimates

Critical judgements in determining the lease term

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential gross future cash outflows of £63.0 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current year, there were no leases where this assessment was changed.

Independent auditors' report

To the members of Tyman plc

Report on the audit of the group financial statements

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 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the 'Annual Report'), which comprise: the balance sheet as at 31 December 2019 and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in the Audit Committee report, we have provided no non-audit services to the group and its subsidiaries in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £4 million (2018: £3.5 million), based on 1% of total assets.
- We performed a full scope audit over the Company ledger, providing us with 100% coverage over the Company accounts.
- We have no key audit matters to report.

Independent auditors' report CONTINUED

To the members of Tyman plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the entity's whistleblowing helpline;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment assessments; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

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

We scoped the balances to be audited in line with the materiality determined for the year.

Materiality

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

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

Overall group materiality	£4 million (2018: £3.5 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	As the parent entity, Tyman plc, is primarily a holding Company for the Group, the materiality benchmark has been determined to be based on total assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £212,500 (2018: £209,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent auditors' report CONTINUED

To the members of Tyman plc

Strategic Report and Directors' report	In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06) In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)
The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company	We have nothing material to add or draw attention to regarding: • The directors' confirmation on page 40 of the Annual Report that 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 disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. • The directors' explanation on page 46 and 47 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the company and statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. (Listing Rules)
Other Code Provisions	We have nothing to report in respect of our responsibility to report when: • The statement given by the directors, on page 71, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit. • The section of the Annual Report on page 74 and 75 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. • The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
Directors' Remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 71, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 1 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2012 to 31 December 2019.

Other matter

We have reported separately on the group financial statements of Tyman plc for the year ended 31 December 2019.

Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 March 2020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Company balance sheet

As at 31 December 2019

	Note	**2019 £'m**	2018 £'m
Fixed assets			
Investments in subsidiaries	4	**343.7**	356.2
Current assets			
Debtors	5	**107.1**	123.0
Cash and cash equivalents		**5.9**	0.3
		113.0	123.3
Creditors – amounts falling due within one year	6	**(0.6)**	(2.2)
Net current assets		**112.4**	121.1
Total assets less current liabilities		**456.1**	477.3
Creditors – amounts falling due after more than one year	6	**(76.3)**	(79.0)
Net assets		**379.8**	398.3
Equity			
Called up share capital	9	**9.8**	9.8
Share premium		**–**	132.2
Treasury reserve		**(4.3)**	(4.9)
Retained earnings		**374.3**	261.2
– brought forward		**261.2**	198.5
– profit for the year		**6.2**	75.9
– other movements		**106.9**	(13.2)
Total shareholders' funds		**379.8**	398.3

The notes on pages 173 to 175 are an integral part of these financial statements.

The financial statements on pages 171 and 172 were approved by the Board on 5 March 2020 and signed on its behalf by:

Jo Hallas
Chief Executive Officer

Jason Ashton
Chief Financial Officer

Tyman plc

Company registration number: 02806007

Company statement of changes in equity

For the year ended 31 December 2019

	Called up share capital £'m	Share premium £'m	Other reserves[1] £'m	Treasury reserve £'m	Retained earnings £'m	Total £'m
At 1 January 2018	8.9	81.4	8.9	(2.8)	198.5	294.9
Total comprehensive income						
Profit for the year	–	–	–	–	75.9	75.9
Transactions with owners	0.9	50.8	(8.9)	(2.1)	(13.2)	27.5
Share-based payments[2]	–	–	–	–	1.3	1.3
Dividends paid	–	–	–	–	(22.4)	(22.4)
Issue of shares	0.9	50.8	–	–	–	51.7
Transfer of merger reserve	–	–	(8.9)	–	8.9	–
Issue of own shares to Employee Benefit Trust	–	–	–	1.1	(1.0)	0.1
Purchase of own shares for Employee Benefit Trust	–	–	–	(3.2)	–	(3.2)
At 31 December 2018	9.8	132.2	–	(4.9)	261.2	398.3
Total comprehensive income						
Profit for the year	–	–	–	–	6.2	6.2
Transactions with owners	–	(132.2)	–	0.6	106.9	(24.7)
Share-based payments[2]	–	–	–	–	0.9	0.9
Dividends paid	–	–	–	–	(23.6)	(23.6)
Capital reduction	–	(132.2)	–	–	132.2	–
Issue of own shares to Employee Benefit Trust	–	–	–	2.6	(2.6)	–
Purchase of own shares for Employee Benefit Trust	–	–	–	(2.0)	–	(2.0)
At 31 December 2019	**9.8**	**–**	**–**	**(4.3)**	**374.3**	**379.8**

1. Other reserves relate to a merger reserve which arose on a previous acquisition. This was transferred to retained earnings in the year on the basis that this was available for distribution.
2. Share-based payments include a deferred tax credit of £0.1 million (2018: deferred tax debit of £0.1 million) and a release of the deferred share bonus plan accrual of £0.4 million (2018: £0.3 million).

The notes on pages 173 to 175 are an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation

The financial statements of Tyman plc have been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'. The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 applicable to companies reporting under FRS 101. The accounting policies have been consistently applied unless otherwise stated. None of the new standards which became effective in the year had an impact on the Company.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.3 of the Group financial statements.

1.1.1 FRS 101 – reduced disclosure exemptions

The following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payments;
- IFRS 7 Financial instruments: disclosures;
- paragraphs 91 to 99 of IFRS 13 Fair value measurement;
- the following paragraphs of IAS 1 Presentation of financial statements:
- comparative information requirements in respect of paragraph 79(a)(iv);
- paragraph 10(d), cash flow statements;
- paragraph 16, statement of compliance with all IFRS;
- paragraph 38A, minimum of two primary statements, including cash flow statements;
- paragraphs 38B to 38D, additional comparative information;
- paragraphs 40A to 40D, requirements for a third statement of financial position;
- paragraph 111, cash flow statement information;
- paragraphs 134 to 136, capital management disclosures;
- paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors;
- IAS 7 Statement of cash flows;
- paragraph 17 of IAS 24 Related party disclosures; and
- the requirements of IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group.

1.2 Foreign currency translation

1.2.1 Functional currency and presentation currency

The financial statements are presented in Sterling, which is also the functional currency.

1.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.3 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.3.1 Financial assets at amortised cost

The Company classifies financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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 financial assets comprise 'debtors' (see note 5) and 'cash and cash equivalents' in the balance sheet.

1.3.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise 'creditors' (see note 6).

1.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

1.5 Borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans are subsequently carried at amortised cost using the effective interest rate method. All borrowing costs are expensed as incurred, on an accruals basis, to the income statement using the effective interest rate method.

1. Accounting policies continued

1.6 Share-based payments

The Company operates an equity-settled share-based compensation plan (Long Term Incentive Plan, 'LTIP') for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Company. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using the Black-Scholes model.

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 financial statements.

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 23 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 2019 of £6.2 million (2018: £75.9 million).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2018: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's Annual Report on pages 84 to 106.

4. Investments

	£'m
Cost	
At 1 January 2018	316.6
Additions	57.8
Disposals	(19.0)
Capital contribution relating to share-based payments	1.4
At 31 December 2018	356.8
Additions	–
Disposals	(13.4)
Capital contribution relating to share-based payments	0.9
At 31 December 2019	**344.3**
Impairment	
At 1 January 2018	(5.6)
Reversal of impairment charge	5.0
At 31 December 2018	(0.6)
At 31 **December** 2019	**(0.6)**
Carrying amount	
At 1 January 2018	311.0
At 31 December 2018	356.2
At 31 December 2019	**343.7**

All of the above investments are in unlisted shares. The Directors believe that the carrying value of the investments is supported by the recoverable amount of their underlying assets.

5. Debtors

	Note	2019 £'m	2018 £'m
Amounts receivable after more than one year			
Amounts owed by Group undertakings		**106.8**	122.7
Deferred tax asset	8	**0.3**	0.3
		107.1	123.0

The amounts owed by Group undertakings are unsecured, interest free and recoverable on demand but are unlikely to be repaid within one year.

6. Creditors

	Note	2019 £'m	2018 £'m
Amounts falling due within one year			
Corporation tax liability		**(0.2)**	(0.3)
Other creditors		**(0.4)**	(1.9)
		(0.6)	(2.2)
Amounts falling due after more than one year			
Private placement notes	7	**(75.7)**	(78.4)
Amounts owed to Group undertakings		**(0.6)**	(0.6)
		(76.3)	(79.0)

The amounts owed to Group undertakings are interest free, repayable on demand and unsecured.

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 18.2.2 of the Group financial statements.

Details of the private placement notes, which are unsecured, are as follows:

	2019 £'m	2018 £'m
Wholly repayable in 2021	**(41.7)**	(43.2)
Wholly repayable in 2024	**(34.1)**	(35.4)
Capitalised borrowing costs	**0.1**	0.2
	(75.7)	(78.4)

8. Deferred tax asset

	2019 £'m	2018 £'m
At 1 January	**0.3**	0.6
Income statement charge	**–**	(0.2)
Tax charge relating to components of other comprehensive income	**–**	(0.1)
At 31 December	**0.3**	0.3

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 22 of the Group financial statements.

10. Financial commitments

At 31 December 2019 the Company had future lease commitments on land and buildings under non-cancellable operating leases. These commitments were met on the Company's behalf by Tyman Management Limited, a subsidiary. The carrying value of the RoU asset held by Tyman Management Limited was £0.9 million and of lease liabilities was £0.8 million. See further details regarding the nature of lease commitments in note 12 of the Group financial statements.

11. Dividends

The dividends of the Company are set out in note 24 of the Group financial statements.

12. Related party transactions

The Company has taken advantage of the exemption in accordance with FRS 101, as a wholly owned subsidiary, not to disclose details of related party transactions in accordance with IAS 24 Related party disclosures required by this standard.

Alternative Performance Measure reconciliations

APMs used in key performance indicators

Like for like or LFL revenue and operating profit

Definition
The comparison of revenue or adjusted operating profit, as appropriate, excluding the impact of IFRS 16 'Leases', 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.

This measure has been amended in the current year to exclude the impact of adopting IFRS 16 'Leases'. In 2018, the impact of adopting IFRS 15 was excluded from like for like measures for comparability with 2017. No adjustments are made for IFRS 15 in 2019 as both periods are comparable. The Group considers these amendments provide shareholders with a comparable basis from which to understand the organic trading performance in the year.

Purpose
This measure is used by management to evaluate the Group's organic growth year on year.

Reconciliation / calculation

	2019 £'m	2018 £'m
Reported revenue	**613.7**	591.5
Revenue from entities disposed of in prior year		(5.6)
Revenue for equivalent period from entities acquired in prior year	**(24.3)**	–
Effect of exchange rates		14.6
Like for like revenue	**589.4**	600.5
Adjusted operating profit	**85.4**	83.6
Operating profit for equivalent period from entities acquired in prior year	**(3.2)**	–
Operating profit for equivalent period from entities disposed of in prior year	**–**	(1.4)
Impact of IFRS 16	**(1.6)**	–
Effect of exchange rates		2.5
Like for like adjusted operating profit	**80.6**	84.7

Adjusted operating profit and adjusted operating margin

Definition
Operating profit before amortisation of acquired intangible assets, deferred tax on amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and exceptional items.

Adjusted operating margin is adjusted operating profit divided by revenue.

Purpose
This measure is used to evaluate the trading operating performance of the Group.

Exceptional items are excluded from this measure as they are largely one off and non-trading in nature and therefore create volatility in reported earnings.

Amortisation of acquired intangible assets is excluded from this measure as this is a significant non-cash fixed charge that is not affected by the trading performance of the business.

Impairment of acquired intangible assets and goodwill is excluded, as this is a significant non-cash charge.

Reconciliation / calculation

	2019 £'m	2018 £'m
Adjusted operating margin		
Adjusted operating profit	**85.4**	83.6
Revenue	**613.7**	591.5
Adjusted operating margin (%)	**13.9%**	14.1%

Leverage

Definition
Adjusted net debt translated at the average exchange rate for the year divided by adjusted EBITDA.

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

Reconciliation / calculation

	2019 £'m	2018 £'m
Adjusted net debt (at average exchange rate)	**170.1**	202.2
Adjusted EBITDA	**98.9**	103
Leverage (x)	**1.72x**	1.96x

Return on capital employed (ROCE)

Definition
Adjusted operating profit as a percentage of the LTM average capital employed.

Purpose
This measure is used to evaluate how efficiently the Group's capital is being employed to improve profitability.

Reconciliation / calculation

	2019 £'m	2018 £'m
Adjusted operating profit	**85.4**	83.6
Average capital employed	**709.9**	621.8
ROCE	**12.0%**	13.4%

Return on acquisition investment (ROAI)

Definition
For acquisitions made in the current year, this reflects ROAI calculated on the basis of adjusted operating profit generated in the year since the acquisition date. For acquisitions made in previous years, this reflects ROAI calculated on the basis of adjusted operating profit generated in the year or the last 12 months to the end of the two-year period since acquisition.

Purpose
These measures are used to evaluate the efficiency and returns achieved by the Group from its investments in recent material business acquisitions. ROAI is measured over a two-year period following acquisition.

Reconciliation / calculation

	Howe Green £'m	**Ashland $'m**	**Zoo £'m**	**Profab £'m**	**Reguitti €'m**
Adjusted operating profit	**1.2**	**17.0**	**3.6**	**0.4**	**1.5**
Acquisition enterprise value	**6.4**	**106.3**	**19.1**	**4.4**	**16.5**
Change in controllable capital employed	**0.6**	**(2.8)**	**(0.2)**	**(0.6)**	**2.7**
	7.0	**103.5**	**18.9**	**3.8**	**19.2**
ROAI (%)	**17.0%**	**16.4%**	**18.9%**	**10.5%**	**7.8%**

Alternative Performance Measure reconciliations

CONTINUED

Adjusted earnings per share

Definition
Adjusted profit after tax divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Purpose
This measure is used to determine the improvement in adjusted EPS for our shareholders.

Reconciliation / calculation
A reconciliation is provided in note 9 on page 131.

Dividend cover

Definition
Adjusted earnings per share divided by the total dividend per share for the financial year.

Purpose
This measure provides an indication of the dividend paid relative to adjusted earnings for comparison with the group's dividend policy.

Reconciliation / calculation

	2019	2018
Adjusted earnings per share (p)	**27.46**	27.68
Total dividend per share (p)	**12.15**	12.00
Dividend cover (x)	**2.26x**	2.31x

Operating cash conversion and operational cash flow

Definition
Operational Cash Flow
Net cash generated from operations before income tax paid, exceptional costs cash settled in the year and pension contributions, and after proceeds on disposal of property, plant and equipment, payments to acquire property, plant and equipment and payments to acquire intangible assets.

Operating Cash Conversion
Operational cash flow divided by adjusted operating profit.

Purpose
These measures are used to evaluate the cash flow generated by the business operations in order to pay down debt, return cash to shareholders and invest in acquisitions.

Reconciliation / calculation

	2019 £'m	2018 £m
Net cash generated from operations	**97.1**	72.6
Income tax paid	**14.2**	12.3
Exceptional costs	**11.3**	3.2
Pension contributions	**1.0**	1.1
Proceeds on disposal of PPE	**0.8**	5.3
Payments to acquire PPE and intangible assets	**(11.5)**	(17.3)
Operational cash flow	**112.9**	77.2

Operational cash flow	**112.9**	77.2
Adjusted operating profit	**85.4**	83.6
Operating cash conversion	**132.2%**	92.4%

Other APMs

Acquisition enterprise value

Definition
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 recorded as exceptional items.

Purpose
This measure is used by management to assess the total cost of an acquisition, as it includes expenses of the acquisition, and net debt rather than just the amount paid for the equity component.

Reconciliation / calculation

	Ashland £'m	Zoo £'m	Profab £'m	Reguitti £'m
Consideration	**73.3**	**17.2**	**6.5**	**14.2**
Add back net debt	**0.1**	**1.5**	**(1.2)**	**0.6**
Acquisition and integration expenses	**3.9**	**0.4**	**0.3**	**0.4**
Acquisition enterprise value	**77.3**	**19.1**	**5.6**	**15.2**

EBITDA and adjusted EBITDA

Definition
EBITDA
Adjusted operating profit with depreciation, amortisation of computer software, and share-based payments expenses added back.

Adjusted EBITDA
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.

Purpose
This measure is used as the numerator in calculating covenants under the terms of the Group's revolving credit facility.

Reconciliation / calculation

	2019 £'m	2018 £'m
Adjusted Operating Profit	**85.4**	83.6
Depreciation	**13.1**	12.5
Amortisation of computer software	**1.5**	1.4
IFRS16	**(1.6)**	–
Share-based payments expense	**0.5**	1.1
EBITDA	**98.9**	98.6
Pre-acquisition EBITDA of acquired entities	**–**	4.7
Adjusted EBITDA	**98.9**	103.3

Alternative Performance Measure reconciliations

CONTINUED

Adjustment to net cash generated from operations

Definition
The add back of net finance costs, depreciation, amortisation of intangible assets, impairment of PPE, profit on disposal of PPE, write-off of inventory fair value adjustments, pension service costs and expected administrative costs, non-cash provision movements, profit on disposal of business and share-based payments.

Purpose
These are non-cash items which are added back to profit to derive cash generated from operations in the cash flow statement.

Reconciliation / calculation
See reconciliation in note 26 on page 159.

Constant currency on CC

Definition
Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.

Purpose
This measure is used by management to measure performance of the business removing the effect of changes in foreign exchange rates which are outside of the control of management.

Reconciliation / calculation
It is not practicable to present a reconciliation of all CC measures used. A table showing the current and comparative period average and closing exchange rates is presented on page 184. A sensitivity analysis showing the impact of fluctuations in exchange rates is also presented on page 36.

Free cash flow

Definition
Operational cash flow after deducting pension contributions, income tax paid, net interest paid and exceptional cash costs settled in the year.

Purpose
This measure is used to evaluate the cash flow generated by the business operations after expenditure incurred on maintaining capital assets.

Reconciliation / calculation
See page 33 for reconciliation between operational cash flow and free cash flow.

Interest cover

Definition
EBITDA divided by the net interest payable on bank loans, private placement notes and overdrafts and interest income from short term bank deposits.

Purpose
This measure is used to evaluate the profit available to service the Group's interest costs. This is one of the covenants the Group is subject to under the terms of its revolving credit facility.

Reconciliation / calculation

	2019 £'m	2018 £'m
EBITDA	**98.9**	98.6
Net interest	**11.1**	10.7
Interest cover	**8.9x**	9.2x

Adjusted administrative expenses

Definition
Administrative expenses before exceptional items, amortisation of acquired intangible assets, impairment of acquired intangible assets and impairment of acquired goodwill.

Purpose
This measure is used to evaluate the adjusted administrative expenses of the business excluding the effect of exceptional items and amortisation of acquired intangible assets which is a significant charge that is not directly affected by trading.

Reconciliation / calculation

	2019 £'m	2018 £'m
Administrative expenses	**(165.1)**	(147.6)
Exceptional items	**18.9**	7.3
Amortisation of acquired intangible assets	**23.5**	25.8
Adjusted administrative expenses	**(122.7)**	(114.5)

Adjusted effective tax rate

Definition
Adjusted tax charge divided by adjusted profit before tax.

Purpose
This measure is used to evaluate the tax charge relative to profit arising on the adjusted trading activity of the Group.

Reconciliation / calculation

	2019 £'m	2018 £'m
Adjusted tax charge	**(17.5)**	(19.7)
Adjusted profit before tax	**71.0**	72.7
Adjusted effective tax rate	**(24.6%)**	(27.1%)

Alternative Performance Measure reconciliations

CONTINUED

Adjusted gross interest

Definition
Interest-bearing loans and borrowings, with unamortised borrowing costs and lease liabilities added back.

Purpose
This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs for which cash outflow has already occurred.

Reconciliation / calculation

	2019 £'m	2018 £'m
Borrowings	**(271.8)**	(260.7)
Lease liabilities	**60.0**	–
Unamortised borrowing costs	**(1.7)**	(1.8)
Adjusted gross indebtedness	**(213.5)**	(262.5)

Adjusted net debt

Definition
Interest-bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.

Purpose
This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs.

Reconciliation / calculation

	2019 £'m	2018 £'m
Borrowings	**(271.8)**	(260.7)
Cash	**49.0**	51.9
Unamortised borrowing costs	**(1.7)**	(1.8)
Adjusted net debt	**(164.5)**	(210.6)

Adjusted profit before tax and adjusted profit after tax

Definition
Profit before amortisation of acquired intangible assets, deferred tax on amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect.

Purpose
This measure is used to evaluate the profit generated by the Group through trading activities. In addition to the items excluded from operating profit above, the gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect are excluded. These items are excluded as they are of a non-trading nature.

Reconciliation / calculation

	2019 £'m	2018 £'m
Profit before tax	**24.8**	38.9
Exceptional items	**18.9**	7.3
Amortisation of borrowing costs	**0.8**	(0.3)
Loss/(Gain) on revaluation of fair value hedge	**0.5**	1.0
Amortisation of acquired intangible assets	**23.5**	25.8
Impairment of acquired intangible assets	**2.5**	–
Adjusted profit before taxation	**71.0**	72.7
Income tax charge	**(7.1)**	(12.5)
Adjusted tax effect	**(10.4)**	(7.2)
Adjusted profit after taxation	**53.5**	53.0

Adjusted profit before tax and adjusted profit after tax

Definition
Tax charge adjusted for the tax effect of exceptional items, amortisation of borrowings costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Purpose
This measure is used to evaluate the tax charge arising on the adjusted trading activity of the Group.

Reconciliation / calculation

	2019 £'m	2018 £'m
Tax charge	**(7.1)**	(12.5)
Tax effect of adjusted profit adjustments	**(10.4)**	(7.2)
Adjusted tax charge	**(17.5)**	(19.7)

Definitions and glossary of terms

Access 360	UK Access solutions brand constituting Bilco UK, Howe Green, and Profab
APM	Alternative performance measure
ASEAN	Association of Southeast Asian Nations
Ashland / Ashland Hardware	Ashland Hardware Holdings Inc, acquired by AmesburyTruth on 15 March 2018
Bilco	Company acquired by AmesburyTruth on 1 July 2016. Focuses on access hatches for commercial projects in the US
Bps	Basis points
CAGR	Compound annual growth rate
CGU	Cash generating unit
DSBP	Deferred Share Bonus Plan
EB Trust	The Tyman Employees' Benefit Trust
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EMEAI	Europe, Middle East and Africa and India region
EPS	Earnings per share
ESSP	Employee Sharesave Plan
ExCo	Executive Committee
FVPL	Fair value through profit or loss
GDPR	General Data Protection Regulations
Giesse	Giesse Group acquired by SchlegelGiesse Division on 7 March 2016
Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
LIRA	Leading indicator for remodelling activity published quarterly by JCHS
LTM	Last twelve months
Maquiladora	A Mexican factory run by a foreign company and exporting to that company's country of origin
NAHB	The National Association of Home Builders
NPD	New product development
OEM	Original equipment manufacturer
OTIF	On time in full
PPE	Property, plant and equipment
Profab or Profab Access	Profab Access Solutions Limited acquired by ERA on 31 July 2018
Reguitti	Reguitti S.P.A acquired by SchlegelGiesse on 31 August 2018
ROAI	Return on acquisition investment
RMI	Renovation, maintenance and improvement
ROCE	Return on capital employed
Smartware	Integrated mechanical and electronic security solutions
TFR	Trattamento di fine Rapporto (Italian pension scheme)
Ventrolla	Sash window refurbishment business in ERA
Zoo or Zoo Hardware	Zoo Hardware Limited acquired by ERA on 10 May 2018 focusing on architectural door and window engineered hardware

Roundings and exchange rates

Roundings

Percentage numbers have been calculated using rounded figures 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	**2019**	2018
US Dollar	**1.3186**	1.2736
Euro	**1.1757**	1.1128
Australian Dollar	**1.8801**	1.8055
Canadian Dollar	**1.7164**	1.7360
Brazilian Real	**5.3005**	4.9410

Average Rates	**2019**	2018
US Dollar	**1.2770**	1.3350
Euro	**1.1406**	1.1302
Australian Dollar	**1.8365**	1.7862
Canadian Dollar	**1.6943**	1.7293
Brazilian Real	**5.0371**	4.8643

Five-year summary

Statutory measures

	2019 £'m	2018 £'m	2017 £'m	2016 £'m	2015 £'m
Revenue	**613.7**	591.5	522.7	457.6	353.4
Net finance costs	**(15.7)**	(11.6)	(9.4)	(7.8)	(6.9)
Profit before taxation	**24.8**	38.9	34.5	29.4	15.6
Taxation	**(7.1)**	(12.5)	(3.3)	(8.6)	(7.9)
Profit after taxation	**17.7**	26.3	31.2	20.7	7.7

	2019	2018	2017	2016	2015
Total number of shares in issue ('000)	**196,762**	196,762	178,582	178,582	170,104
Dividends per share declared (p)	**12.20p**	12.00p	11.25p	10.50p	8.75p
Average monthly number of employees	**4,146**	4,303	3,904	3,568	2,947

APMs and KPIs

	2019	2018	2017	2016	2015
LFL revenue growth (%)[1]	**(1.8)%**	2.7%	1.7%	0.9%	40.0%
Adjusted operating profit (£'m)[1]	**85.4**	83.6	76.8	69.8	51.4
Adjusted operating margin[1]	**13.9%**	14.1%	14.7%	15.3%	14.6%
Adjusted profit before taxation (£'m)[1]	**71.0**	72.7	68.3	62.1	45.1
Adjusted net debt (£'m)[1]	**(164.5)**	(210.7)	(163.7)	(176.7)	(83.2)
Adjusted basic earnings per share (p)[1]	**27.46p**	27.68p	26.91p	25.41p	19.33p
Return on capital employed (%)[1]	**12.0%**	13.4%	13.6%	13.8%	12.5%
Operating cash conversion (%)[1]	**132.2%**	92.4%	85.6%	105.9%	84.9%
Leverage (x)[1]	**1.72×**	1.96×	1.83×	1.89×	1.35×

1. See Alternative Performance measures on page 176 to 183.

Shareholder notes

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