Tyman plc
Annual report and accounts
for the year ended 31 December 2020

The expert touch that transforms

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

Highlights

£572.8m
Revenue
(2019: £613.7m)

1.1×
Leverage*
(2019: 1.7×)

4.0p
Dividend per share
(2019: 3.9p)

£80.3m
Adjusted operating profit*
(2019: £85.4m)

27.2p
Adjusted earnings per share*
(2019: 27.5p)

£47.6m
Profit before taxation
(2019: £24.8m)

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Strategic report

Governance and Directors' report

Financial statements

£100.6m
Adjusted net debt*
(2019: £164.5m)

19.1p
Basic earnings per share
(2019: 9.1p)

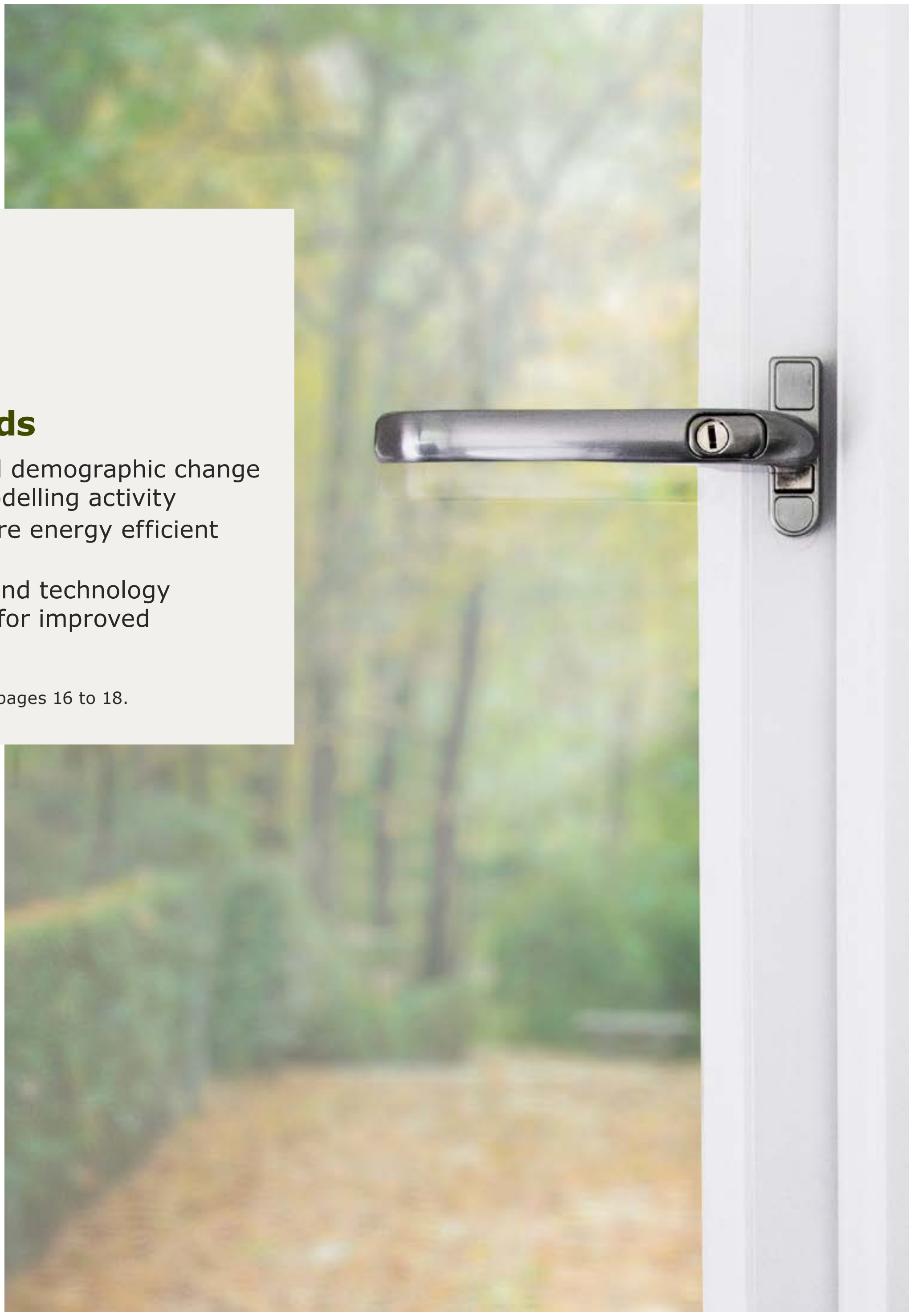
- Strong recovery from COVID-19 in H2 saw growth of 5% against H2 2019; full year LFL revenue down 6%
- Cost reductions and benefits of self-help initiatives mitigated the full year revenue shortfall, resulting in adjusted operating margin slightly ahead of 2019 and LFL adjusted operating profit down only 6%
- Good progress on self-help measures:
  - Encouraging level of North American customer wins
  - Successful execution of planned footprint realignments
  - Momentum gained with continuous improvement activities
- Strategic initiatives continued to bear fruit, driving market share gains across the Group
- Reduction in safety incidents of 22% indicative of operational excellence progress
- Strong cash generation with cash conversion of 131% and reduction in leverage to 1.1x, achieving low-end of new target range
- Repayment in December 2020 of £2.3m received under the UK Government's Job Retention Scheme
- Modest final dividend declared of 4 pence per share, reflecting the strong performance in H2 2020 and the robust balance sheet position

* 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 183 to 188.

Read more in the **Operational review** and **Financial review** on pages 40 to 53.

Why invest in Tyman?

Favourable megatrends, differentiated value-creation and high cash generation support long-term growth.



Favourable Megatrends

- Global population growth and demographic change drives construction and remodelling activity
- Climate change demands more energy efficient buildings
- Increasing consumer savvy and technology advances raise expectations for improved aesthetics and ease of use

Read more about **our marketplace** on pages 16 to 18.

Compelling customer value-creation

- Our highly-engineered products create strong value for customers and end-users relative to their cost
- Our market-leading brands, extensive portfolio of differentiated products, and innovation capabilities make us a strategic partner for our customers
- Our value-added services, including co-development, application engineering, integrated supply chain and accredited testing, underpin our long-term customer relationships and high levels of repeat business

Read more about **our products and brands** on pages 10 to 12.

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 8 to 9.

Becoming a purpose-led business

The origins of Tyman's businesses date back to 1838. Over many years, employees have worked to build the platform that we have today of market-leading brands, value-adding products and services, deep customer relationships, domain expertise and our global scale.

As we embark on the next stage of our evolution, it is clear that a cohesive culture that creates a shared sense of identity across our employees is essential for our success. Accordingly, during 2020 we have drawn on the voice of all our employees to lay the foundations for a One Tyman culture, with a common purpose and set of values. We believe this will allow us to collaborate more effectively, benefit from our shared best practices, draw on our collective portfolio to drive growth, and create long-term value for all of our stakeholders.

1

Our purpose unifies us in a common cause

Our purpose is at the core of everything we do, unifying us in a common cause and growth strategy. It inspires Tyman people to make a positive contribution every day.

Our purpose is to transform the security, comfort and sustainability of living and working spaces through our expert touch.

Tyman. The expert touch that transforms.

Read about the **background to our purpose and its development** on page 6.

2

Our values guide our decisions and actions every day

Our values are the foundation of our success and essential to achieving our purpose.

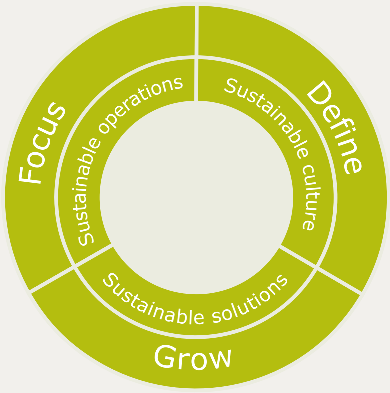
- Do the right thing
- Make it happen
- Never stop growing

Read about the **development of our values** on page 7.

3

Our new strategy is guided by our purpose and aims to create long-term value for all our stakeholders

Our strategy is to **focus** our activities, **define** a cohesive 'One Tyman' culture, and **grow** in existing and adjacent markets, underpinned by our sustainability roadmap.



Our strategy will deliver a set of strategic outcomes against which we measure success and link our performance with purpose.

Read about our **strategy** on pages 20 to 30.

4

Our stakeholders each play an important role in the delivery of our strategy

Actively engaging with our stakeholders is vital to the Group's success and the interests of all stakeholders are considered in key decisions.

Employees	Customers
End-users	Partners
Investors	Society

Read about **stakeholder engagement** on pages 64 to 66.

5

The success of our strategy is measured through a set of financial and non-financial KPIs

- Like-for-like revenue growth
- Adjusted operating margin expansion
- Return on capital employed
- Adjusted basic EPS
- Return on acquisition investment
- Operating cash conversion
- Lost time incident frequency rate
- Greenhouse gas emissions

Read about our **KPIs** on pages 31 to 33.

Establishing ‘One Tyman’

Central to our Define strategic pillar is building cultural cohesion across the Group. The foundation of this is establishing a shared purpose and common set of values that bind together our diverse team. This will facilitate cross-divisional collaboration, and the development and propagation of best practice, while still retaining our agile, entrepreneurial operating model.

We started the new decade with a campaign involving all employees called 'Your Voice Matters'. Over the course of the year, the views of all employees were solicited through a combination of surveys, focus groups and workshops to understand their views on culture, their personal values, what they thought the Group’s values should be, and what contribution the Group and its products should make to society. This included understanding how our people’s values had shifted due to the COVID-19 pandemic. In addition to two all-employee surveys, nine focus groups were run in the divisions and workshops were held as part of the Global Leadership Conference, with over 250 employees involved. A cross-divisional team then worked to distil the output of these surveys and focus groups into a set of themes and common words. These were then formalised into an authentic purpose and set of values. We brought this purpose and values together into an engaging Code of Business Ethics that provides the ethical framework for how to apply our values in day-to-day decisions.

To reinforce the shared identity, Tyman is being established as the employee brand, with the divisions being renamed Tyman North America, Tyman UK & Ireland and Tyman International. We will continue to use our well-recognised portfolio of brands in our customer-facing activities.

The newly defined purpose, values, and Code of Business Ethics were launched at a group-wide leadership conference in January 2021 and are now being deployed using a combination of video messages, site-hosted meetings supported by local champions, and events for employees to tell their stories about what our new purpose and values mean to them. Work will continue through 2021 to fully embed the new culture.

Read more about **our strategy** on pages 20 to 30 and **our sustainable culture** on page 25.

“The word ‘expert’ makes me feel proud - it’s our expertise that really differentiates us.”

Tyman employee

“The word 'touch' specifically resonated with me. Touch is a very personal verb that can be related to almost everything we do.”

Tyman employee

Our purpose

Our purpose is at the core of everything we do, unifying us in a common cause and growth strategy. It is the essence of us at our best and inspires Tyman people to make a positive contribution every day.

Millions are kept safe and comfortable at home and at work around the world because of our expertise. We know that to be experts, we must have deep understanding of our customers and their needs, an uncompromising commitment to both safety and quality, and a restless ambition to innovate. We never forget that experts are people: growing and energising our talent is at the heart of what makes us different.

With our expertise, we have the power to transform what we touch. We commit to transform living and working spaces, to transform people and careers, to transform the value of our businesses, and to transform our impact on communities and society.

Our purpose is to transform the security, comfort and sustainability of living and working spaces through our expert touch.

Tyman. The expert touch that transforms.

Read more about **our products** on pages 10 to 11 and **our business model** on pages 14 to 15.

Our values

Our values frame how we work with each other and with our partners. These values address integrity, accountability/ownership and ambition, and will shape the culture of Tyman. They are the foundation of our success and essential to achieving our purpose. Our new Code of Business Ethics, 'Integrity in action' embodies these values, laying out the expected standards of behaviour that all our employees must adhere to.

Read more about **our Code of Business Ethics** on page 77.

The Tyman Touch

Never stop growing

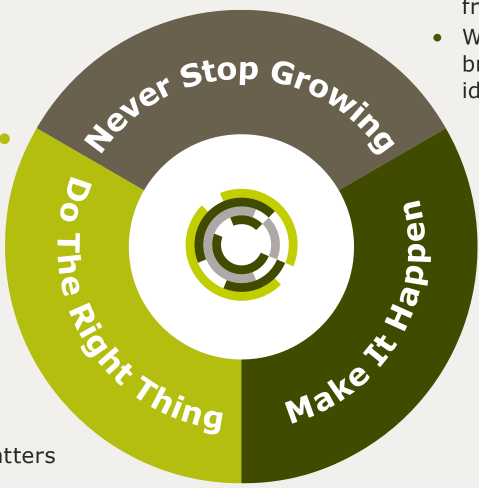
There is no limit to what we can achieve

- We take every opportunity to learn and develop, professionally and personally
- Every day we make the continuous improvements which people deserve from us
- We believe in the power of creativity to break through with new thinking, new ideas, new solutions

Do the right thing

Integrity is the cornerstone of our business

- We demand transparency, and we always do what it takes to build or repair trust
- We value, respect and look out for each other, and we are strongest when we are most diverse
- We speak up and take care to listen, because every voice matters



Make it happen

We are action people

- We behave like owners, always ready to hold ourselves and others to account
- Inclusive teamwork creates our best results
- We take pride in bringing positive energy to our work, and our performance is fed by our passion

"We can be proud of our success at Tyman, but how we achieve that success matters, both for today and to secure our future for the generations to come. Living the value of do the right thing is an essential part of how we conduct our business every day, to allow us to consistently make it happen and never stop growing."

Jo Hallas
Chief Executive Officer

Timeline

October 2019
Development of Group strategy, including imperative for 'One Tyman'

January 2020
Launch of 'One Tyman' work through employee 'Your Voice Matters' campaign

February 2020
Initial employee values survey conducted

May 2020
Post COVID-19 values survey update conducted

June 2020
Focus groups and workshops held, as well as group-wide leadership conference

H1 2021
Deployment of purpose, values, Code of Business Ethics, and employee brand

Ongoing
Embedding of new culture

Our divisions

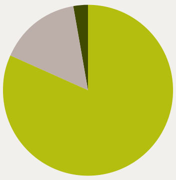
Tyman is a leading international supplier of engineered fenestration components and access solutions to the construction industry.

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 4,130 people, with facilities in 17 countries worldwide.

North America

AmesburyTruth is Tyman's division operating in North America

Routes to market



- Manufacturers of Doors and Windows **80%**
- Distributors and Wholesalers **17%**
- Other **3%**

Residential 85%

Commercial 15%

Manufacturing sites 10

Distribution site 1

Brands

AmesburyTruth, Bilco, Ashland Hardware Systems, GIESSE

Employees
2,930

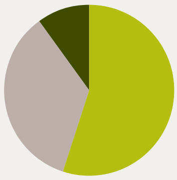
Revenue
£372.1m
(2019: £386.0m)

Adjusted operating profit
£64.5m
(2019: £64.5m)

UK & Ireland

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

Routes to market



- Manufacturers of Doors and Windows **55%**
- Distributors and Wholesalers **35%**
- Other **10%**

Residential 63%

Commercial 37%

Manufacturing sites 3

Distribution sites 2

Brands

ERA, ZOO Architectural Hardware, Fab&Fix, Access 360, GIESSE, Schlegel

Employees
410

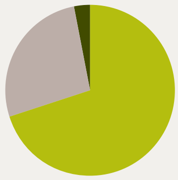
Revenue
£92.2m
(2019: £107.2m)

Adjusted operating profit
£8.8m
(2019: £13.8m)

International

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

Routes to market



- Manufacturers of Doors and Windows **70%**
- Distributors and Wholesalers **27%**
- Other **3%**

Residential 77%

Commercial 23%

Manufacturing sites 6

Distribution sites 9

Brands

Schlegel, Bilco, Reguitti, Access 360, GIESSE, ZOO Architectural Hardware, AmesburyTruth

Employees
770

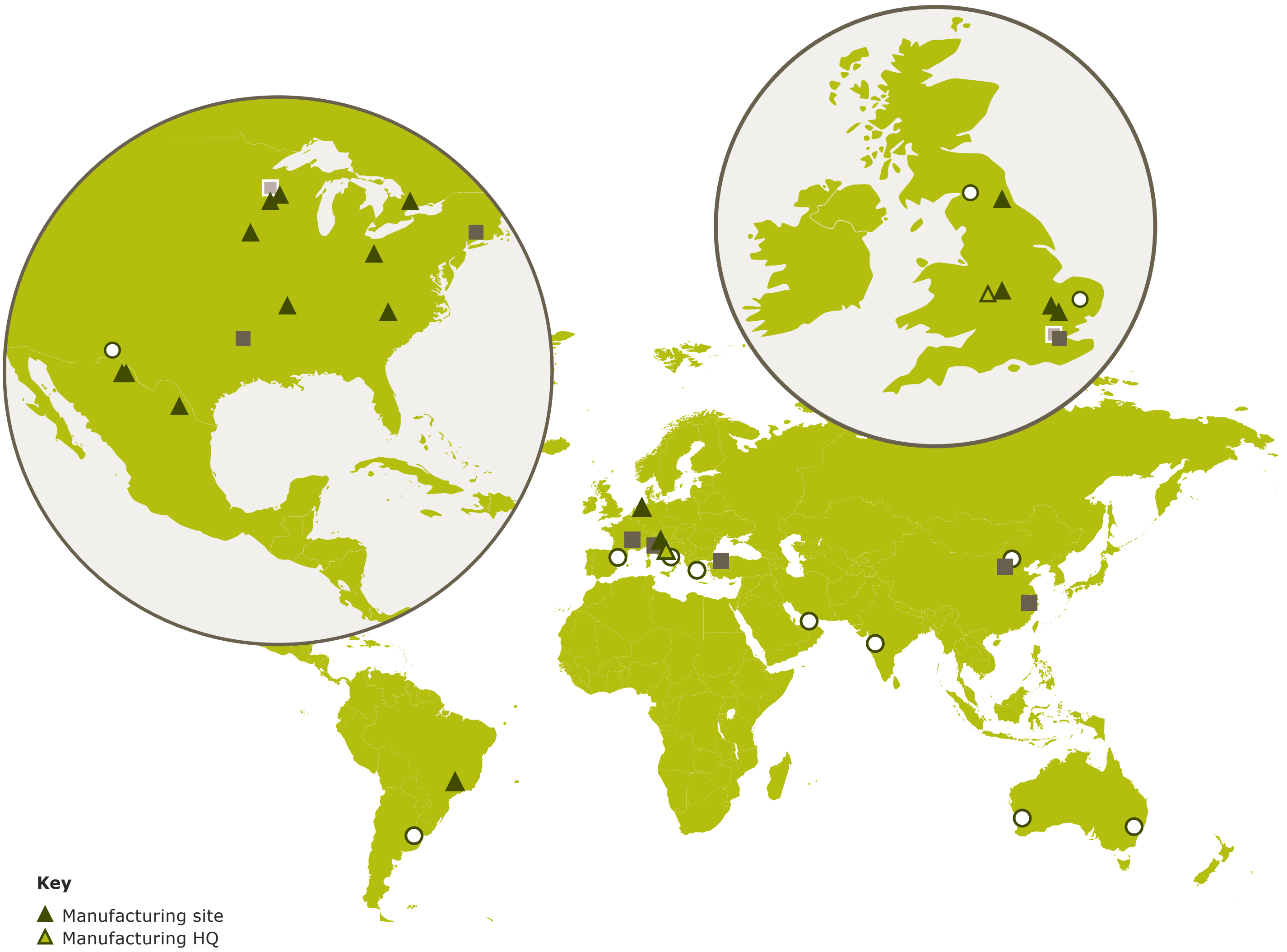
Revenue
£108.5m
(2019: £120.5m)

Adjusted operating profit
£12.3m
(2019: £14.8m)

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 12.

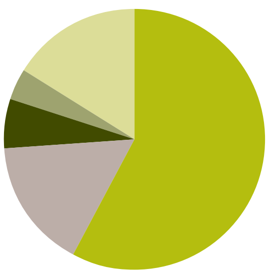
Our geographical reach



Key

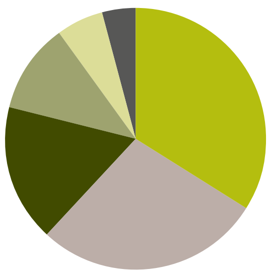
- ▲ Manufacturing site
- △ Manufacturing HQ
- ○ Warehouse site
- ■ Office
- ■ Office HQ

Where Tyman's products are sold



- US **58%**
- UK **16%**
- Canada **6%**
- Italy **4%**
- Other **16%**

Where Tyman's products are manufactured



- US **34%**
- Far East (inc China) **28%**
- Mexico **17%**
- Italy **11%**
- UK **6%**
- Other **4%**

Our products

The Group offers a broad range of differentiated, highly-engineered products supported by value-added services and holds over 480 active patents with a further 142 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.

Comfort
- Ventilation
- Weather resistance
- Sound insulation
- Ease of use

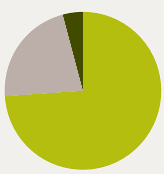
Sustainability
- Energy efficiency of buildings
- Longevity of buildings

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

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

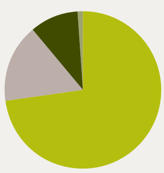
Aesthetics
- Look
- Feel
- Suiting

Who Tyman sells to



- Manufacturers of doors and windows **74%**
- Distributors and wholesalers **22%**
- Other industrial uses **4%**

What Tyman sells



- Window and door hardware **73%**
- Seals and extrusions **16%**
- Commercial access solutions **10%**
- Other **1%**

Value to the customer

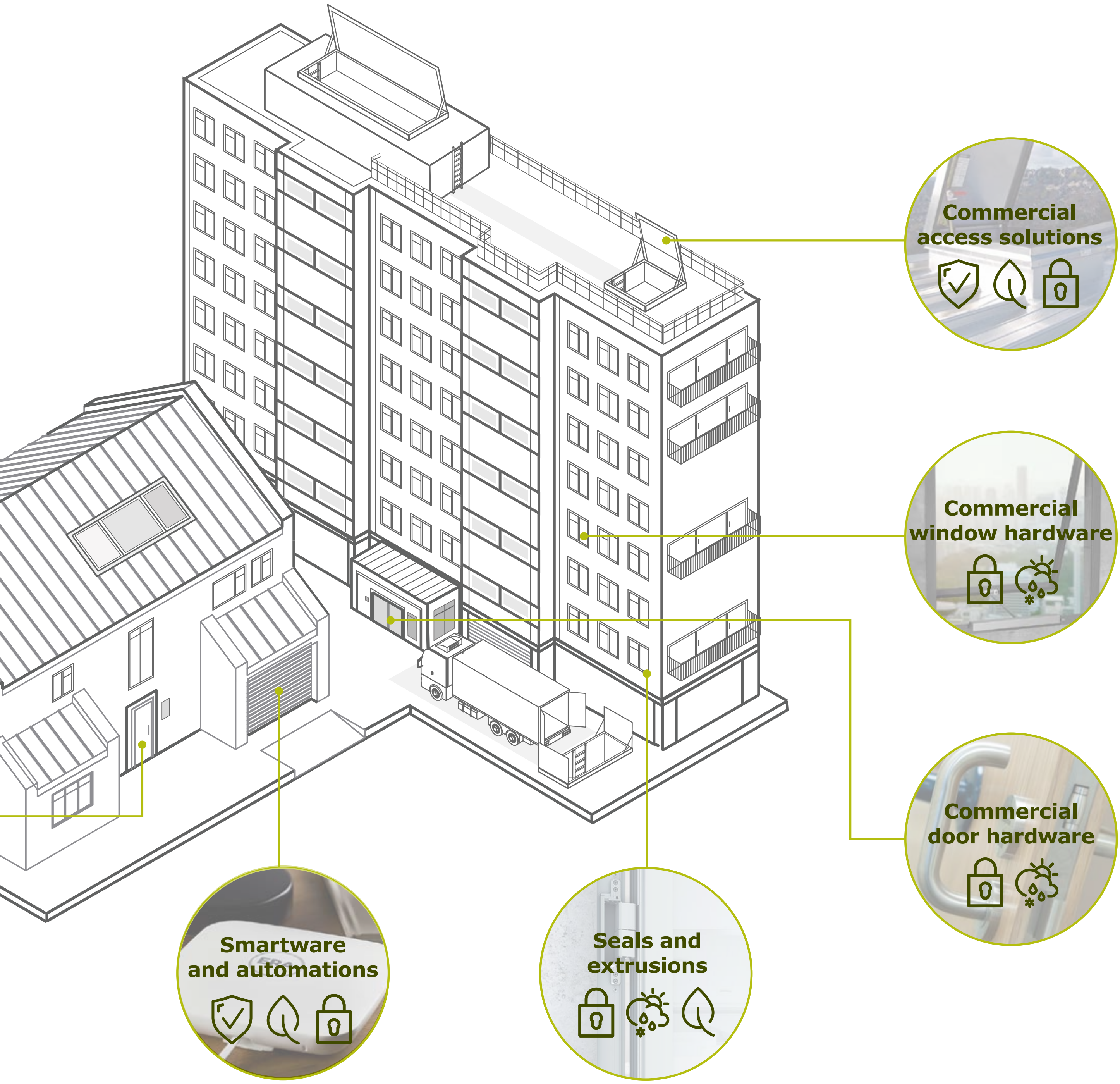
Window and door hardware

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.



Commercial access solutions

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

Value to the customer
Comfort through ventilation, weather resistance and sound insulation; safety and security through suite of lock and barrier products; sustainability through durability of product solutions.

Seals and extrusions

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

Value to the customer
Comfort through weather resistance and sound insulation; sustainability through durability of materials; energy saving; aesthetics through concealed seal designs.

Other

Products
Other products and services such as 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.

Read more about **our value creation** in the **Business model** on pages 14 to 15.

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.

Access360

Commercial access solutions for the roof, wall and floor. Access360 was formed in 2018 from the Howe Green, Profab and Bilco UK brands

Established
Bilco (1926)
Howe Green (1983)
Profab (2001)

UK I

AmesburyTruth

Window and door hardware and seals. The Amesbury and Truth brands were harmonised in 2014

Established
Truth (1914)
Amesbury (1978)

NA I

Ashland Hardware Systems

Window and door hardware

Established
1932

NA

Bilco

Smoke vents, roof access hatches and pavement doors

Established
1926

NA I

ERA

Security hardware including electronic security systems and services

Established
1838

UK

Fab&Fix

Decorative hardware

Established
1989

UK

Giesse

Hardware for aluminium windows and doors

Established
1965

NA UK I

Reguitti

Decorative door hardware

Established
1975

I

Schlegel

Window and door seals and extrusions

Established
1885

UK I

Zoo Architectural Hardware

Door hardware for architectural ironmongers

Established
2011

UK

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

Cross-divisional collaboration on Riyadh metro

In Riyadh, the population is expected to grow by 40% over the next 10 years. With the aim of relieving traffic congestion, in 2014, the city announced an ambitious US$22.5 billion infrastructure project, consisting of six metro lines spanning 176 kilometres and a total of 85 stations, with the first lines expected to open in 2021 and for full operational capacity to be achieved in early 2022.

Working with BACS, a consortium of main contractors including Bechtel, Almabani and Siemens with responsibility for three of the six lines, Tyman supported the project from initial specification, through detailed design and to commissioning, at each stage working directly with the contracting team on site.

The main supply was 73 Bilco access doors from the US that provided the safe emergency egress from underground metro platforms. Bilco's spring-loaded piston doors were considered a superior solution for the project given their enhanced durability and lower maintenance requirements. Design approval by BACS and compliance with the strict specifications of the Riyadh General Directorate of Civil Defence required significant input from the Bilco technical team in the US and extensive third party testing in the UK, all of which was co-ordinated for the customer by the local SchlegelGiesse team in the Middle East.

Based on the success of this partnership, BACS decided to collaborate further with Tyman and selected Howe Green access covers and Profab fire-rated riser doors from the UK for other elements of the project.

Overall, the ability to bring together market-leading solutions from across Tyman's global portfolio, while underpinning these with expert technical support and local project management, led to over US$1million of Tyman's commercial access products being supplied to the project.

Read more on page 27.

"We receive excellent support from the Tyman organisation. They have spared no effort to extend assistance and solve any bottleneck at the earliest opportunity, and this is highly appreciated."

Alaa Kabbara
Procurement Manager,
BACS Consortium

How we create value

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

Key resources and 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 and committed workforce
We have a highly-skilled, dedicated workforce of c.4,130 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.

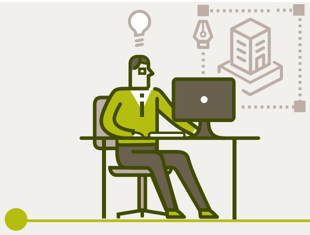
Strategic supplier partnerships
We carefully supplement our internal capabilities with select specialisms through external collaborations, allowing us to deliver the best in innovation, quality and service to our customers in the most efficient way.

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.

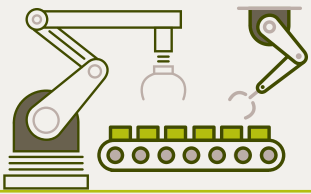
In addition, we collaborate with customers on the development of new window and door designs, leveraging our deep product and application expertise to create bespoke hardware and sealing solutions that create true value for end-users. For window and door system designers, we offer our hardware system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



Make/source
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 on-site 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

Value created

… that together create value for our stakeholders.

Customers
We deliver highly-engineered components that allow window and door manufacturers to differentiate in their marketplace with value-enhanced windows, doors and other forms of access solution. In addition, Tyman delivers industry-leading services to these customers ranging from design support to integrated supply of components into window fabrication processes. Our products are also designed to ensure ease of installation for contractors, and our short lead times and technical support allow our distributors to serve their customers in the best way.

End-users
Relative to their cost point, our products and solutions have a disproportionate impact on the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings.

Read more about **our products** on pages 10 to 11.

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
Our products support making buildings more sustainable by enabling weather-resistance, sound insulation, heat loss reduction and overall durability. Many products have a positive societal impact, through reducing community crime rates, enhancing safety and fire protection and meeting the needs of vulnerable groups. As a Group, we are also committed to minimising our impact on our environment through more deeply embedding sustainable practices in all our operations.

Read more about **sustainability** on pages 68 to 79.

Market trends

The Group continuously assesses changes to our market drivers and responds through product innovation and evolution of the business model.

Despite the global disruption arising from COVID-19, long-term macroeconomic and megatrends continue to support our market drivers. There are a number of trends that have emerged or been accelerated as a result of the pandemic which present significant further opportunities for Tyman. The Group is well-positioned to capitalise on these and deliver 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 the sustainability agenda driving focus on resource efficiency including the 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

The impact of COVID-19 on our markets

Trend	Impact / our response
A 'nesting' trend is being seen, with more time spent at home leading to a desire for improvement activities, and increased working and learning from home necessitating flexible living spaces	Investment in the home is being prioritised over other expenditure, driving further growth in repair and remodelling activity
Consumers have increased savings levels due to lockdown measures reducing spend on travel and entertainment	This is allowing home-owners to afford big ticket items including door and window upgrades or other remodelling work that involves new doors and windows. Furthermore, consumers are more willing to invest in premium quality, differentiated products. The Group's product portfolio means we are well positioned to benefit from this
In contrast to rapid urbanisation, an 'urban flight' trend is being noted as people leave cities to seek more space	Growth in new build and repair and remodelling activity, particularly favouring single-family construction, to which the Group is most exposed
The 'build back better' agenda means housing and infrastructure is likely to be a priority for fiscal stimulus	Increased new build residential and commercial construction activity, including affordable housing. Value-engineered offerings being developed to suit the affordable housing market
The adoption of e-commerce and digitalisation has been accelerated significantly as schools, workplaces and shopping all move online	Development of e-commerce channels to market and expansion of the smartware range to benefit from accelerated adoption of digital technology
Consumers have increased awareness of surface hygiene	The Group has a range of touch-free and anti-germ products which address this increased awareness
Momentum behind the sustainability agenda has accelerated	Sustainability is a core part of the Group's strategy and a key focus in product development activities: 17% of our revenues are derived from products that deliver in-use positive environmental and social benefits
Pressure on logistics and freight costs, as well as raw material availability and cost have arisen due to the level of disruption to global shipping and spike in demand for goods	Ordering patterns, lead times and customer communications are being managed closely, with pricing actions implemented where necessary to recover cost inflation. Mid-term, supply chains will be analysed to optimise onshore / offshore model

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
Growth in the construction of single-family homes and repair and remodelling activity	Capitalising on our strength in this market through continued development of differentiated products
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 as well as a range of fire-certified products
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

Transforming Hotel Palacio Colomera

Built in 1928 by architect Félix Hernández, the Palace of the Counts of Colomera has been one of the most renowned private buildings in Córdoba, Spain for nearly a century. Placed in Plaza de las Tendillas, this imposing four-story building surmounted by two Borrominesque-inspired towers was bought in 2016 by H10 to be converted into a luxury 4-star hotel.

The renovation was led by architect D. Francisco Paniagua, with Ventanas HC tasked to supply over 90 windows for the entire building. The goal was to preserve the spirit of the palace, while also providing state-of-the-art performance and energy efficiency.

With the focus on thermal and acoustic insulation, as well as the minimal aesthetics required to let the historical character of the hotel shine through, the Giesse concealed hardware range was selected. This included the CHIC high-performance concealed hinge system for tilt-and-turn aluminium windows up to 150kg in weight where the hinges completely disappear into the frame. When paired with the revolutionary NP Ultra handle, the result is a truly minimal look. A quietly impactful piece of modern design in a historic environment.

“Partnering with Giesse gives us that added value with a wide variety of quality solutions and differentiating design. In a highly competitive market, Giesse's innovative products, which focus on design as well as durability and performance, complement our systems and give us a significant competitive advantage.”

Iván Heredia
General Manager of VENTANS HC

Significant value creation opportunity

In the second half of 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.

This review recognised that, while Tyman had a solid platform built through quality acquisitions over the previous decade, underlying organic growth had been more lacklustre. This was in part due to the heavy acquisition agenda leaving management with limited bandwidth to optimise the growing portfolio and organically grow share including through innovation.

Furthermore, reflective of its origins, Tyman had to date operated as a holding company structure with minimal synergy extraction from across its portfolio. It was apparent that a more cohesive culture would be important for the next stage of Tyman's evolution, while still preserving its entrepreneurial spirit and decision agility. Such cohesion would better enable the Group to unlock its inherent synergies through facilitating greater collaboration, including the sharing of best practices, and the cross-leveraging of brands, products and technologies.

Pleasingly, the Group has a compelling customer value proposition enabled by its market-leading brands, value-adding products and services, deep customer relationships, domain expertise and global scale. This is further enhanced by favourable megatrends including population growth, demand for more energy efficient buildings, technology evolution and increasing end-user savvy. This positions the Group well for growth.

Accordingly, the strategy put in place is largely evolutionary, building on the Group's inherent capabilities. The three pillars of Focus, Define and Grow will drive margin expansion and strengthen the base to enable long-term growth and meaningful value creation for our stakeholders.

Embedding sustainability in our strategy

Over the course of 2020, the Group undertook work to establish a sustainability roadmap, setting out our ambitions and action plans for the next decade. The three pillars of Sustainable Operations, Sustainable Culture and Sustainable Solutions align with and reinforce our Focus-Define-Grow strategy.

Transforming the Group's safety performance, reducing our carbon footprint, water use and waste through Sustainable Operations will ultimately reduce our costs, improve resilience and help drive margin expansion.

Building a Sustainable Culture across the Group through our purpose, values and Code of Business Ethics will enable our diverse talent to contribute their best and help create long-term value for the business, local communities and wider society.

Our products already positively contribute to communities and the planet. Providing more Sustainable Solutions that positively contribute to a sustainable future will be one of our targets as we seek to grow.

As we learn and develop our capabilities during our sustainability journey, we will review and update the roadmap to increase our contribution to a more sustainable world.

Impact of COVID-19 on our strategy

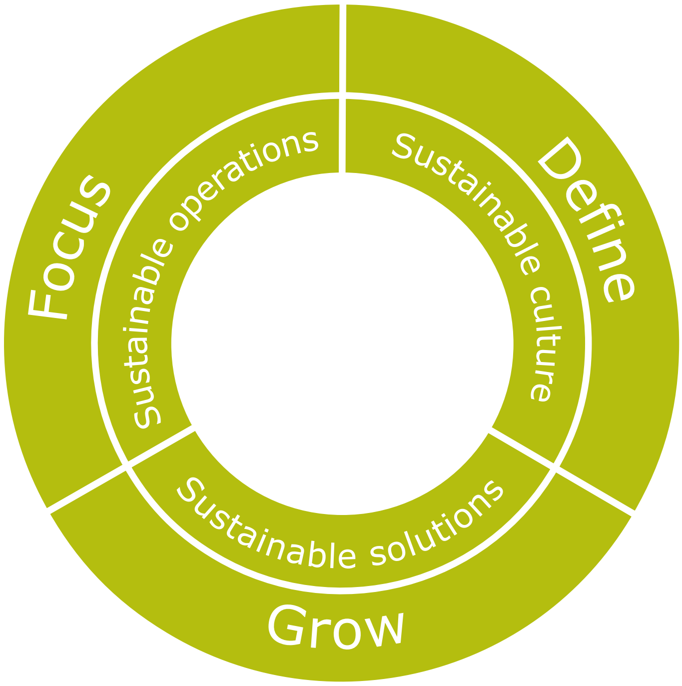
During 2020, good progress has been made on the strategic priorities in spite of the pandemic. The Group believes the strategy continues to be the right one in the context of COVID-19 and that there are opportunities to accelerate aspects of the strategy as we emerge from the crisis.

Developing our sustainability roadmap

The Group completed a thorough review of the sustainability landscape during the year, including benchmarking the sustainability practices of over 50 customer, competitor and peer group companies. At the Group's Global Leadership Conference in June, 85 senior leaders used the Sustainability Accounting Standards Board (SASB) materiality map and Global Reporting Initiative's (GRI) sustainability reporting framework as a guide to identify the priority topics to be addressed in Tyman's sustainability roadmap.

Further insights were gained through 18 interviews with customers, peers and the investment community (rating agencies, analysts and institutional investors) to understand their perspectives and priorities. We then distilled the internal and external insights into a subset of material issues to be addressed in our sustainability roadmap and prioritised these using a materiality matrix.

Finally we undertook a detailed review of the UN Sustainable Development Goals (SDGs) and mapped our sustainability roadmap against its targets.



Strategic outcomes

Margin expansion
Expand operating margin through driving efficiency in operations

Sustainable growth
Consistently deliver profitable revenue growth

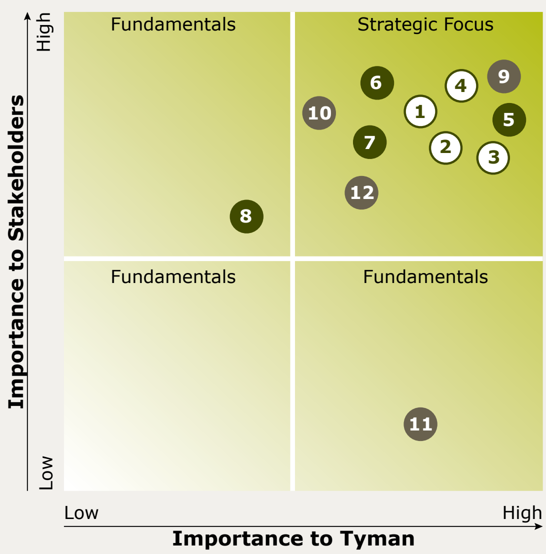
Engaged people
Provide a safe working environment and develop engaged, high-performing teams

Positive impact
Protect the natural world and build more inclusive communities

Long-term Value Creation

> “**Focus** our activities, **define** One Tyman, and **grow** in existing and adjacent markets.”

Materiality matrix



Materiality matrix key

Sustainable Solutions

1 Circular economy
2 Packaging and waste
3 Material sourcing
4 Product innovation

Sustainable Operations

5 Employee health, safety and wellbeing
6 Climate change and GHG emissions
7 Energy management
8 Water stewardship

Sustainable Culture

9 Ethical business practices
10 Diversity and inclusion
11 Local communities
12 Training and development

Focus

The Focus strategic pillar reflects actions to streamline and strengthen what we have, thereby laying the foundations for sustainable, profitable growth. These activities are fundamentally about simplifying the business and driving margin expansion.

Strategic outcomes	Progress in 2020	Priorities for 2021
Margin expansion Engaged people Positive impact	• Stabilised Statesville performance • Closed Fremont and Singapore facilities • Ceased manufacturing in Australia and China • Completed inter-site line transfers • Delivered expected synergies and returns from Ashland and Zoo • Divested Ventrolla business • Commenced North America product portfolio harmonisation • Launched safety leadership campaign • LTIFR improved by 22% • Defined environmental targets for future years • Commenced preparations to meet the requirements of the TCFD framework	• Complete next phase of product portfolio harmonisation in North America • Continue footprint streamlining and commence lean optimisation activity • Commence multi-year IT system upgrade programme • Complete deployment of safety leadership programme and continue roll out of Group safety standards • Commence work on defining a Science Based Target • Develop playbooks to reduce energy, water and waste

Rationalise

Streamline footprint

One of the Group's competitive advantages is its global scale. We continuously evaluate our manufacturing and distribution footprint to ensure this delivers maximum operational efficiency and economies of scale as well as having the right routes to market in each location to ensure we meet our customers' needs. This also ensures that capital investment and management bandwidth can be focused on the most compelling markets and growth opportunities. Significant work has been completed to establish 'centres of excellence' in North America and there remains opportunity to deliver additional margin expansion through further streamlining of the footprint. We also review the portfolio of businesses to ensure these remain core to the current strategy and direction of the Group.

Good progress was made in 2020 with the various initiatives to streamline operations, including closure of the Fremont and Singapore facilities, and ceasing of manufacturing in Australia and China. A number of inter-site line transfers in North America were also completed as the manufacturing 'centres of excellence' are further optimised. These were successfully executed, with no customer disruption. In addition, Ventrolla, the UK sash-window refurbishment business, which was loss-making for a number of years and considered non-core, was divested. Further opportunities to streamline the footprint and optimise distribution networks are being explored.

Harmonise product portfolio

The Group has a comprehensive range of products across a variety of brands that have come together through acquisition. There is opportunity to reduce complexity and strengthen the offering by harmonising this portfolio to eliminate overlap thereby allowing manufacturing and warehousing cost efficiencies, better focusing engineering activity on innovation, and enabling growth through clearer range positioning to our customers.

Good progress was made with the first phase of harmonising the portfolio across the Amesbury, Truth and Ashland brands, with work on sliding patio door hardware largely completed in 2020, with the next phase in progress and due for completion in 2021.

Optimise

Continuous improvement

There are opportunities to drive more value from what we have through embedding lean practices, six sigma process controls and value analysis/value engineering activities across the Group. As the group-wide Lean Excellence initiative is developed, every site will establish and execute an annual continuous improvement plan.

Having suffered significant operational and customer disruption following the North American footprint project, the Statesville facility continued to be a key focus during 2020. The strengthened operational and leadership resources and continuous improvement activities delivered the planned improvements, with the rate accelerating through the second half through continued Lean Excellence work. A number of other continuous improvement initiatives were executed in 2020 including kaizen events, value-engineering activities, and repatriation of multi-point lock manufacturing to the UK. These activities generated good cost-savings in the year, with further benefits to be realised in 2021.

Integrate recent M&A

Over the course of 2016 to 2018, the Group undertook a series of successful acquisitions. While the integration of these businesses has largely been undertaken to the extent planned, activities are still underway with the more recent acquisitions and there is more we can do across previous acquisitions to strengthen our platform and extract greater leverage.

Ashland and Zoo have both significantly exceeded the Group's 14% return on acquisition target after two years of ownership, with Ashland delivering its US$5.0 million annualised synergy target. Integration of Reguitti and Profab has progressed during the year, however these businesses remain below the return on acquisition target and further optimisation is required to deliver the expected benefits. This work will continue in 2021, with a number of projects underway to improve performance.

Tune systems and processes

Systems and processes are increasingly important in efficiently supporting business operations management and enabling high quality, agile decision support to capitalise on opportunities and better support our customers.

Investment has been made over the last two years in upgrading IT systems in the International division to move towards a single ERP platform, with another major site implementation completed in early 2020. In 2021, a programme of upgrades is underway across other locations.

Sustainable operations

Our ambition

To transform our health, safety and environmental performance through operational excellence.

Our targets

- Lost Time Incident Frequency Rate <1.0 by 2022
- Total Recordable Incident Rate <3.0 by 2026
- 40% reduction in water use m³/£m revenue by 2022 (2019 baseline)
- 50% reduction in Scope 1 and 2 emissions (TCO_2e/£m revenue) by 2026 (2019 baseline)
- Carbon neutral operations by 2030 (Scope 1 and 2 emissions)
- Zero waste to landfill by 2026

Our contribution to the Sustainable Development Goals

SDG	Target	Our planned contribution
8 DECENT WORK AND ECONOMIC GROWTH	**Target 8.8** Promote safe and secure working environments for all workers	Achieving world-class levels of safety performance and wellbeing programmes across the Group's global operations
6 CLEAN WATER AND SANITATION	**Target 6.4** By 2030, substantially increase water-use efficiency and address water scarcity	Achieving water efficiency targets and undertaking water stress mapping to identify priority areas for improvement in our operations
7 AFFORDABLE AND CLEAN ENERGY	**Target 7.2** By 2030, increase substantially the share of renewable energy in the global energy mix	Energy efficient operations, use of renewable electricity supplies and on-site renewables to reduce our emissions of greenhouse gases
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Target 12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Waste minimisation and zero waste to landfill in our operations

Safety

In 2020, we continued to build the foundations for a strong safety culture by deploying our 'Safety is our First Language' communications campaign, launched our flagship safety leadership programme and deployed health protection measures in response to the COVID-19 pandemic. This delivered an LTIFR improvement of 22%.

In 2021, we will seek to secure the gains we have already made in safety excellence by completing the roll out of our safety leadership programme and continuing to drive progress towards an LTIFR of <1.0 by 2022. We will also deploy up to four new global safety standards to drive a common approach and controls for the higher risk activities across the Group such as machinery safety, working at height and manual handling.

Environment

We have set an ambitious goal to become carbon neutral for our operational emissions (Scope 1 and 2) by the end of 2030. This will require a holistic approach to energy efficiency, the procurement of renewable electricity and battery electric vehicles, the deployment of renewable energy technologies and other innovations. To support this, we have signed up to the Science Based Targets Initiative, whereby we commit to publish a science-based target over the next two years that will align our carbon footprint improvement activities to the level of decarbonisation required to meet the goals of the Paris Climate Agreement.

During the year, a new more efficient water-cooling system for the manufacture of die-cast zinc components was commissioned in Owatonna, our most water-intensive plant.

In 2021, we will develop a best practice guide for waste, water and energy reduction to build capability and share learnings across the Group to support our environmental goals. We will also quantify the Group's full scope 3 carbon footprint to inform the development of a science-based target by 2022 and confirm the level of ambition for the Group's longer-term ambitions to 2030 and beyond.

See pages 68 to 76 for more detail on the Group's approach to safety excellence, managing its environmental impacts, preparations for the Task Force for Climate-related Financial Disclosures (TFCD) framework and the actions taken to safeguard employee health during the COVID-19 pandemic.

Define

The Define strategic pillar centres on building cultural cohesion across the Group to facilitate ongoing synergy extraction. There are three sub-pillars to this: establishing 'One Tyman', developing the 'Tyman Excellence System' and creating a sustainable culture.

Strategic outcomes	Progress in 2020	Priorities for 2021
Margin expansion Engaged people Positive impact	• Finalised development of shared purpose and values underpinned by a Code of Business Ethics • All-employee communications enhanced, with two culture surveys completed • Established Sustainability Excellence roadmap and commenced development of playbooks to develop capability across the Group • Established a Lean Excellence roadmap and began to build capability with expert recruitments	• Launch and embed the Group purpose, values and Code of Business Ethics • Implement ethics leadership training programme • Continue extending the Tyman Excellence System to Sustainability, Lean and IT • Develop metrics for employee engagement and retention • Initiate a group-wide Talent Excellence roadmap

Establish 'One Tyman'

'One Tyman' centres on building a cohesive, high-performing culture through definition of a common purpose, set of values, Code of Business Ethics and other culture building blocks. This will facilitate cross-divisional collaboration, and the development and propagation of best practice. The more visible connection of our brands to a common parent will also provide greater clarity for customers when presenting our range of brands.

During the year work was completed on defining our purpose, values, Code of Business Ethics and brand strategy, with deployment of this across the organisation now in progress. Details of this are included in the purpose and values section on pages 4 to 7.

Develop the 'Tyman Excellence System'

The Tyman Excellence System (TES) is being developed as a means of sharing best practice, thereby developing groupwide capability and focusing energy on the enhancement of existing best practices rather than duplication of effort. This will be achieved through a set of processes, playbooks and other toolkits to be curated centrally through cross-divisional working groups.

During 2020, the Safety Excellence beachhead was further developed and deployed through the safety leadership programme; a Sustainability Excellence plan was established; and high-level roadmaps for Lean Excellence and IT Excellence were defined. In 2021, these roadmaps will be further refined and the actions progressed. Once embedding of 'One Tyman' is well-underway, work will begin to develop the Talent Excellence roadmap.

Sustainable culture

Our ambition

To be recognised as an employer that people want to work for.

A sustainable culture is one that is built on foundations of inclusivity and integrity, engages our people, grows our talent through life-long learning, and creates value for our communities.

Our contribution to the Sustainable Development Goals

SDG	Target	Our planned contribution
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Target 16.5** Substantially reduce corruption and bribery in all its forms	Building a culture of strong ethical practices at all levels in the Group
10 REDUCED INEQUALITIES	**Target 10.2** By 2030, empower and promote the social, economic and political inclusion of all	Engaging our people and developing partnerships and plans to help address social inequalities in our local communities
4 QUALITY EDUCATION	**Target 4.7** By 2030, ensure all learners acquire the knowledge and skills needed to promote sustainable development	Growing our talent through life-long learning; harnessing the creativity of our people in delivering more sustainable outcomes

Building a sustainable culture

Our Safety Excellence programme, started in 2019, established the foundations for a strong safety culture across the Group, but also started the move towards a more cohesive and more empowered culture. In 2020, we built on these foundations with our 'Your Voice Matters' campaign, engaging our full organisation to develop the Group's purpose and values through all-employee surveys and focus groups. This was underpinned by the development of a strong and engaging Code of Business Ethics. These core culture building blocks create the basis for 'One Tyman'.

In 2021, we will train and empower our leadership population to engage their teams on our purpose, values and the Code of Business Ethics, embedding a common language and behaviour expectations across the Group. Activities will be supplemented by further training to ensure our organisation has a behavioural understanding of what is required to operate in line with the Code of Business Ethics at all times. We will also run a comprehensive global employee engagement survey to benchmark our current position and define plans for improvement. A baseline of people metrics will also be developed, including diversity and inclusion measures.

Beyond this, to build a sustainable culture, a Talent Excellence roadmap is required to both strengthen our diversity and inclusion activities, and develop our talent culture. We will also establish a programme to deliver social value and address inequalities in local communities. Ensuring our people are energised and enabled to perform at their very best every day will continue to be a core focus to ensure we are best positioned to deliver on our growth plans.

More detail can be found on pages 77 to 78, including diversity, our employee engagement processes, training and development priorities and our contribution to local communities.

Grow

The Grow strategic pillar in the near term is focused on delivering sustainable organic share gain, 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. In the mid-term, we will seek to supplement our organic activities with M&A to better balance our geographic mix and strengthen our portfolio. We continue to believe that Tyman is the natural consolidator in a fragmented market.

Strategic outcomes	Progress in 2020	Priorities for 2021
Margin expansion Sustainable growth Engaged people Positive impact	• Strengthened North American sales team; net wins of US$4m • Progress in developing e-commerce platform • Launched new connected home and other sustainability-enhancing products • Cross-divisional teams established to better leverage portfolio • 17% of 2020 revenues were derived from products that positively contribute to the SDGs. See page 79 • Achieved our first Cradle to Cradle product certification	• Continued new product introductions • Develop new and deeper system house partnerships • Grow e-commerce routes to market • Continue to develop strategies for packaging • Hazardous substances elimination in products and supply chains • Develop and execute strategies to grow our revenue with positive contribution products

Executing well in serving our customers

The Group seeks to deliver a superior customer experience, fostering long-term partnerships through excellent customer support, delivery performance, and other value-adding services. This includes close-coupling with customers on design and just-in-time sequenced components. E-commerce capabilities and short lead times are other elements of our differentiated service offering.

Despite COVID-19 headwinds, the strengthened North American sales team has made good progress in rebuilding customer trust following the footprint-related customer losses in H1 2019, achieving net customer wins of c.US$4 million annualised revenue in 2020. The flexibility of our manufacturing footprint in North America allowed us to capture share through the pandemic as we were able to rapidly adapt our operations to the situation. During the year, there has been a focus on enhanced sales and operational planning, with capabilities strengthened across all divisions.

Further work will be completed in 2021 to streamline systems and processes to better harmonise service across sites; provide more online content and training webinars to support buying decisions; and enhance our ecommerce capabilities. The Group will commence using a customer net promoter score (NPS) metric to assess progress.

Innovation for differentiated value

Innovation is our lifeblood for organic growth. Our objective is to develop a culture and discipline of innovation in both products and services which proactively address changing market dynamics, customer requirements, aesthetic trends, evolve with latest technologies, and enhance sustainability to create true differentiated value for customers and end-users.

COVID-19 inevitably caused some disruption to product development, launch, and marketing plans in 2020, but initial sales for recent launches have been encouraging. New products launched in the year included extensions to the ERA smartware range, which address the acceleration of home automation, several new commercial access products, including new types of smoke vents to address the increasingly strict building regulation and product certification standards, and a concealed hinge which enables a modern aesthetic and greater expanse of glass.

In 2021, there is a strong pipeline of new products due for launch and there will be continued focus on development of innovative products that provide differentiated value to our customers and end-users. This includes further smartware/automation, ranges of certified solutions, and products that address life stage transition and environmental challenges.

Channel expansion

The Group aims to deliver share gain through optimising routes to market, selling existing products through new channels, and expanding into adjacent markets. There are a variety of initiatives underway across the Group. The already growing adoption of digital has been accelerated significantly due to COVID-19, disrupting traditional distribution channels and presenting an opportunity to develop a superior offering to capture share as the market shifts. System houses are capturing an increasing share of the market in Europe and the GCC with closed eco-systems which are driving innovation in new ways. This eco-system approach creates an opportunity to partner closely with system houses, leveraging our all-in-one hardware and seals offer, providing strong recurring revenues.

In 2020, progress has been made with enhancing e-commerce capability, particularly in the UK & Ireland division. The digital marketing team has been strengthened and work is underway to create a best-in-class platform for customers to transact with. The other divisions are in the process of developing e-commerce strategies. Good traction is being gained with the system houses, with innovation days leading to partnership agreements through the strength of the Giesse pull-and-slide system.

Work on strengthening the e-commerce strategy and systems house partnerships will continue in 2021. There will also be a focus on optimising routes to market for the smartware range, including development of the accredited installer scheme, and strengthening positioning with online retailers and distributors.

Cross-portfolio leverage

There is significant value to be created through better leveraging of the Group's product portfolio, brands and technologies across our markets. Cross-divisional teams have been established to investigate a number of specific opportunities which have been identified to date and a full product and market map is being completed.

There have been a number of early wins demonstrating the value of cross-portfolio leverage. Collaboration by the global seals excellence team created a further US$4 million of door seals capacity, which will be used to both support current customers and win new business for high value, differentiated applications. New product development concepts are also being trialled. There are several examples of cross-selling success, including the Riyadh Metro project, which involved products supplied by all three divisions. Global expert communities have been established to drive forward other initiatives.

Work will continue in 2021 to investigate a range of potential opportunities for cross-portfolio leverage.

Collaboration delivers award-winning window system

Quaker Windows & Doors, a leading US manufacturer of residential and commercial windows and doors, approached AmesburyTruth to be a strategic development partner for a revolutionary new series of windows that would feature Quaker's patented OptiCore® technology. OptiCore's architecturally enhanced aluminium frame design delivers industry-leading structural, thermal and sound performance.

Quaker wanted to use AmesburyTruth's Contour™ commercial casement and awning window hardware system, due to its superior load carrying capacity and operating leverage for ease of operation. However, they also wanted to leverage Euro groove technology to enable the hardware to be quickly and accurately installed in the window with the flexibility to adjust in the factory or the field, while also providing the right structural performance.

AmesburyTruth introduced Giesse's Euro groove system to Quaker and then collaborated with Quaker to design and integrate this technology into their luxury CityLine and TimberLine window ranges. The resulting solution uses the AmesburyTruth Contour™ commercial casement hardware series, including modified awning operators and locks to fit to the Euro groove system, together with the Giesse CHIC concealed hinge system.

The ability to combine the strength of our AmesburyTruth and Giesse ranges to collaborate with Quaker created a unique, award winning window system that is changing the North American industry's perception of architectural aluminium windows. This project serves as an example of the power of collaboration between Tyman divisions in developing best-in-class engineered solutions.

"AmesburyTruth was the clear choice when our design team was looking for the right strategic partner, given their deep expertise, breadth of differentiated portfolio, and ability to leverage Giesse's Euro groove solutions. We collaboratively designed the right solution to complement the performance of our Opticore Technology resulting in the creation of our award-winning window systems."

Dave Harrell
Director of Product Development, Quaker Windows

Sustainable solutions

Our ambition

To offer more innovative products and services to help our customers reach net zero, promote circularity and create safer, more inclusive communities.

Our targets

- 100% sustainable product packaging by 2026
- Year-on-year increase in % revenues from products that positively contribute to the UN SDGs

Our contribution to the Sustainable Development Goals

SDG	Target	Our planned contribution
7 AFFORDABLE AND CLEAN ENERGY	**Target 7.3** By 2030, double the global rate of improvement in energy efficiency	Products that save energy by reducing thermal losses in buildings such as Q-Lon window seals and thermally insulated roof hatches (climate change mitigation)
13 CLIMATE ACTION	**Target 13.1** Strengthen resilience to adaptive capacity to climate-related natural disasters	Severe weather protection solutions such as high strength multi-point hinged patio door locks and roof hatches for hurricane vulnerable locations (climate change adaptation)
11 SUSTAINABLE CITIES AND COMMUNITIES	**Target 11.1** By 2030, ensure access for all to adequate, safe and affordable housing	Products that reduce community crime rates (alarms and high-security certified locks are proven in crime reduction studies), prevent injury and/or ill-health (fire protection products and fall prevention e.g. Pegasus and SafeGard™ child safety devices for windows, safety handrail systems for roof hatches, lockdown security products and anti-bacterial coatings for door handles), or promote inclusive living for disadvantaged/vulnerable groups such as extended lever hardware and hybrid balances used in nursing homes allowing easy opening by elderly or disabled users
8 DECENT WORK AND ECONOMIC GROWTH	**Target 8.4** Improve global resource efficiency in consumption and production to decouple economic growth from environmental degradation	Incorporating recycled content and responsibly sourced materials in our products throughout our supply chain and new product development processes. Driven by growth in sustainable building certification such as BREEAM, LEED and net zero strategies
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Target 12.2** By 2030, achieve the sustainable management and efficient use of natural resources **Target 12.4** Achieve the sound management of chemicals and all wastes throughout their lifecycle	Ensuring we use sustainable packaging and eliminate hazardous chemicals / substances in our supply chains and address the lifecycle environmental impacts of our products, through for example, Environmental Product Declarations (EPDs) and C2C product certifications

Sustainable products

In 2020, we completed an initial assessment of product sales that we consider are sustainable in terms of those that deliver positive environmental or social benefits in their use when mapped against the UN Sustainable Development Goals. We are also developing a deeper understanding of the lifecycle impacts of products and have successfully completed our first environmental product label through the C2C certification process for foam and brush pile seals. In 2021, the Group will extend its C2C work to other products.

Packaging

The Group has commenced work to develop more sustainable packaging solutions by moving to more sustainable materials (renewable or fully recyclable) and avoiding single-use plastic packaging where possible. Positive early results have been achieved with more sustainable alternatives being found for polystyrene and bubble-wrap. Research is also underway into plastic films made from sugarcane and 100% recycled plastic.

In 2021, we will improve our data capture systems to track revenues from product sales that positively impact the SDGs and develop a systematic approach to embed sustainability thinking into our new product development programmes. We will also review our product packaging and develop plans to transition to fully sustainable packaging by 2026. Finally, we will inventorise the chemicals and other hazardous substances in products and processes across our supply chains, prioritise those that should be eliminated, and establish plans to do this.

Schlegel achieves silver C2C certification for foam and brush pile seals

In response to the growing demand for building products with lower environmental impacts, the Group achieved its first Cradle to Cradle (C2C) Certification for our Schlegel seals products (foam and brush pile). Cradle to Cradle Certified™ is recognised as a preferred product certification by many leading brands, organisations and building sustainability certifications such as LEED, BREEAM and the WELL Building Standard.

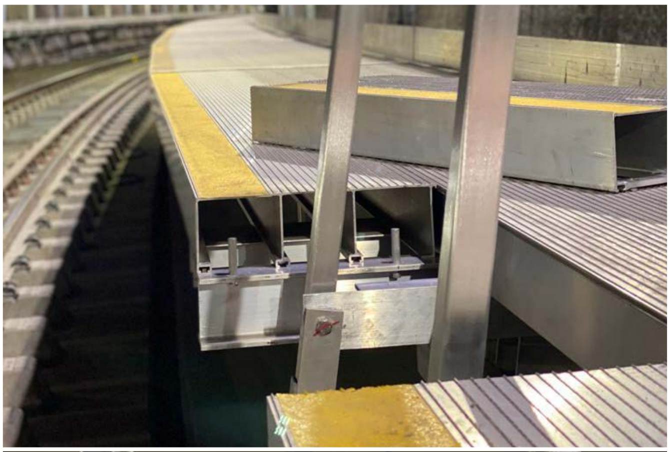
It uses a multi-attribute, continuous improvement methodology to evaluate products across five categories including material health, circular economy, renewable energy and carbon management, water stewardship and social fairness. Products are assigned an achievement level (Basic, Bronze, Silver, Gold, Platinum) for each category and continuous improvement is encouraged over time by awarding future certifications based on progress made. In early 2021, our range of Giesse aluminium hinges will be submitted for C2C assessment.

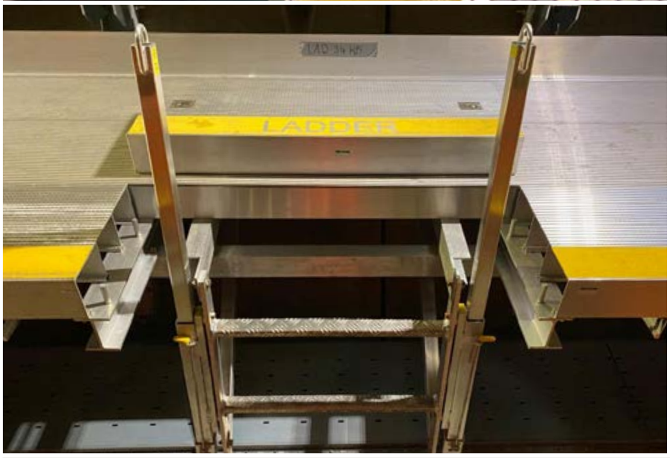
Further information on **sustainable products and packaging** can be found on page 79.

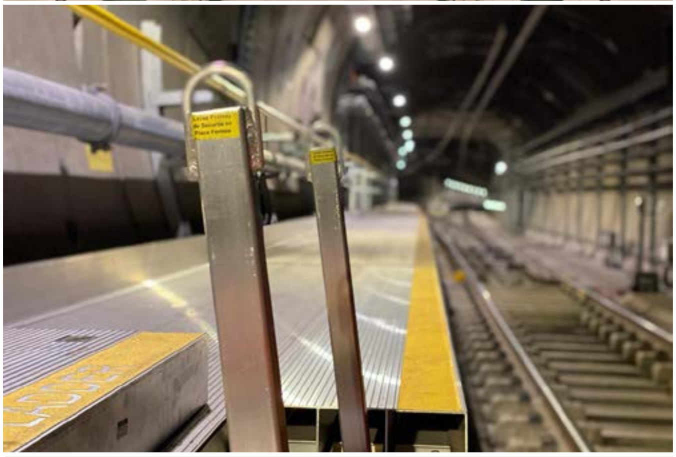
CERTIFIED cradletocradle SILVER

> "The work of the Cradle to Cradle Products Innovation Institute sets the global standard for products that are safe, circular and made responsibly."

Kristof Debrabandere
Coordinator Cradle to Cradle Platform







Enhancing Crossrail's safety

The new Elizabeth line is set to deliver a 10% increase in rail capacity across central London, providing a high frequency service that links 41 stations across 100 kilometres.

Over 350 of Bilco’s innovative aluminium Ladder Up® safety posts have been specified by Crossrail’s systemwide contractor Alstom TSO Costain Joint Venture (ATC Systemwide) to provide safe and secure access. Weighing just seven kilograms due to the milled aluminium construction, the resilient Ladder Up® safety posts will provide engineers with unobstructed access to the walkways when conducting essential maintenance throughout the tunnels.

The specification process focused on the requirement for durable yet functional access solutions that would consistently provide a safe and direct step through onto the walkway, without impacting on the surrounding electrical services. The high-quality Ladder Up® safety post includes unique features such as an innovative telescopic post, which is mounted permanently to provide safe access for the user. The corrosion resistant construction can also withstand the demanding environment of the London underground system, ensuring its successful operation for years to come.

“When we first began researching potential access solutions for the Crossrail project’s central section, it became clear quite quickly that the Bilco UK Ladder Up® Safety Post was the only product available on the UK market that would fulfill our extensive list of requirements.

The telescopic extension was one of the main benefits that secured its specification for this project, as it enables the Ladder Up® safety post to be both retracted and extended, a key function that wasn’t available with any other access solution.”

Clive Burfoot
Contract Manager at McNealy Brown

Measuring our performance

The Group continually monitors progress in delivery of our strategic goals using six financial and two non-financial key performance indicators ('KPIs').

The KPIs prior to 2019 exclude the impact of IFRS 16 'leases' which was adopted in 2019.

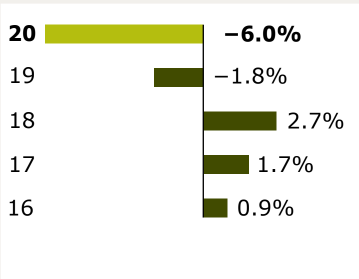
Certain KPIs use **Alternative Performance Measures (APMs)**. For **definitions and reconciliations**, see pages 183 to 188.

Link to strategy

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

1 Like-for-like (LFL) revenue growth

−6.0%



Strategic outcomes

Purpose
This KPI is used to evaluate the ability of the Group to grow its business organically and excludes the impact of currency translation and acquisitions and divestments.

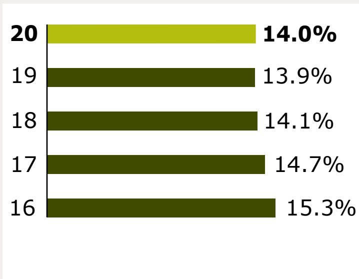
Target
To grow revenue organically year-on-year.

2020 performance
LFL revenue reduced by 6.0%, driven by the impact of COVID-19. This primarily impacted the first half of the year, with demand rebounding strongly in core markets through the second half once restrictions were eased.

For further information, see the **Financial review** on pages 46 to 53.

2 Adjusted operating margin expansion

14.0%



Strategic outcomes

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

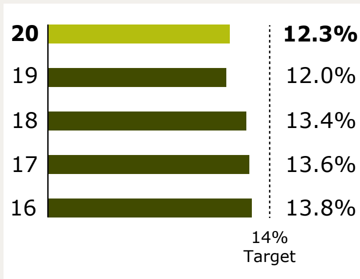
Target
To maintain and improve operating margins through management of the Group's processes as well as overheads and administrative costs.

2020 performance
Adjusted operating margin increased by 10bps to 14.0%, driven by temporary cost management actions taken to manage through COVID-19 and the benefit of continuous improvement activities, including footprint optimisation. These benefits were partially negated by additional costs and operational inefficiencies due to COVID-19.

For further information, see the **Financial review** on pages 46 to 53.

3 Return on capital employed

12.3%



Strategic outcomes

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

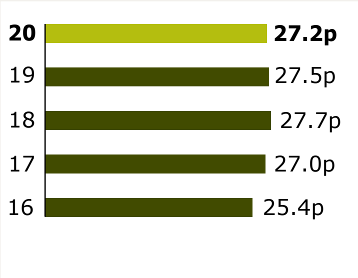
Target
To maintain and steadily improve ROCE, with a medium term target of 14.0%.

2020 performance
ROCE increased by 30bps to 12.3% (2019: 12.0%), reflecting the reduction in capital expenditure and a significant reduction in average working capital resulting from the lack of seasonal build due to COVID-19, as well as a reduction in the carrying value of intangible assets through amortisation.

For further information, see the **Financial review** on pages 46 to 53.

4 Adjusted basic EPS

27.2p



Strategic outcomes

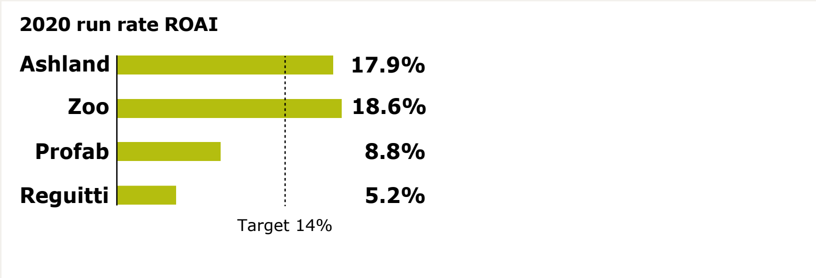
Purpose
This KPI is a key measure for our shareholders. It is used to assess the profitability of the business and the profit generated for equity holders.

Target
To improve adjusted EPS performance year-on-year.

2020 performance
Adjusted basic earnings per share decreased by 0.9% to 27.2 pence as a result of the fall in adjusted operating profit due to COVID-19, partially offset by reduced finance costs due to significantly lower average net debt.

For further information, see the **Financial review** on pages 46 to 53.

5 Return on acquisition investment



Strategic outcomes

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 an LTM run rate ROAI greater than 14% within two years of acquisition.

2020 performance
Ashland and Zoo Hardware have continued to perform well, with both exceeding the 14% minimum target return threshold after two years of ownership, in March 2020 and May 2020 respectively.

Profab reached two years of ownership in August 2020, achieving an LTM run rate ROAI of 9%, which is significantly below the target threshold. The business suffered from operational bottlenecks in the second half of 2019, impacting productivity and was significantly impacted in H1 2020 by COVID-19 lockdown measures. Productivity has improved markedly and sales rebounded well in the second half. Further improvement is expected through the Access 360 business optimisation initiative.

Reguitti reached two years of ownership in August 2020, achieving an LTM run rate ROAI of 5%, which is substantially below the target threshold. Performance was significantly impacted by COVID-19 due to its location in Northern Italy. The full functional integration has been completed and cross-selling activities have gained traction following integration of the sales force.

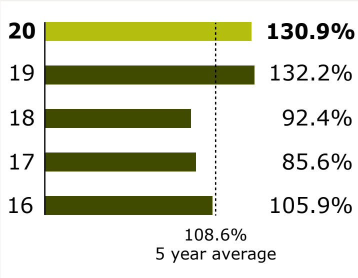
For further information, see the **Financial review** on pages 46 to 53.

Link to strategy

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

⑥ Operating cash conversion

130.9%



Strategic outcomes

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 twelve month period while continuing to make the necessary capital investments to support the growth of the business.

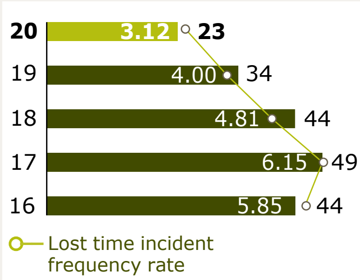
2020 performance

Operating cash conversion reduced slightly to 130.9%, principally due to a significant focus on working capital optimisation and management of capital expenditure in 2019. Operating cash conversion in 2020 has again been higher than the longer-term average due to the continued management of capital expenditure and costs during the year due to COVID-19.

For further information, see the **Financial review** on pages 46 to 53.

⑦ Lost time incidents

23



Strategic outcomes

Purpose

The number of lost time incidents and the lost time incident frequency rate are used to evaluate progress of our safety excellence programme and progression toward our LTIFR targets.

Target

To reduce the LTIFR rate each year to <1.0 by 2022.

2020 performance

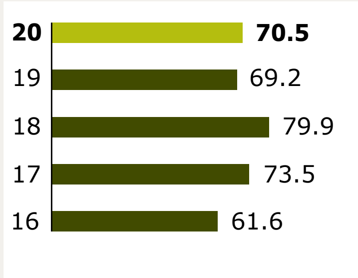
The Group is pleased to report continued progress made in safety excellence, with an improvement in the lost time incident frequency rate of 22% to 3.12. This measure includes 12 positive COVID-19 cases resulting from exposure at work. Excluding these COVID-19 cases, the number of LTIs was 11 and the LTIFR was 1.49.

For further information, see the **Sustainability report** on pages 68 to 79.

⑧ Greenhouse gas emissions

70.5

TCO_2e per £m revenue



Strategic outcomes

Purpose

Greenhouse gas emissions is a key indicator of the progress made in minimising the impact of our operations on the environment in line with the Sustainable Operations pillar in our roadmap.

Target

To reduce our carbon emissions and improve energy efficiency, with a 50% reduction in emissions achieved by 2026.

2020 performance

Our Scope 1 and 2 emissions in TCO_2e per £m revenue increased by 1.3% in 2020 to 70.52 (2019: 69.22), with reduced sales over the year impacting the Group's performance against this intensity measure.

For further information, see the **Sustainability report** on pages 68 to 79.

Nicky Hartery
Non-executive Chair

Ensuring the health and safety of our employees, families and communities

Introduction
2020 has been a year of unprecedented turmoil as the COVID-19 pandemic swept across the world. Having joined the Board in October 2020 and succeeded Martin Towers as Chair from 1 December 2020, I have been impressed by Tyman's response to the pandemic and the agility and commitment shown by the leadership team and employees. On behalf of the Board, I would like to extend my thanks to all our people for their hard work and determination through what has been an incredibly challenging year.

Performance overview
The Group's performance was resilient against significant disruption arising from COVID-19. After a solid start to the year, COVID-19 required closure of many of our facilities, and progressively impacted trading from mid-March onwards. Since lockdown measures were eased, trading has rebounded strongly, to deliver LFL revenue and LFL adjusted operating profit 6% lower than 2019. In spite of the disruption, the Group delivered strong cash conversion of 131% for 2020, resulting in leverage of 1.1x adjusted EBITDA, achieving the new target range ahead of expectations.

Dividends
In light of the uncertainty due to the pandemic, the Board adopted a prudent approach to shareholder distributions and withdrew the final 2019 dividend and did not declare an interim dividend for 2020. The Board has carefully considered the strength of performance since lockdown measures were eased, the robustness of the balance sheet, and the interests of all stakeholders. Having repaid funds received under the UK job retention scheme and employee salary reductions in December 2020, the Board considers it appropriate to declare a modest final dividend for 2020.

The Board is therefore proposing a total dividend for the 2020 financial year of 4 pence per share, reflecting confidence in the prospects of the business. The Board remains committed to a progressive dividend policy over the medium term. The dividend will be paid on 28 May 2021 to shareholders on the register at the close of business on 23 April 2021.

People and culture
The Board's first priority through COVID-19 has been ensuring the health and safety of our employees, their families and our communities. The Board met more frequently to oversee the Group's response to the crisis and was very cognisant of the need to balance the interests of all stakeholder groups in decisions taken. Further details of our response to the COVID-19 pandemic are included in the CEO statement on pages 36 to 38.

The Board worked closely with management and many of our people during the year to develop a clear articulation of the Group's purpose, along with a set of values which embody this. The views of employees were sought and considered by the Board through review of the results of employee surveys and skip-level meetings held by the Workforce Engagement NED, Pamela Bingham. Work will continue in 2021 to fully embed the new cohesive culture and become a more purpose-led business.

Sustainability
The Group is committed to increasing its contribution to a more sustainable world through its operations, culture, and solutions and this is a key area of focus for the Board. Good progress was made in 2020, with sustainability being embedded in the strategy and a roadmap and set of targets put in place. Work is also underway to achieve compliance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Further details are set out in our strategy on pages 20 to 30 and our Sustainability report on pages 68 to 79.

Strategy
The Board oversaw completion of the strategy review which commenced in 2019 after appointment of the new leadership team, with the new strategy of 'focus', 'define' and 'grow' being implemented. The strategy is grounded in the Group's purpose and seeks to create long-term value for all our stakeholders. Despite the impact of COVID-19, good progress was made with the strategic priorities, with many of the foundational activities to strengthen the base successfully executed and progress made with the growth initiatives. The strength of the balance sheet leaves the business well-placed to resume M&A activity when the time is right. Further details of our strategy are set out on pages 20 to 30.

Board changes
There were a number of changes to the Board during the course of 2020. I joined the Board as a Non-executive Director on 1 October 2020 and succeeded Martin Towers as Chair of the Board and Nominations Committee on 1 December 2020.

As announced in 2019, Mark Rollins stepped down from the Board on 31 March 2020 and was 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 Martin Towers and Mark Rollins for their significant contributions to Tyman and its development, and to welcome Paul Withers to the Group. Further details concerning the work of the Nominations Committee during the year are set out on pages 89 to 91.

Paul Withers and I have enjoyed participating in several virtual facility tours, receiving presentations from each of the divisional management teams, and getting to meet many of our people. We have also met with a range of institutional shareholders and advisors of the Group.

Governance

The Board is committed to good corporate governance and recognises the important role it plays in supporting our long-term success and sustainability. The Group's Governance report can be found on pages 82 to 88 and provides an overview of Tyman's governance framework, as well as the work of the Board and its Committees.

During the year, the Board spent considerable time overseeing and supporting management with the Group's response to COVID-19, as well as establishing the Group's purpose and values, and reviewing the evolution of the strategy. The Board continues to value effective relationships with all stakeholders and further extend its stakeholder engagement activities.

Summary

Since joining the Board, I have been impressed by the strength of Tyman's innovation capabilities and differentiated product and service offering. The way the Group has navigated through the crisis has highlighted the strength and resilience of the business model and robustness of the balance sheet. I believe there is significant value-creation potential through further organic share gain as markets recover and a return to M&A activity when the time is right.

Nicky Hartery
Non-executive Chair

4 March 2021

Jo Hallas
Chief Executive Officer

Balancing our stakeholders while building our resilience

2020 was a year of unprecedented challenges due to COVID-19. I would like to thank our people who have done an exceptional job of managing through the intensity of the COVID-19 crisis, with diligent focus on safeguarding our colleagues and communities and servicing our customers. I would also like to extend my gratitude to our customers, suppliers and shareholders, all of whom have given their support and understanding through this extraordinary period.

Performance in 2020

The Group's performance in 2020 was inevitably impacted by COVID-19. Revenue for the year was £572.8 million (2019: £613.7 million), a decrease of 7% on a reported basis, and 6% on a LFL basis. Reported revenue was impacted by the slight strengthening of sterling compared with 2019 and the divestment of the Ventrolla business in November 2020.

The Group had a solid start to the year before the impact of COVID-19 took effect, achieving LFL growth of 2% in Q1 in North America, where the housing market continued to be buoyant in line with the momentum experienced in Q4 2019. The UK reported LFL sales growth across January and February of 8% following the decisive election result in December 2019. The International division had a more challenging start to the year, with markets continuing to be weak coming into the year, and China and Italy impacted by COVID-19 earlier than other territories.

From mid-March until early May, trading was progressively impacted as increasingly stringent lockdowns took effect in our core markets. We responded accordingly, temporarily closing our facilities in Italy from the middle of March until the middle of April and in the UK from late March until early May. Our North American sites continued to operate throughout the period, apart from the two facilities in Juarez which were closed for most of May. However, we experienced a marked reduction in order intake through April and May. Most of the International division distribution and sales office sites were closed for various time periods in accordance with local guidelines.

From the resumption of operations in late April, trading rebounded strongly. This was driven in part by the pent-up demand created during lockdown, but underlying market dynamics were also very strong. Furthermore, in North America the normal peak season continued later into the year than usual, leading to exceptional growth of 20% in December for the Group. With the strength of recovery since initial lockdowns were eased, no government support was taken after 31 July, and in December the Group repaid the funds received under the UK government scheme of £2.3 million. The Group was also pleased to be able to repay the salary and benefit reductions taken by our employees below Board level. This included repaying government receipts and salary reductions in respect of the Ventrolla business which had been divested in November 2020.

LFL revenue vs 2019	Q1	Q2	Q3	Q4	FY 2020
North America	+2%	-24%	+1%	+11%	**-3%**
UK & Ireland	-1%	-54%	+3%	Flat	**-13%**
International	-17%	-27%	+9%	-1%	**-9%**
Group	**-2%**	**-29%**	**+3%**	**+7%**	**-6%**

In the US, the combination of low mortgage rates, the lack of inventory for both new and existing homes and the increasing rate of millennial household formation has driven strong momentum in both single-family starts and RMI activity through the year. On top of this, the pandemic has created additional momentum with the increased time at home and reduced expenditure on travel and entertainment leading to expenditure on the home being prioritised, further heightened by a so-called 'urban flight' trend as people seek to move out of cities into suburbs and more rural areas. Finally, fiscal stimulus is also supportive in many markets, for example the 'green' schemes and stamp duty holiday in the UK. We have taken steps to increase production levels and are engaging closely with customers and suppliers to manage demand, as the rapid recovery in demand has put pressure on inventory and service levels industry-wide.

Implementation of COVID-safe working practices, production continuity and ramp-up measures, and global shipping disruptions resulted in additional costs being incurred as demand increased rapidly. The impact of this and the sales shortfall was partially mitigated by the swift cost management actions taken, as well as the benefits of self-help initiatives. Consequently, LFL adjusted operating profit declined 6% to £80.3 million. Reported adjusted operating profit decreased 6%, with the slightly unfavourable impact of exchange rates offset by a benefit from the disposal of the loss-making Ventrolla business.

Adjusted operating margin increased from 13.9% to 14.0%, a pleasing result under the circumstances.

The close management of expenditure generated another year of strong operating cash conversion of 131% (2019: 132%). Combined with the savings from the cancellation of dividends, this resulted in a reduction in leverage to 1.1x adjusted EBITDA (2019: 1.7x), towards the bottom end of the target range announced in H2 2019.

Health and safety

The health and safety of our people is our top priority. We have continued to make good progress embedding this focus on safety within our culture through the 'safety is our first language' engagement programme. Pleasingly, the lost time incident frequency rate reduced by 22% to 3.1 incidents per million hours worked (2019: 4.0). This includes 12 positive COVID-19 cases resulting from transmission in the workplace. Excluding these COVID-19 cases, the lost time incident frequency rate was 1.5, a 63% reduction.

Strategic progress

Tyman's strategy of Focus, Define, Grow will strengthen the Group and further enhance our portfolio of world class brands and differentiated products to deliver meaningful value to our stakeholders. The Group's strategy is underpinned by our three sustainability pillars – Sustainable Operations, Sustainable Culture, and Sustainable Solutions. Embedding sustainability and developing our action plan was a key focus during the year, and the importance of this to the Group and our stakeholders has only been heightened by COVID-19. A set of targets has been defined to help us increase our contribution to sustainability and our disclosures have been expanded as we take steps towards implementing the recommendations of the Task Force on Climated-related Financial Disclosures (TCFD). Further work will be completed during 2021.

Although the primary focus during the year has inevitably been intensive management of the COVID-19 crisis and the recovery in demand, good progress has also been made with our strategic priorities. The Group believes the strategy continues to be the right one in the context of COVID-19 and that there are opportunities to accelerate aspects of the strategy as we emerge from the crisis.

The Focus strategic pillar aims to streamline and strengthen the base for future growth. Over 2020, this pillar has progressed as planned. The activities to optimise the Statesville facility have delivered the improvements targeted for the year, with the benefits accelerating through the second half. Elsewhere in the Group, the various initiatives to streamline operations, which included closure of facilities and several inter-site production line transfers, have been executed as planned with no customer disruption. The small Ventrolla business, which was non-core to our portfolio was divested in November 2020.

The Define strategic pillar centres on building cultural cohesion across the Group to facilitate ongoing synergy extraction. This has continued to gain momentum, with all employee participation in the development of a shared purpose and set of values. Work is underway to deploy and embed our new 'One Tyman' culture and this will continue through 2021. Development of the 'Tyman Excellence System' which seeks to develop and share best practice has also progressed well, with Safety Excellence now well-embedded and a groupwide Lean Excellence programme now defined. Working groups have been established to progress other areas, including IT Excellence.

The Grow strategic pillar will in the near-term have the most impact from the divisional organic initiatives underway, including market share gains as a result of superior customer execution, accelerating new product launches and expansion of our existing channels to market. Despite COVID-19 headwinds, we have continued to progress the various initiatives, with the strengthened North America sales team delivering net customer wins of c.US$4 million annualised revenue, and cross-divisional teams established to identify specific opportunities in order to better leverage the Group's portfolio. There were inevitably some delays to new product development and launches, but products launched in 2019 are continuing to gain traction and there is a strong 2021 pipeline.

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 balance out our geographic presence across our core markets.

We will present more about our mid-term plans at a Capital Markets Day, which we are planning to hold in May.

Changes to the Executive Committee

Helen Downer has been appointed to lead the UK & Ireland division from April 2021, replacing Darren Waters who is leaving to join Ibstock plc. Helen joined Tyman as the Commercial Director for the UK & Ireland division in 2019. She has over 20 years of experience in the building products industry across a range of functional and general management roles.

Outlook

The strength of the recovery has continued to exceed expectations, particularly in residential markets, supported by the positive market trends and low interest rates in core markets. This momentum has continued into early 2021, with order levels remaining robust. There is optimism that this will continue through at least the first half of the year. Beyond this, there remains uncertainty given the macro-economic impact of the crisis is currently masked by government support measures, and policy changes by the new US Administration are as yet unclear.

The recovery of commercial markets has lagged behind residential, with project planning activity being delayed through the crisis, reduced investment in retail and leisure infrastructure and multi-family housing starts falling, in favour of single-family. This slower recovery is expected to continue in 2021, although there may be benefit from further infrastructure stimulus.

Pressure on logistics and rising freight costs due to the level of disruption to global shipping caused by COVID-19 will create a headwind in 2021. The spike in demand for goods globally has also begun to impact raw material availability and costs. We are working closely with suppliers and customers to manage the impact. Pricing actions are being implemented where necessary to recover cost inflation.

Long-term, structural trends are favourable to the Group, with some new and accelerated trends emerging as a result of the pandemic. These include increased time spent at home, 'urban flight' driving more premium single-family housing activity, and accelerated adoption of e-commerce. The Group is well-placed to capitalise on these opportunities.

Summary

COVID-19 had a significant impact on the Group in 2020. I am incredibly proud of our people who have shown tremendous commitment in navigating the pandemic and responding dynamically to our customers' requirements. The strength of the market recovery through the second half of the year significantly exceeded our expectations.

The crisis has emphasised the strength of the Tyman business model, with the diversification across geographies and markets providing resilience, our innovation capabilities allowing us to quickly adapt to changing trends, and the cash generative nature of the business supporting our balance sheet. Despite the impact of COVID-19, good progress has been made on self-help measures and strategic initiatives, including successful execution of footprint realignments, divestment of Ventrolla, development of our sustainability roadmap and launch of the 'One Tyman' culture platform.

In 2021, the focus will be on navigating the challenges and opportunities as the COVID-19 crisis recedes, implementing further self-help measures, and driving market share gains through new product launches and excellent execution. The resilience of our business model and inherent strengths including market-leading brands, innovation capabilities and deep customer relationships continue to position Tyman well for future growth.

Jo Hallas
Chief Executive Officer

4 March 2021

COVID-19

Balancing our stakeholders

Our people

The Group's first priority has been ensuring the health and safety of our employees, their families and our communities. We acted quickly to implement enhanced hygiene and social distancing measures across the Group. Regular communications with all employees were established throughout the crisis, including reminding employees of mental wellbeing assistance available to them. In certain locations, the Group has provided or expanded company transportation to avoid employees being exposed to public transport and ensure social distancing. Further details of how we supported our people are included in the Sustainability report on pages 68 to 79.

Our customers

The Group has supported customers through the crisis, with enhanced communication to understand changes in demand and manage service levels, implementing paperless and non-contact delivery services, providing advice on implementing hygiene and social distancing measures, and agreeing payment plans to help customers trade through where needed. Our people worked with exceptional agility to minimise customer disruption during site closures in the early stages of the pandemic. In the absence of being able to visit customers, technology was used to maintain engagement, with webinars and virtual workshops being held.

Our suppliers

Close contact has been maintained with suppliers throughout to assist in managing demand, and although disruption to global shipping has caused some delays towards the end of the year, our supply chain has not been a constraint. Relaxations of payment terms were initially agreed with some suppliers; however, all suppliers have been paid in line with terms since July.

Our shareholders

As COVID-19 took hold, swift and decisive action was taken to optimise cashflow via cost savings, working capital reduction, tight management of capital expenditure, cancellation of the final 2019 dividend, and no interim 2020 dividend being declared.

As part of the leadership's response, the Board and senior management elected to take a temporary base salary reduction of 25% and 20% respectively from 1 April to 31 July. The 2020 management bonus scheme was also cancelled and many of our employees also took temporary salary and benefit reductions. All salaries were reinstated as of 1 August. The Board was pleased to be able to repay the salary and benefit reductions taken by our employees below Board level in December 2020. This included repayment to the employees of the Ventrolla business which had been divested in November 2020.

Society

The Group has supported the fight against COVID-19, with one of the UK seals plants resuming operations early to produce Q-Lon seals for the partitions used in emergency hospital builds around the world, including London and Istanbul. Donations of face masks were also made to local hospitals.

The Group initially made use of available government employee job retention schemes in its countries of operation to protect jobs. With the strength of recovery since initial lockdowns were eased, no government support was taken after 31 July and the Group was pleased to be able to repay the funds received under the UK government scheme of £2.3 million in December 2020. This included repaying the funds received in respect of the Ventrolla business which had been divested in November 2020.

Providing business continuity to the North American construction industry during COVID-19

Our Juarez, Mexico facility produces over 50% of the North American market requirement for block and tackle balances. In late April 2020, the Mexican government mandated a temporary shutdown due to COVID-19, also affecting our competitors. Window fabricators were at risk of having to halt production due to the significant reduction in supply of balances. Tyman was uniquely positioned with its scale and flexible manufacturing footprint to ensure continuity of supply.

We responded to the shutdown swiftly by leveraging our dedicated employees, COVID-19 safety protocols, and industry leading manufacturing footprint to mitigate significant disruption to the industry. Shortly after receiving a closure notification, an orderly transfer of inventory from Juarez to our Sioux Falls, South Dakota facility was completed and balance production at Sioux Falls was quickly ramped up. Capacity was increased by 65% through overtime, optimizing product mix, onboarding additional vendors, and using other Group facilities for secondary operations. We worked closely with customers to allocate supply and minimize supply chain disruption.

After a five-week shutdown period, production at Juarez was quickly brought back to pre-COVID-19 levels to meet the strong recovery in demand. Capacity was increased by onboarding additional spring suppliers, increasing truck movements across the border by 25%, and adding 35% additional assembly capacity. This resulted in a 54% increase in output by the end of August.

Our manufacturing agility, broader network capability, scale and speed in handling the COVID-19 pandemic enabled us to continue to serve existing customers, gain share, and enable continuity of the North American residential construction industry.

Tyman North America

£m except where stated	2020	2019	Change	LFL
Revenue	**372.1**	386.0	**-4%**	**-3%**
Adjusted operating profit	**64.5**	64.5	**Flat**	**+1%**
Adjusted operating profit margin	***17.3%***	*16.7%*	***+60bps***	

LFL revenue growth by quarter vs 2019

	Q1	Q2	Q3	Q4
LFL revenue growth	+2%	-24%	+1%	+11%

Markets

The US residential market had a solid start to the year, with growth until late March when COVID-19 began to impact demand. Since mid-May, the market has rebounded strongly. Total housing starts for the year grew 7%, with single-family starts, to which the division has proportionally higher exposure, increasing 12%. This has been driven in part by pent-up demand and the 'urban flight' and 'nesting' trends as people seek more space or to upgrade existing spaces due to increased time being spent at home. The US residential repair and renovation market also recovered well in the second half, driven by a combination of increased housing transactions and home values, supported by low interest rates, and a surge in DIY activity as homeowners prioritised investment in the home. The NAHB RMI average index for Q4 was significantly higher at 85 (2019:54).

Commercial construction markets have not seen the same level of recovery, with non-residential building starts down 24% compared to 2019.

The Canadian construction market began the year with challenges in western Canada due to a weaker energy sector and concerns on elevated house prices in Toronto and Vancouver. Q2 was subject to restrictions in some provinces, resulting in a weak first half, but once restrictions were eased, the market recovered well, supported by lower interest rates, government support during the pandemic and low inventory. Total housing starts increased 4% in the year.

Business performance and developments

The North America division had a strong start to the year, with LFL growth of 2% in the first quarter, despite the carry-over effect of the 2019 customer losses associated with the previous door seal product and footprint-related issues. In April, there was a marked reduction in demand due to COVID-19 and the facilities in Juarez, Mexico were closed for most of May, although the business was able to quickly adapt and move production to other facilities. The recovery that began in June accelerated through the second half and momentum continued with new business wins, resulting in LFL revenue growth for H2 2020 of 5% against H2 2019. This growth was achieved despite the rapid increase in demand putting pressure on stock availability and service levels throughout the whole industry. Production levels in certain facilities were also impacted by high-levels of COVID-related absenteeism due to employees self-isolating. Further, there was difficulty in recruiting due to tight manufacturing labour markets throughout H2. There was overall price deflation during the year due to a fall in tariffs and realignment of pricing with certain customers.

Full year LFL revenue for 2020 was just 3% behind 2019. The slight unfavourable impact of exchange rates resulted in reported revenue of £372.1 million, 4% below 2019.

The benefits generated from self-help initiatives, lower materials costs, as well as the swift action taken to manage production levels and costs in line with demand outweighed additional costs incurred as a result of COVID-19. LFL adjusted operating profit increased 1% and adjusted operating margin expanded 60bps to 17.3%. Cost management actions included savings in employee, marketing, travel, and bonus expenses. The additional costs incurred as a result of COVID-19 included implementing COVID-secure measures (e.g.enhanced sanitisation), as well as the cost of temporarily transferring production from Juarez to other facilities to ensure continuity of supply through the shutdown. In line with government requirements in Mexico, the division continued to pay salaries for all employees during the shutdown period. In addition, the rapid rebound in demand in the second half, effect of COVID-related absenteeism, and industry-wide shipping pressures resulted in higher levels of overtime and freight costs. The slight unfavourable impact of exchange rates resulted in reported adjusted operating profit of £64.5 million, flat against 2019.

Despite the disruption caused by COVID-19, the results from the activities to resolve the operational inefficiencies at the Statesville facility accelerated through the year. The strengthened leadership team, continuous improvement activities undertaken, and improved production scheduling methods generated improvements in yield and quality, in turn delivering gross margin expansion of 110 bps with upward trends across H2. Improvement activities are ongoing and further benefits will be realised in 2021.

Following the strengthening and realignment of the sales team, the momentum generated with new business wins in late 2019 continued in 2020, although the pace slowed in the second half as customers focused on serving their own market demand. The wins were achieved in part due to the strength of service provided through the crisis relative to peers. This enabled the division to capture share, generating net wins of c.US$4 million annualised revenue. In addition, capacity of urethane window seals was expanded through incremental production as well as partnering with the Tyman International division. This capacity is being used to support existing customers and win new business for high-value, differentiated applications, with incremental revenue of US$1 million generated in 2020.

Other self-help initiatives, including footprint realignments covering US$20 million of revenue, were successfully executed with minimal customer disruption. This included the closure of the Fremont, Nebraska facility, through which c.US$3million of low margin, non-fenestration business was exited. In addition, planned transfers of manufacturing activities between four facilities were accelerated due to COVID-19, as the North American 'centres of excellence' were further optimised. These initiatives generated cost-savings in 2020 of c.US$4 million.

Lean excellence initiatives completed in the year are delivering further cost reductions. The product rationalisation and repositioning initiative is also progressing as planned, with work well underway in the sash window hardware and sliding patio door hardware categories. This initiative will continue in 2021, eliminating product overlap and thereby allowing manufacturing and warehousing cost efficiencies, better engineering focus on innovation, and clearer range positioning to our customers; combined, these measures should continue to deliver market share gains.

The division’s access solutions business, Bilco, was more resilient in the period as commercial construction largely continued through the COVID-19 crisis and our success in winning long-term, high-visibility projects insulated us against softer overall markets. There was some impact from destocking by distributors as well as project delays and cancellations, but good growth in safety accessories and smoke vents was achieved, resulting in LFL revenue for the year declining just 2%.

New product development

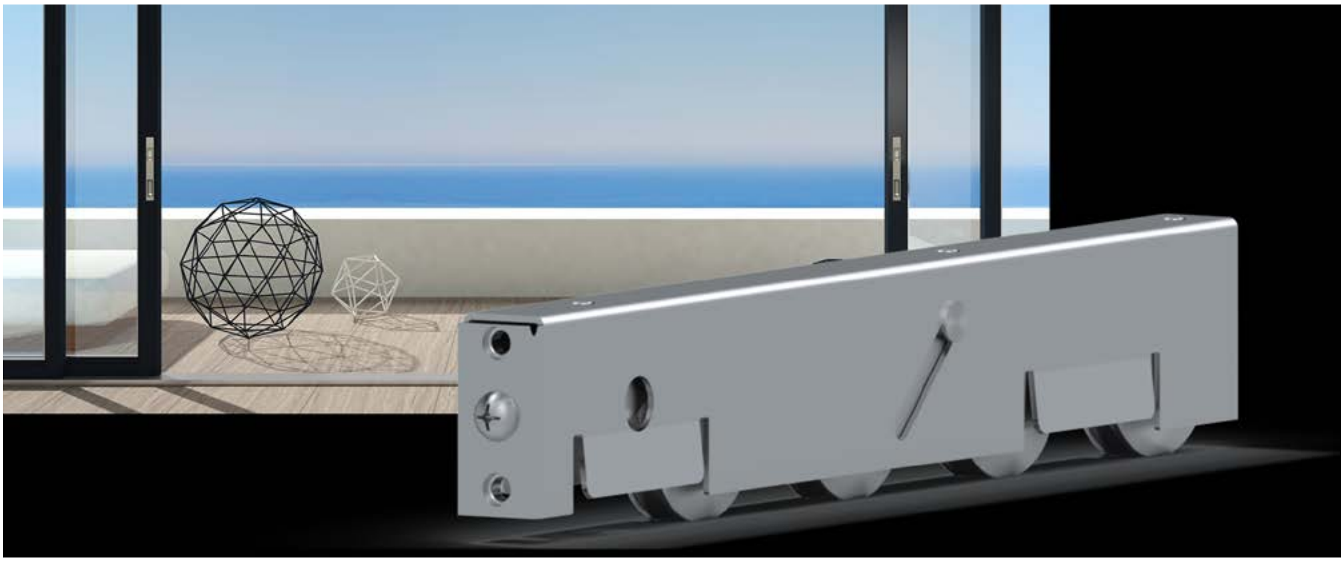
The division continues to bring new products to market, with recent product launches delivering incremental revenue ahead of expectations. During 2020, two commercial access products were introduced, including an enhanced acoustical smoke vent and a new thermally broken smoke vent, which provide enhanced sound insulation and improve safety. The Quad Roller product, which provides easy gliding to address the trend towards larger doors with greater expanses of glass, was also brought to market, along with a variety of customer-specific product innovations. The main focus of development activity in the year was the pawl lock, a next generation inverted block and tackle balance that is expected to achieve significant revenue over the coming years as the intellectual property expires on the prior generation product. The pawl lock is designed to minimise customer SKUs and reduce space in the window jamb, enabling customers to add features or remove material and thereby cost from the window. The division is partnering with two industry leaders and will launch in early 2021.

Outlook

The momentum seen at the end of 2020 is expected to continue into Q1 2021, supported by high levels of backlog, providing cautious optimism. There remains uncertainty beyond this, given the potential impact on demand from the ongoing COVID-19 crisis and wider macroeconomic conditions. Single-family residential starts are projected to increase 6% in 2021, supported by the 'urban flight' trend. The strong growth in repair and remodelling spend is expected to continue in early 2021, with the growth rate tempering in the second half of the year. The commercial market recovery is expected to lag behind residential, with non-residential building starts forecast to increase 3% in 2021. The Canadian market is expected to be mixed, with support from low interest rates and higher household savings tempered by government support measures coming to an end.

Rising commodity costs, tight labour markets, and continued pressures on global shipping lead times and costs will provide a headwind in 2021. The division will seek to manage these costs through pricing actions and productivity initiatives.

The division’s main areas of focus in 2021 will continue to be strengthening operational excellence to expand margin, driving share gains, and completing the next phase of the product portfolio harmonisation and repositioning initiative.



Tyman UK & Ireland

£m except where stated	2020	2019	Change	LFL
Revenue	**92.2**	107.2	**-14%**	***-13%***
Adjusted operating profit	**8.8**	13.8	**-36%**	***-37%***
Adjusted operating profit margin	***9.5%***	*12.9%*	***-340bps***	

LFL revenue growth by quarter vs 2019

	Q1	Q2	Q3	Q4
LFL revenue growth	-1%	-54%	+3%	Flat

Markets

The UK market for doors and windows started the year positively, following the decisive election result in December 2019. Over the first two months of the year, the IHS Markit/CIPS UK Construction PMI rose to 53 in February 2020 and residential property transactions were up 4%. The COVID-19 lockdown measures introduced in late March led to the temporary closure of the majority of construction sites and prevented all but essential RMI activity. In early May, construction activity began to resume with social-distancing measures in place and the market gathered momentum very quickly through the second half. The PMI recovered to a level of 55 in December and the number of housing transactions are at the highest level since 2007. This has been supported by the UK Government stamp duty holiday as well as the additional time people are spending at home driving increased RMI activity. The recovery of the commercial market, to which the division is less exposed, has lagged behind the residential market. Overall, COVID-19 has led to a significant contraction in the UK and Ireland market in 2020 compared to 2019.

Business performance and developments

The UK & Ireland division had a strong start to the year, achieving LFL revenue growth of 8% to the end of February, with March also starting strongly. This reflected increased consumer confidence driving the hardware business, as well as strong project activity in the Access 360 business. From late March until early May, all sites were temporarily closed. Activity gradually resumed from May as lockdown measures were eased. Demand recovered much quicker than anticipated through the second half, driven by pent-up demand and the increased RMI activity. LFL sales in H2 2020 were 1% higher than H2 2019, despite Q4 2019 being a strong comparator due to the buoyant market and timing of commercial project activity. Overall, LFL revenue for the year was 13% lower than 2019.

Profitability was impacted by the sales shortfall as well as additional bad debt charges due to some customers experiencing financial difficulty, high freight costs due to global shipping disruption in H2, and continued strategic investments in smartware. This was partially mitigated by tight cost control measures, including reductions in discretionary spend and cancellation of the bonus scheme.

Hardware sales into both the OEM and distribution channels were strong in the first few months and rebounded strongly once lockdown restrictions were eased. The division benefitted from exposure to trade distributors who have a strong online presence, given that lockdown has accelerated the trend to online sales. Manufacturing of multi-point locks was transferred from the Far East to the UK in the period, with inventory benefits and cost-savings now being realised. Further opportunities to onshore manufacturing or assembly of certain products are being explored to reduce stock levels and ensure robustness of the supply chain.

Access 360, the division’s commercial access portfolio, achieved strong revenue growth of 16% in the first two months of the year, reflecting the stronger projects pipeline and operational execution. Since construction activity recommenced in early May, sales have recovered well, although the commercial market has lagged behind the residential market as a result of reduced investment. Good progress has been made in better integrating and optimising the Access 360 business, with work on harmonising systems and streamlining the footprint underway, and the operational bottlenecks which arose in Profab in H2 2019 largely resolved. The business is also gaining traction in the growing specification market, having strengthened its engagement with architects and specifiers through enhancements to the website and social media presence, and increased online training.

The smartware offering continues to gain momentum, with the ERA Protect™ range being listed by a key national distributor in Q3 2020. The ERA website is being upgraded to enable homeowners to easily select an ERA accredited installer alongside purchasing their ERA Protect™ home security solution via the website. The ERA Protect™ range was the first home security portfolio to receive the BSI IoT Kitemark. The division has also enhanced its digital marketing capabilities and is further developing its digital strategy, to ensure it is well placed to capitalise on the shift to e-commerce.

In line with the Group’s strategy to strengthen the base for future growth, Ventrolla, the division’s sash window renovation and installation business, was divested on 5 November 2020 for nominal consideration. This business had been loss-making for a number of years and was non-core to the portfolio. Excluding Ventrolla from the 2020 results, the division would have returned a 12.3% adjusted operating margin.

New product development

NPD activities were impacted by COVID-19 during the year and several new product launches were delayed. This includes several extensions to the ERA Protect™ range, including the WindowSense™ product, which will now be launched in early 2021. This is targeted at the OEM market as a pre-installed product and therefore expected to create further traction for the rest of the integrated range, all of which can be controlled through a single smartphone app. Also due for launch is the new TrueGlide custom-engineered spiral balance for vertical sliding sash windows, which provides silent, smooth operation, with only a light touch required by the user to open and close the window.

Outlook

Since lockdown measures were eased, demand in the residential RMI and new housing market has rebounded quickly, in part due to pent-up demand, the 'nesting' trend and UK government measures to increase the stamp duty threshold driving up housing transactions. This momentum is expected to continue through Q1, supported by the continued high level of housing transactions. Beyond this, there remains significant uncertainty over the impact of COVID-19 on unemployment, consumer confidence and thereby the housing market as the stamp duty holiday and other government support measures come to an end.

In the commercial sector, the value of construction project awards and new project tender enquiries dropped significantly during the lockdown, and this is expected to impact activity in 2021. However, this sector may benefit from government stimulus targeted at infrastructure projects.

Rising material and shipping costs will create a headwind for 2021 and pricing actions are being taken to manage cost inflation. The division is also closely monitoring port congestion and amending order patterns to minimise supply chain disruption.

The division’s focus in 2021 will continue to be driving momentum with new product launches, optimising the cost base through continued integration and optimisation of the Access 360 business and driving online sales through its e-commerce platform.

Tyman International

£m except where stated	2020	2019	Change	LFL
Revenue	**108.5**	120.5	**-10%**	***-9%***
Adjusted operating profit	**12.3**	14.8	**-17%**	***-17%***
Adjusted operating profit margin	***11.3%***	*12.3%*	***-100bps***	

LFL revenue growth by quarter vs 2019

	Q1	Q2	Q3	Q4
LFL revenue growth	-17%	-27%	+9%	-1%

Markets

The weakness seen in core markets in the second half of 2019 continued into early 2020, with challenging macroeconomic conditions and core markets impacted by COVID-19 earlier than other geographies. As of early February, markets were progressively impacted by COVID-19, with each market being affected at different times as the virus spread. Construction activity and customer operations were suspended in most markets for varying time periods in line with the lockdown measures imposed in each territory. The division's three largest markets of Italy, Spain, and China were subject to stringent lockdown measures between February and April.

Since restriction measures were eased, there has been a strong recovery in demand in core markets, supported by consumers prioritising investment in the home and government stimulus in certain territories. The IHS Markit Eurozone Construction PMI recovered to 46 in December from its low of 15 in April.

Business performance and developments

LFL revenue for the international division declined 9% in 2020, with slight foreign exchange headwinds resulting in reported revenue down 10%. The business had a challenging start to the year due to the weak market conditions and was significantly impacted by COVID-19. The division's third largest market, China, was impacted in early February, followed by most other core markets from mid-March. Since lockdown measures have been eased in each territory, momentum in sales and order levels has built steadily. The division's largest market, Italy was particularly impacted by COVID-19 and although there has been a strong recovery through the second half, it ended the year 20% below 2019. Other major European markets were similarly affected. China and Australia, where the pandemic was contained more quickly, achieved growth, with government stimulus in China driving strong project activity. The move to a new distribution site in China impacted timing of sales between Q3 and Q4, with customers bringing forward purchases into September ahead of the planned closure in October.

A reduction in overheads, including savings from the reduction in personnel costs which took effect in the second half of 2019, combined with additional cost management actions taken and utilisation of available government schemes partially offset the impact of the sales shortfall on adjusted operating profit. LFL adjusted operating profit was 17% below 2019 and adjusted operating margin fell from 12.3% to 11.3%.

Despite some inevitable delays caused by COVID-19, the division has made good progress on its strategic initiatives. Momentum continued with the 'all in one' strategy, with the launch of a new fully-integrated SchlegelGiesse website that brings together all of the division's brands and products and supports driving further penetration of the portfolio including showcasing new products. During the lockdown period, webinars and virtual innovation workshops were delivered to distributors and window makers to maintain relationships and further progress the channel expansion strategic initiative. This enabled strong partnership activity with System Houses, with many agreements reached to develop systems based on the innovative 'Pull and Slide' system.

Self-help initiatives were completed as planned. The restructuring programme to streamline operations in Australia, China, Singapore and New Zealand has been fully executed with no customer disruption. Manufacturing ceased and the business transitioned to a distribution model in both Australia and China, and direct sales operations in Singapore and New Zealand were exited. These restructuring activities have resulted in a reduced fixed cost-base, the avoidance of significant future capital expenditure and will allow management bandwidth across the region to be better focused.

The integration of Reguitti, which was acquired in August 2018, has progressed, albeit at a slower rate than planned due to lockdown measures. Reguitti's performance was particularly impacted by COVID-19 due to its location in Northern Italy. The full functioning integration has been completed, and cross-selling activities have gained traction following integration of the sales force. A new mid-price point brand for the German market has been launched, to better align the product offer with current market trends.

New product development

The division continues to focus on innovation, although there have been delays to the launch of certain products due to COVID-19. New products launched in the year included the CHIC concealed door hinge range, which completes the minimal frame profile range for aluminium doors and windows, providing a co-ordinated modern aesthetic, and brighter interiors, as a result of the higher glass to frame ratio. The hinge also allows easy installation, has a high load capacity and is reversible for left or right opening. The value-engineered range of bespoke products for the Chinese RMI market is also due for launch in early 2021, which supports the division's focus on this growing channel and will ensure it is well-placed to capture share as this market recovers. In addition, the Schlegel seal range achieved sustainability accreditation via the Cradle to Cradle™ certification in H2 2020, with other product lines expected to achieve this in 2021. The division continues to invest in developing and expanding its range of innovative products as a key driver of future growth.

Outlook

The recovery seen through the second half is expected to continue at least through the first quarter of 2021, driven by continued high levels of building and remodelling activity in core markets as well as market share gain initiatives. There remains uncertainty beyond the first quarter due to the ongoing macroeconomic impact of COVID-19 as government support measures come to an end and the risk of further lockdown restrictions in various territories.

The main priorities of the International division in 2021 are to drive share gains in core markets through new product launches and continued channel expansion; and to deliver further self-help initiatives to create a stronger foundation for growth.

Income statement

Jason Ashton
Chief Financial Officer

Robust balance sheet with leverage of 1.1x

Revenue and profit

Reported revenue for the year decreased by 6.7% to £572.8 million (2019: £613.7 million), primarily reflecting a volume reduction due to the impact of COVID-19, the drag through effect of the 2019 North America footprint consolidation related customer losses of c.£8.0 million, a reduction in US tariffs of £2.9 million, adverse foreign exchange movements of £3.4 million, and the disposal of Ventrolla of £0.9 million, offset by an encouraging level of customer wins. On a LFL basis, revenue declined 6.0% compared to the prior year.

Adjusted administrative expenses decreased to £111.8 million (2019: £120.2 million), largely due to the benefit of cost-management initiatives taken to mitigate the impact of COVID-19, which included the curtailment of discretionary expenditure and cancellation of the senior management bonus scheme, and the receipt of government support from various territories outside the UK of £1.7 million. The unfavourable impact of foreign exchange was £1.3 million.

Adjusted operating profit decreased by 6.0% to £80.3 million (2019: £85.4 million). This was negatively impacted by the reduction in volume driven by COVID-19 and by c.£3.0 million from the drag through effect of the 2019 North America footprint consolidation customer losses, and adverse foreign exchange movements of £0.7 million. This was offset by a reduction in input costs of £2.3 million due to moderation of materials prices, net cost savings of c.£5.0 million, and productivity improvements of c.£6.0 million. On a LFL basis, adjusted operating profit declined 5.5%. The Group's adjusted operating margin increased by 10bps to 14.0% (2019: 13.9%).

Adjusted profit before taxation decreased by 3.7% to £68.4 million (2019: £71.0 million) and declined 3.4% on a LFL basis, benefiting from lower finance costs due to the reduction in net debt and the interest rate. Reported profit before taxation increased by 91.9% to £47.6 million (2019: £24.8 million), largely as a result of a decrease in exceptional items from £18.9 million to £1.8 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 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 2020 Materials (1)	Average(2)	Spot(3)
Aluminium (Euro)	**14.8**	-6%	+1%
Polypropylene (Euro)	**30.9**	-21%	-16%
Stainless steel (US)	**54.8**	+1%	-20%
Zinc (US)	**27.5**	-11%	+6%
Far East components (UK)[4]	**37.4**	-4%	+8%

(1) FY 2020 materials cost of sales for raw materials, components and hardware for overall category
(2) Average 2020 tracker price compared with average 2019 tracker price
(3) Spot tracker price as at 31 December 2020 compared with spot tracker price at 31 December 2019
(4) Pricing on a representative basket of components sourced from the Far East by Tyman UK & Ireland

Raw material costs moderated in 2020, with average prices across all commodity categories excluding stainless steel lower than 2019. Costs across most categories began to rise towards the end of the year, with the spot prices for all categories except polypropylene and stainless steel being higher than December 2019. Steel purchases in North America continue to be impacted by the direct and indirect effect of US tariffs. 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	2020	2019
Footprint restructuring – costs	**-**	(7.1)
Footprint restructuring – credits	**0.2**	0.6
Footprint restructuring – net	**0.2**	(6.5)
M&A and integration - costs	**(0.8)**	(5.3)
M&A and integration - credits	**0.6**	-
M&A and integration - net	**(0.2)**	(5.3)
Loss on disposal of business	**(1.8)**	(1.7)
Impairment charges	**-**	(5.4)
	(1.8)	(18.9)

Footprint restructuring

The footprint restructuring costs in prior periods related to directly attributable costs incurred in the multi-year North American footprint consolidation project, as well as provisions for costs associated with the closure of the Fremont, Nebraska facility and streamlining the international satellite operations which commenced in 2019. These projects were completed in 2020, with the small credit arising due to the actual costs being slightly less than estimated.

M&A and integration

M&A and integration costs of £0.8 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland. M&A and integration credits of £0.6 million relate to the release of an excess warranty provision made on a previous acquisition.

Loss on disposal of business

This charge relates to a loss on the disposal of the loss-making Ventrolla business, which was divested on 5 November 2020 for nominal consideration.

Impairment charges

Impairment charges in 2019 relate to the write down of assets and inventory associated with the slower than expected uptake of the door seal product in North America.

Finance costs

Net finance costs decreased to £12.1 million (2019: £15.7 million).

Interest payable on bank loans, private placement notes and overdrafts decreased to £8.9 million (2019: £11.1 million), predominantly reflecting the reduction in borrowings, as well as lower interest rates following reductions in the US federal interest rate and UK official bank rate. Interest on lease liabilities of £2.8 million reduced slightly, reflecting the reduction in lease liabilities (2019: £3.0 million).

The Group's average cost of funds and margin payable over the year decreased by 50 bps to 3.4% (2019: 3.9%) reflecting lower interest rates and a reduction in the 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 (2019: £0.5 million) and pension interest costs of £0.2 million (2019: £0.3 million).

Interest rate swap contracts

Until June 2020, the Group fixed a portion of floating rate borrowings under the RCF agreement via interest rate swap contracts. Due to the current low prevailing interest rates, these swaps were not replaced on expiry.

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, 43% (2019: 46%) of the Group's adjusted debt excluding lease liabilities is held at fixed rates of interest.

Forward exchange contracts

At 31 December 2020, the Group's portfolio of forward exchange contracts at fair value amounted to a net liability of £0.2 million (2019: net liability of £0.5 million). The notional value of the portfolio amounted to £23.7 million (2019: £34.1 million), comprising US dollar and Chinese renminbi forward exchange contracts with notional values of US$23 million and RMB60 million respectively (2019: US$39 million and RMB45 million). These contracts have a range of maturities up to 19 March 2021.

During the year, a fair value gain of £0.3 million (2019: fair value loss of £0.8 million) was recognised directly in the income statement.

Taxation

The Group reported an income tax charge of £10.4 million (2019: £7.1 million), comprising a current tax charge of £14.1 million (2019: £13.4 million) and a deferred tax credit of £3.7 million (2019: £6.3 million). The increase in the income tax charge reflects the increase in profit before tax.

The adjusted tax charge was £15.3 million (2019: £17.5 million) representing an effective adjusted tax rate of 22.4% (2019: 24.6%). The reduction in the adjusted effective tax rate of 230bps reflects the release of an excess provision and utilisation of available tax credits.

During the period, the Group paid corporation tax of £13.8 million (2019: £14.2 million). This reflects a cash tax rate on adjusted profit before tax of 20.2% (2019: 20.0%).

Earnings per share

Basic earnings per share increased by 109.9% to 19.1 pence (2019: 9.1 pence). Adjusted earnings per share decreased slightly to 27.2 pence (2019: 27.5 pence) as a result of the slight reduction in adjusted profit after tax. There is no material difference between these calculations and the fully diluted earnings per share calculations.

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 2020, 74% of Tyman's adjusted operating profit before central cost allocations was generated in North America, 11% in the UK, and 15% 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.
- 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.

Cash generation, funding and liquidity

Cash and cash conversion

£m	2020	2019
Net cash generated from operations	**95.9**	97.1
Add: Pension contributions	**1.7**	1.0
Add: Income tax paid	**13.8**	14.2
Less: Purchases of property, plant and equipment	**(9.9)**	(10.7)
Less: Purchases of intangible assets	**(0.6)**	(0.8)
Add: Proceeds on disposal of PPE	**-**	0.8
Operational cash flow after exceptional cash costs	**100.9**	101.6
Exceptional cash costs	**4.2**	11.3
Operational cash flow	**105.1**	112.9
Less: Pension contributions	**(1.7)**	(1.0)
Less: Income tax paid	**(13.8)**	(14.2)
Less: Net interest paid	**(12.5)**	(15.0)
Less: Exceptional cash costs	**(4.2)**	(11.3)
Free cash flow	**72.9**	71.4

Operational cash flow in the period decreased by 6.9% to £105.1 million, predominantly due to a lower working capital inflow following the focus on optimisation in 2019. This is after adding back £4.2 million (2019: £11.3 million) of exceptional costs cash settled in the period, which primarily related to costs associated with the footprint realignments provided for in 2019 and costs associated with the integration of Ashland. Operating cash conversion in 2020 continued to be very strong at 130.9% (2019: 132.2%).

Free cash flow in the period was slightly higher than 2019 at £72.9 million (2019: £71.4 million), with the lower operational cash flow being offset by the significant reduction in exceptional cash flows and reduction in interest payments due to lower net debt.

Debt facilities

Bank and US private placement facilities available to the Group, as at 31 December 2020, 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	€	€0.3m	–

The Group received eligibility in June 2020 to draw up to £100 million through the Bank of England CCFF, albeit the Group has not made use of this and the Bank of England has announced this facility will be closed after 22 March 2021 and therefore this is no longer available for use.

Liquidity

At 31 December 2020 the Group had gross outstanding borrowings of £224.1 million (2019: £273.5 million), cash balances of £69.7 million (2019: £49.0 million) and committed but undrawn facilities of £143.1 million (2019: £102.8 million) as well as potential access to the uncommitted £70.0 million accordion facility. US$55.0 million of the USPP debt is due for repayment in November 2021 and is therefore classified as current. There is sufficient cash and committed but undrawn amounts under the 2018 revolving credit facility to repay this.

Net debt at 31 December 2020 was £154.5 million (2019: £224.5 million). Adjusted net debt, which excludes lease liabilities and unamortised finance arrangement fees was £100.6 million (2019: £164.5 million), with the reduction reflecting the strong operational cash generation and that dividends were not paid during the year.

Covenant performance

At 31 December 2020	Test	Performance(1)	Headroom(1)	Headroom(2)
Leverage	< 3.5×	**1.1x**	60.1m	63.1%
Interest Cover	> 4.0×	**10.5x**	57.9m	62.1%

(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 2020, the Group retained significant headroom on its banking covenants. Leverage at the year end improved significantly to 1.1x (2019: 1.7x), reflecting the lower level of net debt. Interest cover increased to 10.5x (2019: 9.0x), largely reflecting the lower interest expense.

In July 2020, in order to provide additional headroom during the period of uncertainty, the Group agreed a temporary relaxation of the leverage covenant with its lenders from 3.0x adjusted EBITDA to 3.5x at December 2020 and 4.0x at 30 June 2021.

Balance sheet – assets and liabilities

Working capital

£m	FY 2019	Mvt	FX	2020
Inventories	88.6	(3.3)	(1.3)	**84.0**
Trade receivables	60.5	3.0	(0.4)	**63.1**
Trade payables	(46.6)	(8.8)	0.3	**(55.1)**
Trade working capital	**102.5**	**(9.1)**	**(1.4)**	**92.0**

Trade working capital at the year end, net of provisions, was £92.0 million (2019: £102.5 million).

Inventories decreased by £4.6 million to £84.0 million (2019: £88.6 million), driven by the significant increase in demand in the second half of 2020 following a period of reduced production due to COVID-19. The provision for slow moving and obsolete inventory is slightly lower at £18.9 million (2019: £19.9 million).

Trade receivables increased by £2.6 million to £63.1 million (2019: £60.5 million) due to higher sales towards the end of 2020 compared to the end of 2019. Trade payables increased by £8.5 million to £55.1 million (2019: £46.6 million) reflecting higher purchases towards the end of the year in line with increased activity levels.

Of the decrease in trade working capital, £1.4 million related to exchange.

Capital expenditure

Gross capital expenditure decreased to £10.5 million (2019: £11.5 million) or 0.74x depreciation (excluding RoU asset depreciation) (2019: 0.79x), as a result of tight management of capital expenditure early in the year due to COVID-19. Net capital expenditure was £10.5 million (2019: £10.7 million). Included within 2019 net capital expenditure was £0.8 million of proceeds from disposal of property, plant and equipment.

Goodwill and intangible assets

At 31 December 2020, the carrying value of goodwill and intangible assets was £446.0 million (2019: £475.3 million). The reduction in goodwill and intangible assets reflects amortisation of intangible assets through the income statement of £20.3 million (2019: £25.0 million), offset by exchange movements of £6.0 million due to the impact of the strengthening of sterling 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 2020 reduced to £8.9 million (2019: £9.6 million), primarily reflecting settlement of provisions related to the footprint realignments and the release of an excess warranty provision made on a previous acquisition, which is no longer needed.

Balance sheet – equity

Shares in issue

At 31 December 2020, the total number of shares in issue was 196.8 million (2019: 196.8 million) of which 0.5 million shares were held in treasury (2019: 0.5 million).

Employee Benefit Trust purchases

At 31 December 2020, the EBT held 1.1 million shares (2019: 1.4 million). During the period, the EBT purchased 0.1 million shares in Tyman plc at a total cost of £0.3 million.

Dividends

As a result of uncertainty surrounding the COVID-19 pandemic, the Board took the decision to cancel the 2019 final dividend of 8.35 pence per ordinary share that was proposed with the 2019 results announcement on 5 March 2020. Furthermore, no interim dividend was declared in 2020.

As a result of the strong performance in the second half of 2020 and the robust balance sheet position, the Board considers it appropriate to declare a modest final dividend for 2020. A final dividend of 4.0 pence per share (2019: nil pence), equivalent to £7.8 million based on the shares in issue as at 31 December 2020, will be proposed at the Annual General Meeting (2019: £nil). The total dividend declared for the 2020 financial year is therefore 4.0 pence per share (2019: 3.9 pence), an increase of 2.6%. This equates to a Dividend Cover of 6.8x. The Board intends to return to a progressive dividend policy when conditions allow.

The ex-dividend date will be 22 April 2021 and the final dividend will be paid on 28 May 2021 to shareholders on the register at 23 April 2021.

Only dividends paid in the year have been charged against equity in the 2020 financial statements. No dividend payments were made to shareholders during 2020 (2019: £23.6 million).

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 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.

In 2020, the impact of COVID-19 on the performance of the Group has influenced how the dividend policy has been implemented.

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

Other financial matters

Return on capital employed

ROCE increased by 30 bps to 12.3% (2019: 12.0%) due to a significant reduction in average working capital resulting from the lack of seasonal build due to COVID-19, lower capital expenditure, as well as a lower carrying value of intangible assets through amortisation.

Returns on Acquisition Investment

£m	Acquisition Date	Original Acquisition Investment	ROAI 2020[1]
Ashland	March 2018	US$102.4m	**17.9%**
Zoo Hardware	May 2018	£18.7m	**18.6%**
Profab	July 2018	£4.1m	**8.8%**
Reguitti	August 2018	€16.2m	**5.2%**

(1) See alternative performance measures on pages 183 to 188.

Ashland and Zoo Hardware have continued to perform well, with both exceeding the 14% minimum target return threshold after two years of ownership, in March 2020 and May 2020 respectively. Ashland achieved the planned £5.0 million of annualised synergy benefits in 2020.

Profab reached two years of ownership in August 2020, achieving an LTM run rate ROAI of 9%, which is significantly below the target threshold. The business suffered from operational bottlenecks in the second half of 2019, impacting productivity and was significantly impacted in H1 2020 by COVID-19 lockdown measures. Productivity has improved markedly, and sales rebounded well in the second half.

Reguitti reached two years of ownership in August 2020, achieving an LTM run rate ROAI of 5%, which is below the target threshold. Performance was significantly impacted by COVID-19, given its location in Northern Italy. The full functional integraion has been completed and cross-selling activities have gained traction following the integration of the sales force.

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 2020, sterling was stronger against the US dollar, Australian dollar and Canadian dollar, and weaker against the euro when compared with the average exchange rates in 2019.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Other	Total
% mvt in average rate	0.5%	(1.4%)	1.4%	1.5%		
£m Revenue impact	(1.9)	0.9	(0.1)	(0.1)	(3.0)	**(4.2)**
£m Profit impact [1]	(0.4)	0.1	-	-	(0.5)	**(0.9)**
1c decrease impact [2]	467k	68k	6k	5k		

(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 decrease by £4.2 million and £0.9 million respectively compared with 2019.

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 & 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 & Ireland division resulted in a gain of £0.3 million in 2020 compared to a loss of £0.8 million in 2019. 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 those currencies.

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

£m	2020		2019	
	Gross	%	Gross	%
US dollars	**(108.2)**	**63.5**	(146.7)	68.7
Euros	**(62.1)**	**36.5**	(66.8)	31.3
Gross borrowings	**(170.3)**		(213.5)	

2021 summary guidance

The market outlook is cautiously optimistic, with momentum seen at the end of 2020 expected to continue into the first half of 2021. There is however uncertainty beyond this as the full macroeconomic effect of COVID-19 is being masked to an extent by government stimulus. There may also be ongoing disruption due to further lockdowns or COVID-19 outbreaks as the vaccine roll-outs progress across territories.

Reported revenue and operating profit will be negatively impacted by a weakening US dollar due to the translation effect on the results of the US business.

The Group expects operating margin expansion due to increased volumes and the benefits of self-help activities, although headwinds are expected due to rising raw material and freight costs. The Group will continue to take pricing actions as necessary to recover input cost inflation.

Total working capital trough to peak for the year is expected to be c. £25–£30 million with the working capital peak occurring around the half year, due to the need to rebuild depleted inventory levels ahead of the peak selling period. The majority of this will unwind in the second half, with a moderate outflow across the full year.

Capital expenditure for the 2021 financial year is expected to be £22–£27 million, reflecting catch up of expenditure deferred from 2020 and investment in new product development, operational excellence, and systems upgrades.

Operating cash conversion is expected to be c.75% - 85%, reflecting the investment in working capital, capital expenditure and reinstatement of discretionary expenditure necessary. This follows two years of well above average operating cash conversion. The Group's long-term target remains at 90% per annum.

Leverage is expected to remain within the target range of 1.0× to 1.5× adjusted EBITDA.

The adjusted effective tax rate is expected to be c.23% - 25%.

Jason Ashton
Chief Financial Officer

4 March 2021

Managing Risk

Effective risk management is integral to how we manage the Group and supports the realisation of our strategic objectives.

Risk management process

The Board is committed to protecting and enhancing the Group's reputation and the interests of shareholders and our wider group of stakeholders. In doing so, the Board promotes a strong ethical, risk aware culture within the business which emphasises the importance of effective risk management and risk reporting throughout the year and forms a key element of our internal governance and performance review processes.

Our risk management process, based on the Four Lines of Defence model, provides clarity on roles and responsibilities for managing risk.

The Board has ultimate responsibility for the Group's system of risk management and internal control with responsibility for oversight delegated to the Audit and Risk Committee which is responsible for maintaining and reviewing the effectiveness of our risk management processes from strategic, financial, operational and regulatory/compliance perspectives.

The Audit Committee has been renamed the Audit and Risk Committee during the year to reflect the widened remit of the Committee for risk and assurance matters, both financial and non-financial.

Group risk appetite

The Board also ensures that the Group's risk exposure remains appropriate and links directly to the effective delivery of our strategic objectives. During the year we have undertaken initial work to further develop the Group's risk appetite methodology and this will continue in 2021.

As an international Group, the business faces a range of risks and uncertainties where internal and external factors influence the Group's risk response to managing these risks. The Group's key principal risks are those risks that are considered material and could have a significant impact of the Group's business activities and operations. The Group considers emerging risks regularly throughout the year, both through the risk management process and in ongoing and established meetings embedded in our performance management system. We consider emerging risks as those that may materialise or have an impact on a longer timeframe of three years or more. As we evolve our risk management process in 2021, we will continue to enhance our approach to emerging risks.

The Group's risks and uncertainties have been considered in the context of the broader geo-political environment, including the COVID-19 pandemic and the dynamic nature of the changing trading relationships between the US and China and the UK and the European Union (EU) that took effect from 1st January 2021. These have all remained prominent themes of risk throughout the year and we have focused on ensuring the Group is mitigating these risks to the extent possible.

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 57 to 60 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.

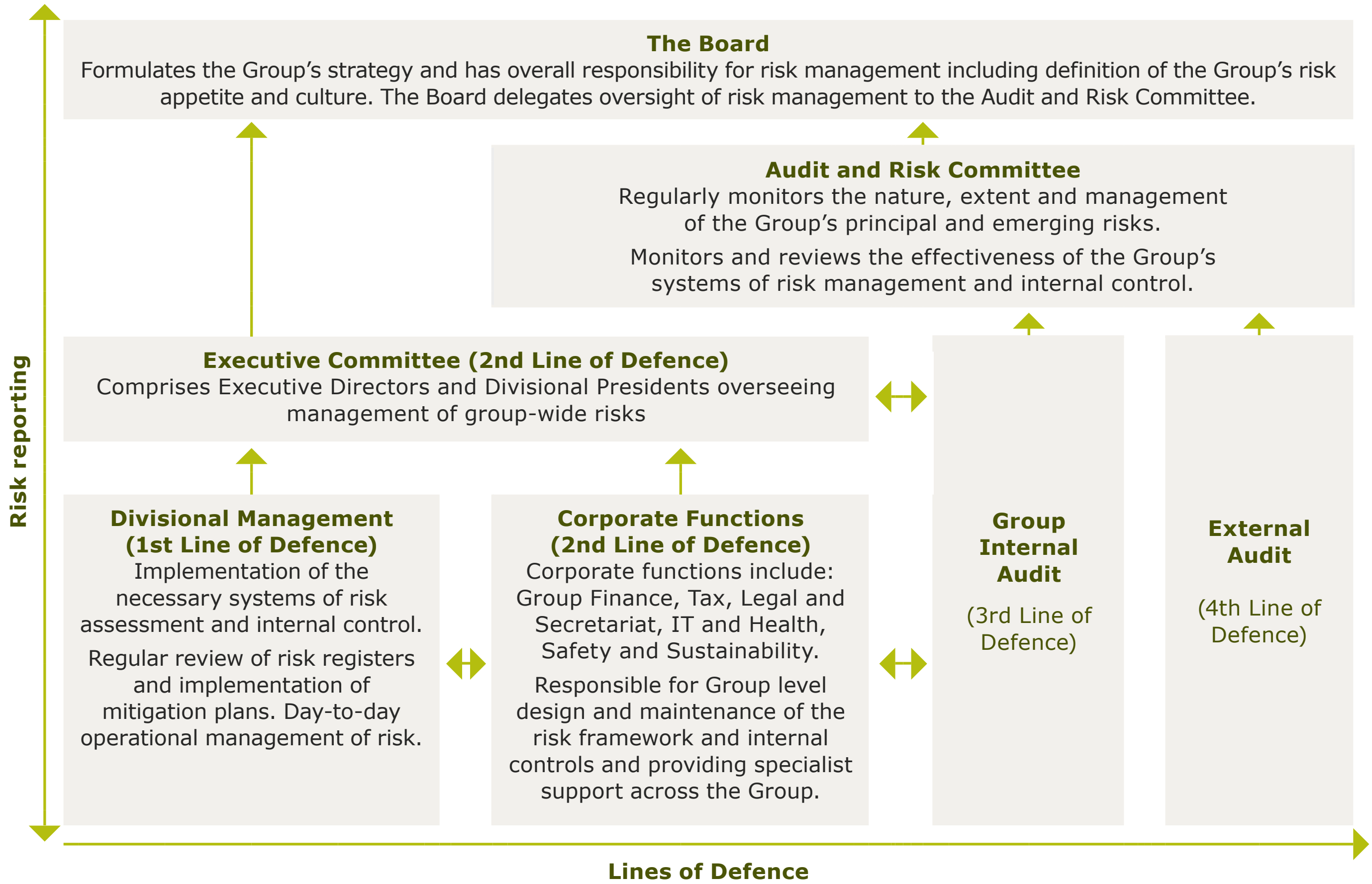
In accordance with the provisions of the Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement. The going concern and viability statement can be found on pages 61 to 62.

Read more about the impact of COVID-19 in the **Chief Executive Officer's review** on page 38.

Responsibilities for and structure of risk management

The Group's risk framework defines clear roles, responsibilities and accountabilities for risk management across the Group and continues to develop in line with our strategy. Building on the progress since 2019 in safety excellence with the appointment of the Director of Health, Safety and Sustainability, in 2020 the Group has added specialist resources into the Group that strengthen our risk and assurance capabilities. These include a Group Head of IT, a Group Head of Internal Audit and Risk Management and a General Counsel. These key appointments will allow the Group to continue the evolution of our approach to managing cyber and information security risks, evolving our risk management and assurance processes, and strengthening our business ethics and compliance culture in 2021.

The Group manages risk by operating the Four Lines of Defence model.



The first line of defence consists of operational management implementing and maintaining effective risk identification, risk mitigation, reporting and the development and maintenance of internal control systems. This ensures that risk management and internal control remain an integral part of day-to-day operations yet facilitates the escalation of significant risks as and when they should arise. Each division has an established organisational structure, senior management team and policies and procedures at a divisional and location level, including those risks relating to compliance with laws and regulations in the geographies in which they operate.

The second line of defence consists of the corporate functions who support operational management and who are responsible for establishing Group level policies and procedures including the Delegation of Authority, Code of Business Ethics, Accounting policies. Corporate functions include Group Finance, Tax, IT, Legal and Secretariat, Health, Safety and Sustainability and Risk Management.

Risk management is embedded in many aspects of the Group's leadership and performance model where key areas of risk are inherently considered. Key governance mechanisms for the management of risk include the Executive Committee, the Finance Leadership Team, the strategic planning process, budgeting and forecasting and the Business Performance Review (BPR) process undertaken every month for each division.

The BPR process covers key aspects of our strategic, financial, operational and compliance risks including proactive monitoring of key actions from month to month, safety performance, business ethics, legal matters, financial performance (including budget and forecasts), progress on strategic priorities, organisational developments and risk watchlist items. In addition, the BPR meeting process is supplemented by deep dive reviews from time to time throughout the year including divisional risk management reviews.

In addition, this line of assurance also covers the operation of the Group's ethics 'SpeakUp' reporting system which enables employees to raise concerns over ethics and compliance matters. All 'SpeakUp' reports are investigated independently by the General Counsel & Company Secretary, or his nominated investigator, who tracks the actions and reports their outcome to the Board as necessary.

The third line of defence is Group Internal Audit providing independent and objective assurance.

In 2020, the Board made the decision to appoint a Group Head of Internal Audit and Risk Management to further evolve the Internal Audit function bringing leadership of this important function 'in-house' whilst utilising resources from a professional services firm to support the Internal Audit process. This will allow the Group to facilitate the ongoing development of the Group's risk management processes. The Group Head of Internal Audit reports directly to the Chair of the Audit and Risk Committee, reinforcing the importance of this function maintaining its independence and objectivity.

The fourth line of defence is the Group's external auditor, PwC.

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

We will continue to evolve and develop our Risk Framework as appropriate throughout 2021 recognising the dynamic nature of risk management.

Our risk management process

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 core activities and performance review processes throughout the Group.

The Tyman Risk Management Process

1. Risk identification

Top down and bottom up identification of the Group's risks ensuring emerging and arising risks are assessed

2. Evaluate inherent risks

Considers the gross level of risk to the Group in impact and likelihood terms

3. Review existing controls

Identification and assessment of existing controls to manage the risk

4. Risk response

Further mitigation is considered in line with the Group's risk appetite

5. Monitor and review actions

Regular review and monitoring of risks at a Group and divisional level

6. Risk Reporting and oversight

Regular reporting of risk related matters in core governance and performance processes and reporting to the Audit and Risk Committee

Each division maintains a comprehensive risk register which assesses all pertinent risks relevant to that division, including strategic, financial, operational, and compliance risks. The risk assessment process is dynamic and includes emerging and retiring risks as each division's risk landscape shifts.

These risk registers are reviewed on a regular basis by the senior leadership team of each division. Each risk is monitored in line with the process above to assess the likelihood and impact of the relevant risks crystallising. Against this an assessment is made of existing controls that are in place to mitigate the relevant risk and identifies further actions to further manage each risk to an acceptable level. Each division's risk register is formally reviewed four times a year within the division, the conclusions of which are discussed at the Executive Committee and submitted to the Audit and Risk Committee at least twice per year.

A shorter register of Group principal risks is specifically reserved for review by the Audit and Risk Committee. 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.

Main developments in risk

As a result of this process, several changes have been made to the Group's principal risks during the year including:

- Business Interruption - COVID-19 was identified as an emerging risk in the 2019 Annual report when the main threat was seen to be to the Group's supply chain in China. As the pandemic evolved into a global crisis, the Group responded rapidly to safeguard employees, protect business operations, reduce costs and preserve cash and liquidity headroom. The pandemic will remain a component of the Group's principal risks through 2021 and now forms a part of our Group principal risk on business interruption. Further details of the impact of COVID-19 and the Group's response are set out in the Chief Executive Officer's review on page 38.
- Compliance with laws and regulations – recognising the Group is subject to the laws and regulations of the countries in which it operates has been added as a Group principal risk. The changing nature, breadth and complexity of compliance requirements is such that the Group considers this a key area of risk requiring proactive, ongoing management.

Risk priorities in 2021

The risk priorities for the year ahead are as follows:

- Continued focus on proactively managing the impacts of the COVID-19 pandemic to ensure the safety and wellbeing of our employees, continuity of our operations and operational resilience to enable us to meet our customer needs.
- Continued assessment and intensification of mitigation plans relating to IT cyber security risks.
- Continued strengthening of business continuity plans and other key areas of operational resilience given the need for adaptability of the Group's supply chains, particularly in the context of COVID-19 and changing geo-political circumstances.
- 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 support the Group's organic growth strategy.
- Continued review and response to developments in corporate governance including climate change, ESG and corporate reform.

Risk	Risk description	Mitigation	Changes since last Annual report
1 **Business interruption (including pandemic)** Trend after mitigation Same Link to strategy Margin expansion, Sustainable growth, Engaged people, Positive impact	The occurrence of an event that may lead to a significant business, supply chain or market interruption. This includes events such as natural disasters, pandemics (including COVID-19), significant IT interruption, the loss of an operating location or geo-political events including significant changes in trading relationships such as Brexit or US/China trade developments. This results in an inability to operate or meet customer demand, a reduction in market demand or poses a health risk to employees.	The Group has proactively managed its response to the COVID-19 pandemic throughout the year including extensive health measures at operations; temporary cost control measures; ongoing review of demand and production levels, regular review of supply chain ability to supply; reviewing stock levels and responding; increased contact with remote working team members and weekly COVID-19 case reviews. More broadly the Group reviews business continuity management, IT disaster recovery, IT security as appropriate throughout the year. The Group also ensures appropriate insurance cover is maintained.	The most significant impact throughout the year has been the global impact of the COVID-19 pandemic, which was reported as a watchlist risk in the last Annual report and then added to the Group's principal risks at the half year. Given the duration, uncertainty and widespread impact of COVID-19, this risk has been updated to a broader business interruption risk. **Risk assessment** High
2 **Market conditions** Trend after mitigation Same Link to strategy Sustainable growth	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.	Whilst there is a high degree of economic uncertainty, in previous cyclical downturns Tyman has proved effective in responding to events through: • monitoring of market conditions and macroeconomic trends through both annual strategic planning processes and regular performance / forecasting reviews; • 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. 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.	Markets have been disrupted throughout the year, predominantly in H1 due to COVID-19. The majority of the Group's core markets have rebounded strongly throughout H2 with leading indicators remaining positive. There remains uncertainty over medium to long-term market conditions due to wider macroeconomic conditions. **Risk assessment** Medium

Strategy Key

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Trend after mitigation

Up Same Down

Risk	Risk description	Mitigation	Changes since last Annual report
3 **Loss of competitive advantage** Trend after mitigation: Same. Link to strategy: Sustainable growth, Margin expansion	Loss of competitive advantage may adversely affect the Group financial performance or reputation in the short to medium term. The Group's ability to maintain its competitive advantage is based on a wide range of factors including the strength of the Group's brands, the breadth and depth of our portfolio, the level of quality and innovation reflected in our products, our supply chain flexibility, excellent customer service and technical support, and the depth of customer relationships we nurture, all supported by fair and competitive pricing. Failure to perform on any one of these aspects may lead to erosion of competitive advantage over time, and in turn to loss of customers to competition.	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 the reputation of its brands. The Group monitors the status of our competitive advantage through feedback from customers and close review of the market positioning of our products. The Group aims to minimise the impact of competitve pricing pressures by competitors through margin expansion activities including continual sourcing review, innovation and value engineering, as well as building long-term relationships with its customers based on value creation, quality, service and technical support.	The overall risk from loss of competitive advantage across Tyman's global portfolio remains stable. The disruption caused by COVID-19 has put pressure on service levels across the industry. The flexibility of the Group's manufacturing footprint allowed it to respond quickly to closure of certain facilities, delivering better service levels than some competitors and enabling the Group to take market share. **Risk assessment** Medium
4 **Foreign exchange risk** Trend after mitigation: Same. Link to strategy: Margin expansion	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 2020, 74% 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.	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.	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

Strategy Key

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Trend after mitigation

Up Same Down

Risk	Risk description	Mitigation	Changes since last Annual report
5 **Liquidity and credit risks** Trend after mitigation Link to strategy	The Group must maintain sufficient capital and financial resources to finance its current financial obligations and fund the future needs of its growth strategy.	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.	During the year, the Group has made good progress in achieving its new medium-term leverage target of 1.0× to 1.5× adjusted EBITDA, finishing the year at 1.1×. **Risk assessment** Low
6 **Information security** Trend after mitigation Link to strategy	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.	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 and improves IT system controls.	In August 2020, a Group Head of IT was appointed with responsibility for the Group's information security policies and controls. Training and IT controls improvements have continued to be implemented during the year. **Risk assessment** High
7 **Raw material costs and supply chain failures** Trend after mitigation Link to strategy	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. Products or raw materials may become unavailable from a supplier due to events beyond the Group's control.	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. Where commodity and other material cost increases materialise, the Group seeks to recover the incremental cost through active price management.	The Group has been successful at recovering input cost inflation and foreign exchange volatility. The Group continues to proactively manage supply chain risks, with current focus in particular on global shipping bottlenecks and UK/EU supply chain disruption. **Risk assessment** Medium

Risk	Risk description	Mitigation	Changes since last Annual report
8 **Key executives and personnel** Trend after mitigation Same Link to strategy Sustainable growth, Engaged people	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 at Group, divisional and site level.	The Group mitigates the risk of losing key personnel through robust succession planning, strong recruitment processes, employee engagement and retention initiatives, and long-term management incentives.	Significant attention has been paid to employee wellbeing and engagement through the COVID-19 pandemic, recognising the additional strains this has put on our workforce and in particular on management teams. **Risk assessment** Low
9 **Compliance with laws and regulations** Trend after mitigation Same Link to strategy Margin expansion, Sustainable growth, Engaged people, Positive impact	A lack of understanding or non-compliance with laws and regulations in any jurisdiction in which the Group operates could lead to significant financial penalty and/or severe damage to the Group's reputation. Legal and regulatory requirements can be complex and are constantly evolving, requiring ongoing monitoring and training.	Keys mitigations include: • A comprehensive and engaging Code of Business Ethics and associated training • Supporting policies and standards that set out the compliance requirements in detail • A group-wide 'SpeakUp' whistleblowing mechanism • Risk framework to identify, assess and monitor business and compliance risks • Specific legal and compliance matters reviewed by the Group General Counsel as required	Whilst added as a Group principal risk, there is no year-on-year change in the level of unmitigated risk. A Group General Counsel was appointed for the first time in 2020. The General Counsel led a process to develop a new Code of Business Ethics which will be deployed in a series of discussion sessions to all employees in H1 2021. **Risk assessment** Low
10 **Execution of major programmes** Trend after mitigation Same Link to strategy Margin expansion, Sustainable growth, Engaged people, Positive impact	The Group has a range of change management programmes and strategic initiatives underway to support our 'Focus, Define, Grow' Strategy. Failure to effectively execute these programmes could adversely affect the Group's ability to deliver on key elements of our strategy.	Oversight mechanisms to track the progress of all strategic programmes takes place on a monthly basis at Group and divisional levels. In addition, each programme has established project governance disciplines in place including project managers for each programme.	Whilst added as a Group principal risk there remains no year-on-year change in the level of unmitigated risk. **Risk assessment** Medium

Strategy Key

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Trend after mitigation

Up Same Down

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:

- The Group has significant headroom in borrowing facilities and debt covenants at 31 December 2020, with liquidity headroom of £213.0 million and leverage of 1.1× compared to a normal covenant of 3.0x adjusted EBITDA (temporary relaxation at 31 December to 3.5×). A significant deleveraging has been achieved in 2020 from 1.7× despite the effect of COVID-19.
- Operations are highly cash generative and drive a high operating cash conversion ratio. Cash conversion in 2020 is 131% and over the longer term is c.90%.
- The performance through the COVID-19 pandemic demonstrated the ability of the Group to reduce costs and preserve cash. The strength of recovery through the second half demonstrates the resilience of the Group's core markets.
- The temporary relaxation of covenants granted during 2020 indicates the support of the Group's lenders. In addition, the Group has received an investment grade rating through DBRS Morningstar, indicating strong creditworthiness.

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

- Favourable long-term macroeconomics and megatrends are expected to drive further growth (see our markets section on pages 16 to 18 for further details).
- Diversification across geographies and markets provides resilience.
- Innovation capabilities quickly allow the Group to adapt to changing trends, such as smartware and automation, sustainability, fire integrity, and anti-germ.
- There are high barriers to entry through our deep customer relationships, market-leading brands, and domain expertise.
- The extensive portfolio of highly-engineered, differentiated products across hardware, smartware and seals and extrusions, combined with value-added support services.
- Co-development and customisation services create long-term partnerships.
- Sustainability in our operations, culture, and solutions is a core part of our strategy.
- Rationalisation of footprint and other self-help activities are driving margin expansion.
- The growth strategy is focused on gaining market share through new product introductions and channel expansion initiatives.

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 20 to 30 and of the Group's business model on pages 14 to 15.

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 business interruption (including pandemic), market conditions, and loss of competitive advantage risks. See further details of the Group's principal risks on pages 54 to 60.

Structured budgeting and strategic planning process

Tyman's longer term prospects are assessed primarily through the Group's budgeting and strategic planning process. The annual Group budget is compiled in the autumn of each year and generates a detailed forecast for the year ahead. This is reviewed and approved by the Board. A strategic planning process is also conducted, covering the next three years on a rolling basis. This process includes a review of divisional strategic plans by the Tyman Executive Committee as well as cross-divisional initiatives. The Board participates in the process through attendance at a strategy day, at which Group and divisional management present strategic plans. The Board also receives monthly strategy updates from the Chief Executive Officer.

The output of the strategic plan includes a consolidated set of financial projections for the Group covering a period of the next three years, including a review of forecast debt covenant compliance and debt headroom. The strategic plan reviewed as part of the assessment of prospects in this report therefore covers the three-year period ending 31 December 2023.

Key assumptions

The key assumptions underpinning the 2021 to 2023 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 self-help and continuous improvement activities; and
- no 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 54 to 60 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 the impact of further lockdown restrictions associated with the COVID-19 pandemic, a severe deterioration in market conditions (which might include the impact of deterioration in global trading relationships), 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. The scenarios reflect deterioration against the base case.

Strategic plan flexed for combinations of the following scenarios	Link to principal risks and uncertainties	Level of severity tested	Conclusion
Further COVID-19 lockdowns or serious outbreak requiring facility closure Severe downturn in market conditions Aggressive competitor actions resulting in a loss of market share	Business interruption Market conditions Loss of competitive advantage	17% fall in revenue in year one followed by only inflationary growth in the following two years £8.0 million one-off exceptional cash cost in year one	This scenario reflects the equivalent of the downturn experienced in H1 2020 at the height of the pandemic persisting for the entire of 2021, with only nominal growth in the following two years. This is considered unlikely given current trading levels. Tyman, after undertaking reasonable mitigating actions, should be able to withstand the impact of this severe but plausible scenario.

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
Further COVID-19 lockdowns as well as more prolonged impact on economy Extreme downturn in market conditions Aggressive competitor actions resulting in extreme loss of market share	Business interruption Market conditions Loss of competitive advantage	33% fall in revenue in year one followed by further 5% 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 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. The models do not include significant structural actions, such as mothballing facilities or divesting assets. The models also do not consider changes to the Group's capital structure it may be able to make 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 2023.

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).

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 table below summarises where this information is included in the Annual report and Accounts:

Reporting requirement	Location
Environmental matters	Sustainability performance on pages 68 to 79
	Strategy on pages 20 to 30
Employees	Our people on pages 77 to 78
Human rights	Diversity and inclusion section on page 78
Anti-corruption and anti-bribery matters	Ethics and compliance on page 77
Social matters	Community investment on page 78
Business model	Business model on pages 14 to 15
Principal risks	Risk management on pages 54 to 60
Non-financial KPIs	Lost time incidents and greenhouse gas emissions on page 33

In accordance with the duties of Directors under section 172 of the Companies Act 2006, the Board considers a number of factors in its decision-making, including:

- the likely consequences of any decision in the long-term;
- the risks to the Group and its stakeholders;
- the interests and wellbeing of our people;
- the Group's relationships with its customers and suppliers;
- the importance of our reputation for high standards of business conduct; and
- the impact of our businesses on the environment and the communities where we are present.

Tyman engages extensively with its stakeholders at all levels of our business because we believe that the understanding of such stakeholders through engagement is vital to the Group's success.

Some examples of direct engagement by the Board include the Workforce Engagement NED's skip-level meetings with employees and their representatives; and conference calls with customers, suppliers or shareholders.

Engagement may also be indirect, such as through Board reports, employee surveys and feedback from investors through analysts.

All such engagement has provided invaluable input to the Board's discussions leading to decision making.

This year the Board has carefully considered the impact of the COVID-19 pandemic on all the stakeholder groups, but in particular its impact on the health and safety of our employees, their families and our communities.

This statement should be read in conjunction with: the Chair's statement on pages 34 to 35; the CEO review on pages 36 to 37; the Financial review on pages 46 to 53; the risk section on pages 54 to 60; the sustainability section on pages 68 to 79; and the Governance and Directors' reports on pages 83 to 88.

Employees

Why it is important to engage with this stakeholder group

We are proud of our committed employees and aim to make them proud of their employer because an engaged workforce is also a productive one and better able to attract and retain the best talent.

By understanding the broad spectrum of our employees' talents, ambitions, needs and concerns, we aim to foster diverse and inclusive workplaces in which every employee can attain their full potential and achieve job satisfaction.

How did Tyman engage in 2020?

- Employee surveys, including dedicated focus groups to support the development of the Group's purpose and values during 2020 (see pages 6 to 7)
- Training and development (e.g. Safety Leadership Programme, see pages 68 to 69)
- Skip-level meetings with the designated Workforce Engagement Non-executive Director, Pamela Bingham (see page 86)
- Skip-level meetings with the Group Chief Executive and divisional senior management
- Site visits by members of the Board (conducted physically and online)
- All-employee communications from the Group Chief Executive, including a video from the Executive Committee at the start of 2020, which was presented in hosted discussion forums, and periodic letters during the year (see page 78)
- Whistleblowing hotlines (see page 77)

Customers and End-users

Why it is important to engage with this stakeholder group
We want to continually deliver the best relevant products to our customers on time every time. Engaging with our customers enables us to better evaluate our past performances and to understand their current and future needs. Engagement also highlights opportunities for innovation and improvement to our products and processes.

By doing so, we aim to build enduring relationships with our customers and continually attract new ones.

How did Tyman engage in 2020?
- Ongoing management of customer relationships (see page 14)
- Participation in industry forums and events
- Meetings to discuss sustainability objectives (see page 20)
- Insight into the Group's customer and end-user base through regular Board updates, including the Group Strategy Day (see page 61).

Partners

Why it is important to engage with this stakeholder group
We engage with our suppliers to ensure that our values are not compromised as well as security of supply, value for money and speed to market. For these reasons, we establish lasting relationships with carefully selected high-quality suppliers who can ensure that our businesses continue to deliver sustainable market-leading products that meet or exceed our customers' expectations and requirements and are delivered on time in full.

How did Tyman engage in 2020?
- Ongoing management of supplier relationships (see pages 14 and 79)
- Insight into the Group's supplier base through regular Board updates, including the Group Strategy Day (see page 61).

Investors

Why it is important to engage with this stakeholder group

As a company that is premium-listed on the London Stock Exchange's Main Market, an issuer of private debt placement notes in the USA and a borrower of bank debt, we want to help our shareholders and lenders develop a strong understanding of how the Group's businesses are managed to generate sustainable returns and long-term success.

The support of our investors, and our ability to attract new ones, enables us to finance our growth activities and build a stronger Group.

How did Tyman engage in 2020?

- Meetings and other communications with current and potential shareholders (see page 87)
- Meetings and other communications with current and potential lenders (see page 49)
- Meetings with analysts and brokers' sales teams (see page 87)
- Addressing enquiries from institutional and retail investors
- The 2020 AGM and 2019 Annual report and Accounts
- Regulatory announcements (see page 87)
- Corporate website

Society

Why it is important to engage with this stakeholder group

We want to be a good employer and responsible neighbour in the communities in which we operate. We aim to create positive outcomes through our involvement in society.

By caring for our communities and environment, our businesses will be better placed to deliver long-term success.

We aim to be a responsible corporate citizen in each country that we operate by seeking its success.

We constructively engage with industry bodies to share our expertise and help shape new regulations and standards in security and insulation.

How did Tyman engage in 2020?

- Engagement with authorities on repayment of state aid (see page 95)
- Membership of trade associations and industry bodies

Transforming 'Le Grenier des Arts'

Le Grenier des Arts is a media library in Magnanville, France. It has been named in honour of the Grenier family, the last family to have lived in this elegant 18th century building. The desire was to sympathetically extend the old stone-built family house with two new glass structures, combining the new cultural vocation of the house with its family past.

It was important for the modern extension to subtly complement the historic stone building, and this was achieved by using a 417 m^2 glass façade that blended in to the surrounding park.

Minimal-sightline aluminium profiles were used for the all-glass façade, and requirements including wide emergency exits and European thermal regulations had to be addressed. This required window hardware that would provide excellent performance in a tight space.

Profils Systèmes, one of the foremost system houses in France, was appointed to supply and install the glass structures of the library. Giesse has collaborated with Profils Systèmes since 2013 on such projects, with the relationship strengthening as the market trend for minimal hardware and handles has grown. Giesse CHIC concealed hinges and NP Ultra minimal handles are designed to address this trend.

Giesse developed an exclusive NP Ultra handle variant for the project and this enabled Profils Systèmes to use their aluminium top-hung windows, which offer a very high degree of light input, while also providing high performance even with minimal profiles. This achieved the objective of a modern design and standards, while being sympathetic to the history of the building.

> "The objective was to create a peaceful, light-filled place for users, connected to the natural surroundings. The two glass extensions meet these objectives. The interior is flooded with light. Each of the rooms enjoys a 360° view, that was a specific feature of this project. There's a direct connection, a constant play, between interior and exterior. When you look at it from the outside there's a continuity across all the facades: the big glass-covered facades rise elegantly, with very little aluminium joinery in view."

Pierre Duhan
Architect
Axis Architecture

Sustainability performance

Sustainable operations

22%

reduction in lost time incident frequency rate vs 2019

Targets have been established for GHG emissions, water and waste

Safety excellence

Safety is our **first** language. It is a focus at every level of the Group from the Board and Executive Committee to divisional leadership teams, site management and individual teams. Local management is responsible for health and safety performance with oversight provided by dedicated Health, Safety and Sustainability (HSS) leads in place in each division.

All our businesses have health and safety management systems in place to identify, control and take action on risks in the workplace, alongside training, audits and local management reviews. Where considered appropriate for their particular markets, our businesses also seek external certification to international health and safety standards. Three plants in the UK (Harrogate, Henlow and Newton Aycliffe) are certified to ISO 45001.

During the year, the Group focused on four areas to help build a common culture of safety excellence across its operations:

- Greater attention on leading indicators of performance such as hi-potential near miss incidents and safety leadership tours (see table opposite) in addition to increased rigour injected into root cause analysis for incident investigation and higher levels of focus on the risk control hierarchy.
- Engaged all our people under the banner of *safety is our **first** language* through a structured programme of video, golden rules, focus groups, CEO all-employee communications and a common suite of communications materials.
- Deployed new group-wide safety standards for Lock-Out Tag-Out, electrical safety and machinery safety (with more to follow in 2021 including working at height and manual handling).
- Launched a two-day safety leadership programme to shift mindsets towards a behavioural approach to safety excellence.

Tyman health and safety management system

Board of Directors

Chief Executive Officer

Overall accountability for health and safety performance across the Group

Divisional CEOs report performance monthly to Tyman CEO at BPR meetings

Executive Committee

- CEO accountability discharged to local management through the Executive Committee
- Divisional CEOs regularly review performance and effectiveness of arrangements

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

Local Management

- Responsible for health and safety performance
- Adherence to Group and divisional health and safety policies, standards, reporting requirements
- Compliance with health and safety regulations

Health and safety management systems provide feedback to local management on effectiveness of health and safety arrangements

Health and Safety Management Systems

- Health and safety committees
- Identify, assess and take action to control risks, including safe working practices
- Employee training & engagement
- Audit and management review

Group HSS Director

- Reports to the CEO
- Works with the ExCo, senior leaders and divisional HSS managers to drive health and safety performance
- Develop group-wide programmes and strategies

Group HSS Forum

- Monthly review chaired by Group HSS Director with divisional HSS leads
- Health and safety performance
- Share incident learnings and track corrective actions
- Develop and deploy best practice

Full roll out of our safety leadership programme was delayed by the COVID-19 pandemic. By year end 192 senior leaders, managers, supervisors and team leaders completed the course and we expect deployment of the programme to be complete by the end of Q1 2021. This leadership programme has been well received by participants and has contributed to a more cohesive and accountable culture across the Group with its focus on coaching, employee engagement and mindful leadership.

Safety Performance – Leading and Lagging Indicators (employees/agency)

Metric	Targets	**2020**	2019	2018	2017	2016
Lost Time Incident Frequency Rate (LTIFR)	<1.0 by 2022	**3.12**[1]	4.00	4.81	6.15	5.85
Total Recordable Incident Rate (TRIR)	<3.0 by 2026	**7.45**[2]	7.56	n/a	n/a	n/a
Number of fatalities		**0**	0	0	0	0
Number of serious incidents[3]	zero	**1**	4	n/a	n/a	n/a
Number of lost time incidents		**23**	34	44	49	44
Number of Hi-potential near miss incidents[4]		**24**	21	n/a	n/a	n/a
Number of safety improvement opportunities (unsafe act/condition)		**7,384**	10,065	9,756	7,994	7,998
Number of safety leadership tours		**1,635**	1,363	n/a	n/a	n/a
Hours worked (employee/agency)		**7,377,696**[5]	8,598,679	9,141,132	7,962,376	7,527,146

1. Lost Time Incident Frequency Rate per 1 million hours worked (incidents resulting in one or more days away from work, excluding the day of the incident) including 12 COVID-19 cases resulting from workplace transmission at one location in a North American community hotspot. All 12 employees testing positive for COVID-19 following workplace transmission have returned to work following completion of self-isolation. The 2020 LTIFR excluding COVID-19 cases for a like-for-like comparison to previous years is 1.49.
2. Total Recordable Incident Rate for all work-related injuries or illnesses to employees (incl. agency staff) that causes fatality, unconsciousness, lost workdays, restricted work activity, job transfer or medical care beyond first aid, per 1 million hours worked. Includes 12 COVID-19 workplace transmission cases. The 2020 TRIR excluding COVID-19 cases for a like-for-like comparison to 2019 is 5.83.
3. Serious incidents are those deemed life threatening or life changing due to their severity
4. Hi-potential (HiPo) incidents did not cause serious injury but could have done under different circumstances.
5. Revised definition excluding all types of absence such as holiday, furlough and other non-working time.

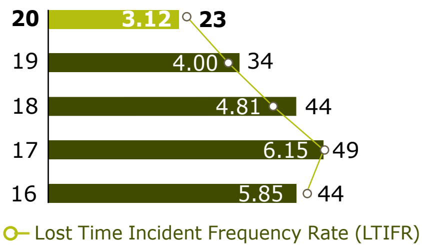
Lessons learned from HiPo and other incidents are shared across the Group and where appropriate Group safety alerts issued and corrective actions tracked to closure. Our safety KPIs are all trending positively, with the exception of safety improvement opportunities. Factory closures and social distancing restrictions due to COVID-19 reduced the number of safety improvement opportunities typically identified through direct engagement with employees, resulting in a drop in 2020 to 7,384 (2019: 10,065).

The Group is pleased to report continued improvement in its core safety metric, the LTIFR, with a 22% reduction in 2020 to 3.12 (2019: 4.0) and a 32% reduction in absolute terms to 23 lost time incidents (2019: 34). Zero recordable incidents/fatalities were reported during the year involving contractors and visitors working at our sites.

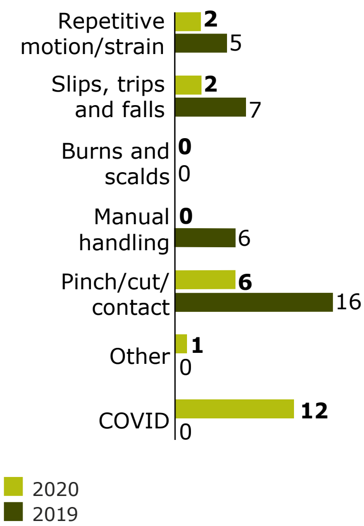
Despite this progress, the Group is disappointed to report one serious injury in 2020 (2019: four). This injury took place in our plant in Owatonna, where the flesh part of an employee's finger was severed in a machinery incident. Corrective and preventative action has been put in place, including a group-wide machinery safety standard.

Health surveillance programmes are in place across the Group for routine exposures such as noise and airborne dust/fume from painting and welding. No occupational health exposures resulted in lost time during the year (2019: zero).

Lost time incidents



Lost time incidents by cause 2020 vs 2019



Automated temperature checks based on facial recognition are used to control entry in our Wolverhampton site

Perspex screens between operators to mitigate social distancing challenges in Budrio

COVID-19

In January 2020, the Group established a global cross-functional COVID-19 crisis team to prepare for the pandemic as it started to pick up momentum in China. Business continuity arrangements were activated when the flow of components from China were disrupted and mitigation plans were also deployed to make our facilities around the world COVID-19 secure. Experience gained from dealing with the pandemic in China and then Italy was invaluable in helping the plants in the UK and North America make their preparations. COVID-19 protocols were continually updated in light of experience and guidance from local health authorities and the World Health Organisation.

Controls were established around business travel and visitor access to our sites. Strict hand and respiratory hygiene protocols, workstation cleaning and social distancing measures were deployed. Changes were made to shift patterns and factory layouts, plastic screens installed where social distancing was impractical, canteen arrangements adapted and office-based employees worked from home. Temperature monitoring, testing and audit regimes were also put in place, as well as employee communication campaigns to encourage the right behaviours outside of work as well as inside.

Wellbeing

The COVID-19 pandemic has heightened societal awareness of mental health and wellbeing. We continue to run mental health awareness courses for our managers to improve the early identification and management of mental health concerns. In 2020, six volunteers received training to become Tyman UK's first mental health first aiders. A major research study into mental health and wellbeing was completed by our operations in Italy in partnership with the University of Padua. Focus groups representing 44% of the combined workforce in our Agnosine and Budrio plants were held to understand personal beliefs, organisational culture and barriers to improved mental health and wellbeing. Improvements identified included raising awareness of the workforce as a whole, equipping our leaders with the skills to better manage mental health and well-being issues, increasing opportunities for personal development and enhancing interdepartmental planning and collaboration.

Environment

Our businesses have policies and programmes in place for managing the environment, including compliance with local regulations. These policies and management systems cover areas such as the use of materials, including the principles of reduce, re-use and recycle and ongoing energy and water efficiency programmes. These measures help improve production efficiencies, deliver compliance with legal obligations, reduce costs and minimise our environmental impacts.

Where considered appropriate for their particular markets, our businesses also seek external certification to international environmental standards. Eight locations in the UK and Italy have environmental management systems in place that are externally certified to the ISO 14001 international standard, representing 22% of the Group's revenue (2019: 21%). We believe our approach to a more sustainable future is best served through the targets and ambitions set out in our sustainability roadmap (see pages 20 to 29) rather than extending the procedural elements of ISO 14001 to other locations.

Energy and greenhouse gas emissions

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 in line with 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.

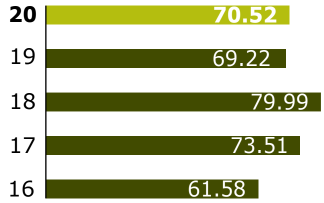
Energy and GHG emissions

Scope 1 and 2	2026 Target	**2020**	2019	2018	2017	2016
Scope 1[1] direct emissions TCO_2e		**11,605**	12,481[5]	13,988	12,046	12,115
Scope 2[2] indirect emissions TCO_2e		**28,790**	30,002[5]	33,327	26,376	16,064
Total Scope 1 & 2 emissions TCO_2e		**40,395**	42,483	47,315	38,423	28,179
Intensity ratio (Scope 1 & 2) TCO2e per £m revenue	*34.61*	***70.52***	*69.22*	*79.99*	*73.51*	*61.58*
Global energy consumption used to calculate above emissions kWh[3]		**126,633,405**				
Scope 3						
Employee business travel (flights) TCO_2e		**228**	1,163			
Water use TCO_2e		**493**	544			
Purchased raw materials TCO_2e		**187,560**	n/a			
Total Scope 3[4] emissions TCO_2e		**188,281**	1,707	–	–	–

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. Required by the UK Government's Streamlined Energy and Carbon Reporting (SECR) using DEFRA conversion factors for natural gas and combustion of fuel for heating and process use, electricity consumption and transport fuel (from quantities consumed) across our global operations.
4. Estimate based on emissions associated with employee business travel (flights) and consumption of water from 2019 onwards and major purchased raw materials from 2020 (aluminium, zinc, steel and polypropylene).
5. Restated with updated data.

Lockdowns in response to the COVID-19 pandemic in many of our markets in Q2 impacted our operations and reduced our absolute emissions associated with our consumption of energy and business travel, with flights and vehicle use significantly down. A number of smaller facilities were also closed part way through the year in Australia, China and the US (Fremont). Our Scope 1 and 2 emissions in TCO_2e per £m revenue increased by 1% in 2020 to 70.52 (2019: 69.22), with reduced sales over the year impacting the Group's performance against this intensity measure.

Scope 1 and 2 GHG emissions TCO_2e / £m revenue



A number of energy saving projects were introduced during the year, including:

- LED lighting upgrades in Agnosine (Italy), Athens, Barcelona, Dubai, Mexico, Henlow and Newton Aycliffe in the UK and Owatonna in the US.
- Compressed air system upgrade in Statesville.
- New more efficient fluidisation furnace reducing natural gas consumption in Monterrey.
- Expanded use of video conferencing in preference to business travel.

For the first time we have estimated the Scope 3 emissions arising from purchasing our four main raw materials (aluminium, steel, zinc and polypropylene). While only an initial estimate, these materials accounted for more than 80% of our overall calculated Scope 1-3 footprint. We will improve the quality of this data as part of our commitment to developing a Science Based Target for all three scopes. See page 23 for further details of our plans to reduce our use of energy and GHG emissions.

Climate risks and opportunities

As part of the Group's preparations for new disclosure requirements for UK listed companies under the Task Force for Climate-related Financial Disclosures (TCFD), we completed an initial assessment of climate-related financial risks and opportunities (see table below). The Group will benefit from the decarbonisation of the built environment with more energy efficient windows and doors being part of the solution. Areas of risk that need to be explored further include the potential disruption of our supply chains due to climate change, impacts on material costs and availability over the long-term. During 2021, more detailed preparations will be made to ensure we can report more fully on the TCFD requirements.

Transition risks

Policy and legal

- Low risk (carbon pricing, litigation, product regulation)
- The Group is not subject to carbon emissions trading schemes such as the EU Emissions Trading Scheme
- TCFD will require additional disclosures in 2022

Technology

- Investment is needed to deploy low carbon technologies, renewables and energy efficiency measures to achieve the Group's carbon reduction targets
- Investment may also be needed to research alternative lower carbon materials

Market

- In the medium to long-term, OEMs are likely to source lower carbon components to reduce the embodied carbon in the manufacture of windows and doors
- Material costs could also increase as primary producers of metals and polymers are subject to carbon pricing increases
- Freight costs may also increase

Reputation

- Increasing investor expectations for credible carbon reduction plans are now reflected in the Group's sustainability roadmap
- Risk of stigmatisation of the sector considered low given that windows and doors are part of the solution to combatting climate change

Physical risks

Acute (event driven)

- Current impact of extreme weather events on own operations is limited
- Assessment required to determine the potential for disruption to Group's supply chains from extreme weather events

Chronic (longer-term shift in climate patterns)

- Own locations not vulnerable to sea level rise
- Assessment needed against other flooding risks impacting the Group's operations
- Water availability may be an issue in the long-term in some locations (e.g. Mexico). Water stress mapping to be undertaken (sustainability roadmap)
- Asia will experience significant changes in climate (e.g. typhoons in China and extreme heat in India) which could disrupt our supply chains. Further assessment of this risk to be undertaken

Opportunities

Resource efficiency

- Improved resource efficiency in production and distribution, through recycling of waste and reduction in water usage will lower costs
- The Group has established reduction targets for Scope 1 and 2 emissions (see pages 23 and 71), water use and waste (see page 76)

Energy sources

- With over 70% of our operational footprint derived from our use of electricity we can benefit from green procurement tariffs and the deployment of on-site renewable energy technologies, where available
- These measures will improve the Group's resilience to increases in fossil fuel prices

Products and services

- The Group is well placed to benefit from the low carbon transition through increased demand for existing products for windows and doors, together with innovation opportunities to build on existing energy saving products such as seals and thermally insulated roof hatches
- With the Group's sustainability roadmap driving product innovation, we may be able to increase access to investment capital, including ESG and impact funds

The Task Force for Climate-related Financial Disclosures (TCFD)

The Group welcomes the introduction of the TCFD recommendations with its focus on understanding the implications of a changing climate on business. During the year we have raised awareness of the climate-related risks and opportunities across our senior leadership population, completed an initial assessment of these risks and opportunities and established targets to reduce the greenhouse gas emissions associated with our operations. Work will continue over the coming year to report more fully against the TCFD framework.

Disclosure	Commentary
Governance	
a. Describe the Board's oversight of climate-related risks and opportunities.	• The CEO is the main Board member with overall accountability for sustainability matters, including climate-related risks and opportunities. • The Board is responsible for approving the Group's sustainability roadmap and approach for managing climate-related risks and opportunities. They have oversight of the roadmap execution including progress towards its targets.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	• The day-to-day operational control of climate-related risk is delegated to the Executive Committee with guidance provided by the Group Health, Safety and Sustainability Director, reporting to the CEO. • Work commenced during the year on engaging the divisional senior leadership teams on the implications of climate-related risks and opportunities and the development of action plans to mitigate our impacts and build on the opportunities available.
Strategy	
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	• See page 73. Areas of risk that need to be explored further include potential disruption to our supply chains due to climate change over the medium term (5+ years), impacts to material and energy costs, and availability over the medium to long term (5-10+ years). • Decarbonisation and net zero goals will drive increased demand for more energy efficient windows and doors in both new build and retrofit, as well as increased demand for energy saving seals, thermally insulated roof hatches and adaptation solutions such as extreme weather protection products.
b. Describe the impact of climate-related risk and opportunities on the organisation's businesses, strategy, and financial planning.	• Further work will be undertaken in 2021 to build a deeper understanding of how a changing climate will impact our operations, supply chain, financial planning and future product revenues.
c. Describe the resilience of the organisation's strategy taking into consideration different climate related scenarios including a 2°C or lower scenario.	• Work on climate-related scenarios will begin in 2021.
Risk Management	
a. Describe the organisation's processes for identifying and assessing climate-related risks.	• The Board has overall responsibility for risk management and delegates oversight to the Audit and Risk Committee. Climate change was identified as a risk priority through our established risk management process (see page 56). • An initial assessment of climate-related financial risks and opportunities against the TCFD framework was undertaken by the Group Health, Safety and Sustainability Director in 2020 (see page 73), and action plans will be further developed during 2021.
b. Describe the organisation's processes for managing climate-related risks.	• Business continuity plans are in place to respond to extreme weather events impacting our operational portfolio and supply chains.
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	• Each division maintains risk registers for a range of strategic, financial, operational and compliance risks including those relating to business and supply chain disruption. • These risk processes will be further strengthened in 2021 through a deeper assessment of a broader set of climate-related risks under the TCFD framework.

Disclosure	Commentary
Metrics and targets	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• The Group reports on a range of consumption and intensity metrics relating to energy, carbon, water and waste on pages 71 and 76. • Our climate-related metrics cover Scope 1, 2 and selected Scope 3 emissions in metric tonnes (CO_2e) together with an intensity metric based on TCO_2e per £m revenue for Scope 1 and 2 emissions. • In anticipation of the importance of our upstream impacts in our overall footprint, we have started to collect embodied carbon and recycled content data for major raw materials (metal and polymer) to lay the foundations for a more circular approach to resource usage going forward.
b. Disclose Scope 1, 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	• Scope 1,2 and selected Scope 3 GHG emissions are reported on page 71.
c. Describe the targets used by the organisation to manage climate-related financial risks and opportunities and performance against targets.	• The Group has established targets for our own greenhouse gas emissions as part of our sustainability roadmap (see page 20). These include a 50% reduction in Scope 1 and 2 emissions per £m revenue by 2026 and carbon neutrality for our own operations by 2030 (Scope 1 and 2 emissions). • We will develop a Science Based Target for the Group in 2022, extending our ambitions to Scope 3 emissions across the value chain. • The Group has also set targets to increase its revenues of products that positively contribute to the UN SDGs with year-on-year improvement from a 17% baseline in 2020, including products that directly contribute to energy efficiency and adaptation solutions as part of a growing green economy (see pages 28 and 79).

Water stewardship

The Group's consumption of water decreased by 2% in 2020 to 818m³ per £m revenue (2019: 836m³). Water use in our manufacturing operations is dominated by our Owatonna plant (77% of the Group's 2019 total) where it is used to cool die-cast zinc components. Significant reductions are anticipated from 2021 as the full impact of a new water recovery and closed-loop cooling system installed at the plant in December 2020 take effect.

Water sources	2022 Target	2020	2019	2018	2017	2016
Municipal authorities (m^3)		**450,956**	493,369	510,973	464,570	451,935
Ground water (m^3)[1]		**17,426**	19,965	14,985	n/a	n/a
Total water usage (m^3)		**468,382**	513,334[2]	525,958	464,570	451,935
Water use m^3 per £m revenue	502	**818**	836	889	889	988

1. Two plants (Mexico and Brazil)
2. Restated

Plans will be developed going forward to conduct a water stress mapping exercise for the Group's global operations to help prioritise where future water reduction efforts should be directed.

Waste management

The Group generated 6,990 tonnes of waste in 2020, of which 36% was sent to landfill (2019: 36%) and 64% was recycled/recovered (2019: 64%). This is the second year that the Group has reported its waste arisings and effort was focused on improving the quality of our data and setting a zero waste to landfill target for 2026. Hazardous waste represents a relatively small proportion of the total (8%) comprising materials such as lead contaminated dust from window renovation, oil contaminated rags, cutting fluids, chemicals and fluorescent light tubes.

	2026 Target	2020	2019[1]
Tonnes non-hazardous waste to landfill		**2,091**	2,301
Tonnes hazardous waste to landfill		**413**	432
Tonnes non-hazardous diverted from landfill (recycling, incineration, composting etc)		**4,331**	4,744
Tonnes hazardous diverted from landfill (recycling, incineration)		**155**	148
Tonnes total waste arising		**6,990**	7,625
% total waste to landfill	Zero	**36**	36
Intensity ratio: total waste (non-hazardous and hazardous) Tonne per £m revenue		**12.20**	12.42

1. Data restated following improvements to data quality.

Sustainable culture

We are committed to inspiring, growing and investing in our people, building an ethically-led and high-performing business culture.

Ethics and compliance

The Group believes that high standards of business ethics make excellent business sense and are integral to the development of the Group's culture and its future growth. We seek to maintain a reputation for fairness in all our business dealings, and our relationships with authorities, regulators and our workforce so the Group's Code of Conduct underpins all that we do. Each division is expected to maintain high standards of integrity in all their business dealings.

Over the year, and closely aligned with the Group's purpose and values work, the Group took steps to further strengthen its cultural cohesion by preparing a comprehensive and robust business integrity and ethics programme for launch in 2021. This programme covers activities that will educate, examine and enforce ethical behaviours throughout the Group. Its design was overseen by the Group's first General Counsel & Company Secretary, who joined the Company at the end of March.

At the heart of the business integrity and ethics programme is a new Code of Business Ethics, which will replace the existing Code of Conduct. To ensure that the new Code builds on the existing cultural strengths of the divisions, it has been drafted with the support of the Ethics Steering Group – a geographically and culturally diverse cross-functional team drawn from across the divisions – and has been shaped by input from group-wide employee focus groups at the Group's Global Leadership Conference in June 2020.

The Code's drafting process has generated a strong sense of shared ownership across the divisions and, together with the detailed training on the Code, the Group's new cross divisional network of 'Integrity Champions' and the development or refinement of divisional policies, will provide a strong framework for how we do business and empower our colleagues to excel in their work. All of the Group's employees shall be required to sign up to the new Code after the completion of their training.

Speak up

The Board is advised by the General Counsel & Company Secretary in exercising its oversight over the development, implementation and effectiveness of the Code in relation to ethical behaviour.

The Group sees the freedom to raise concerns as a core component of a high-performing, sustainable and ethical business culture where employees are confident that they will be supported to 'do the right thing'. Therefore, in line with established best practice, the Group continues to operate confidential whistleblowing helplines through external operators, which are available to all employees and our business partners. Thirteen 'Speaking up' reports were raised in 2020 (2019: 27). Each allegation was independently investigated, and the findings of each investigation and any corrective action taken are reported to the Board.

Our people

Training and development

Training and development programmes across the Group prioritised health protection measures during the COVID-19 pandemic, on-going safety compliance training and the deployment of the Group's safety leadership programme (see pages 68 to 69). The number of hours of COVID-19 and other safety-related training recorded during the year was 23,656 (2019: 7,850). Talent assessment training was also rolled out to all our facilities in North America to prepare the way for succession planning. In support of the Group's values and growing our talent, a talent excellence roadmap will be developed in 2021.

The pandemic also impacted our apprenticeship programmes, suspending those in place in Brazil and delaying the introduction of new programmes in Italy and the UK. Apprenticeship programmes will be resumed in Budrio and Newton Aycliffe in 2021 to complement those on-going at Wolverhampton and Ware in the UK and at a number of plants in the US.

Diversity and inclusion

To support our growth, we draw on the skills, experiences and insights of a diverse workforce. 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 complies with relevant local legislation and accepted employment practices.

As at 31 December 2020, the Board had female representation of 50% (2019: 50%). Female representation at senior management level across the Group was 30% with 54 managers (2019: 30%). Across the global workforce, 1,683 workers were female, representing 41% of our total headcount (2019: 39%).

Employee engagement

All locations carry out communications programmes to engage their employees around important topics including expected behaviours and business updates. Traditional employee communication methods include town hall meetings, team briefings, noticeboards, training sessions, newsletters, Works Council meetings, employee engagement focus groups, skip-level meetings and employee recognition events.

The COVID-19 pandemic accelerated a re-think on how we communicate across the Group and like many companies, we moved a lot of engagement online through video conferencing and webinars, including the Group's senior leadership conference, safety leadership programme and focus groups to develop the Group's purpose and values. Video messages were a particularly effective way of staying connected with a disperse workforce including those working from home.

We started the year with the Group's first CEO-led video message, introducing employees to the Executive Committee and through the 'Your Voice Matters' campaign encouraged them to share their thoughts on what was good about working at the company and where we could improve. This was followed up later in the year with two separate values surveys (before and after the first lockdowns), where all employees were asked what type of company they wanted to work for and how this should be reflected in the behaviours that will guide the Group's purpose. In the first survey, we had a response rate of 77% and received a Net Promoter Score of +16 (measured -100 to +100). In the second survey, we asked employees how we were doing in controlling the spread of the virus. Our response rate was 66% and 84% of respondents agreed that the company has put the right measures in place to protect our people.

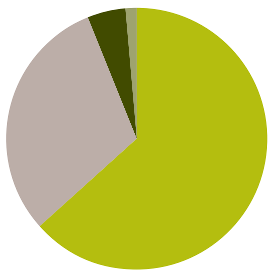
Pamela Bingham, in her role as Non-executive Director and Board member responsible for employee engagement, continued meeting employees at all levels in the business to understand local challenges, identify best practices and promote a direct link to the board. Nine virtual meetings were held during the year with cross functional representatives from sites in Italy, the UK and the US (2019: nine).

28% of our employees belong to a recognised trade union (2019: 24% restated). In addition to trade union representation, a number of Works Councils exist where required by legislation, together with other employee consultation groups including safety committees. The Group continues to have positive and constructive relationships with our trade unions that collectively represent our employees. This was brought into focus during constructive consultation in developing COVID-19 controls in our Italian plants.

Our communities

The management of community programmes is undertaken locally, with each business focusing on those causes and relationships important to them. Examples have included donations to food banks and educational supplies to schools, fundraising for emergency relief, medical research, work placements for the unemployed and contributions to other charitable organisations. The COVID-19 pandemic impacted our fundraising efforts during the year, reducing the Group's total community investment to £68,384 (2019: £74,640).

Community Investment 2020: £68,384



- Company cash donation to charity **£43,367**
- Employee cash donation to charity **£20,930**
- Value of staff time volunteered in company hours **£3,203**
- In-kind contributions to local communities **£884**

Sustainable solutions

We estimate that

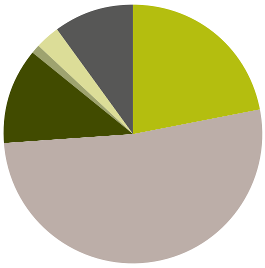
17%

of 2020 revenues positively contribute to the UN SDGs

Developing more sustainable products will contribute to business growth

In 2020, we estimate that 17% of the Group's revenues were through more sustainable products and services. Going forward, we have set ourselves the ambition of increasing year-on-year our revenues from products that have demonstrable sustainability benefits versus one or more of the UN SDGs. See page 28 for further detail on how we break down our product contribution against the goals.

2020 Sustainable Product Revenues (£98m)



- Crime reduction **22%**
- Energy saving **52%**
- Fire protection **12%**
- Hurricane protection **1%**
- Inclusive living **3%**
- Health and safety protection **10%**

Reducing crime to makes cities, safer, resilient and sustainable

Anti-social and criminal behaviour is a concern for many residents living on community housing estates. Our high security locks and other security products fitted to windows and doors meet high performance standards recognised by the Secured by Design (SBD) national police crime reduction initiative in the UK and are proven to reduce neighbourhood crime rates. A study of 1,520 properties on two Nottingham City Homes estates in 2010 and 2012-13 showed that SBD accredited windows reduced burglaries by 58% over a two-year period following the installation of replacement windows with high security locks versus pre-installation. This reduction in crime was achieved despite a slight rise in burglaries in non-Nottingham City Homes properties on the same estates that did not have their windows replaced.

Q-Lon seals reduce energy losses from windows and doors

Seals minimise the energy loss through the gap between the window/door and the frame. Independent tests of Q-Lon (to EN12667:2001), demonstrate that this seal has a lower thermal conductivity than standard seal types and combined with its long-life, provides the optimum level of energy saving in a window or door. The thermal conductivity (U-value) of Q-Lon is 0.04 W/m2K versus a standard EPDM seal at 0.25 W/m2K, making it a better insulation product. The lower the value, the less heat is lost through the seal leading to lower CO_2 emissions from less wasted energy.

Hurricane protection products help communities adapt to climate change

Our Type S and NB steel and aluminium roof hatches are specifically designed and tested to withstand the most severe weather conditions, including hurricanes, typhoons and high winds. These products are required to withstand a sequence of demanding laboratory tests to gain Miami-Dade County's Notice of Acceptance (NOA). Tests include a uniform static air pressure test per TAS 202, the TAS 201 impact test, and the TAS 203 wind-pressure loading test.

The Group has commenced work to develop more sustainable packaging solutions through optimisation to reduce the amount of packaging used, moving to more sustainable/renewable/fully recyclable packaging and avoiding single use plastic packaging where possible. Where single use plastic is unavoidable we will look to source plastics with the highest levels of recycled content and which can be recycled or composted via arrangements that are widely available.

Following a successful trial in 2020, our Access360 business has eliminated the use of polystyrene packaging inserts by switching to a starch-impregnated cardboard alternative. Polystyrene is not only environmentally problematic, it is extremely flammable and costly versus the new solution. Our Zoo hardware distribution business has also eliminated the use of plastic bubble wrap by shredding cardboard waste on site and re-using it as filler. This has reduced cardboard recycling and bubble wrap costs by £10,000 per annum.

Product integrity

The Group values its relationships with its customers and suppliers and seeks honesty and fairness in all its dealings with them. The Group aims to supply and procure goods and services efficiently, in accordance with specifications and compliance with applicable regulations, without compromising quality and performance. To achieve such aims, the Group welcomes transparent dialogue with its customers and suppliers in respect of any quality or performance issues.

Each division is responsible for negotiating the terms and conditions of trade with its suppliers. We require all our suppliers to adhere to our Code of Conduct or a comparable set of principles of business conduct and we reserve the right to terminate a business relationship and take appropriate action against any supplier that breaches any part of our code.

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. For example, 94% of our revenues are derived from facilities with ISO 9000 certification for quality (2019: 74%).

The Strategic Report has been approved by the Board and signed on its behalf by

Peter Ho
General Counsel & Company Secretary

4 March 2021

Nicky Hartery
Non-executive Chairman

N R

Appointment to the Board
Nicky Hartery was appointed to the Board as a Non-executive Director on 1 October 2020 and as Chair of the Board and Chair of the Nominations Committee on 1 December 2020.

Skills and qualifications
Nicky is a Chartered Engineer with an electrical engineering degree from University College Cork and an MBA from the University of Galway. He has extensive operational and general management experience gained in international manufacturing companies, which he later leveraged to setup a Lean Six Sigma business transformation consultancy, Prodigium. He has strong experience of North American markets, both as an Executive and Non-executive Director.

Relevant past experience
From 2012 to 2019, Nicky was the Chair of CRH plc, the global building materials FTSE 100 company, and has also been a Non-executive Director of Eircom Ltd. Nicky spent his executive career at General Electric, Verbatim / Eastman Kodak and Dell Inc, including being based in the US for ten years.

External appointments
Nicky is currently Chair of the Musgrave Group, a Non-executive Director of Finning International Inc and Chair of Horse Racing Ireland.

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 & 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.

Committee membership key

A Audit and Risk Committee
N Nominations Committee
R Remuneration Committee
Committee chair

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 practised 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
Pamela is currently Managing Director, Infrastructure Products Group, Europe & Australia, at CRH.

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 and Risk 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
Helen is Chair of the Imperial Tobacco Pension Fund.

Paul Withers
Non-executive Director

A N R

Appointment to the Board
Paul Withers was appointed to the Board as a Non-executive Director in February 2020 and as Chair of the Remuneration Committee and Senior Independent Director from April 2020.

Skills and qualifications
Paul qualified as a Mechanical Engineer, is a Sloan Fellow of the London Business School and holds a DPhil in 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, Hyder Consulting plc and Keller Group plc, and he was Senior Independent Director and Chair of the Remuneration Committee for Devro plc.

External appointments
None.

Nicky Hartery
Non-Executive Chair

Continuing to promote long-term and sustainable success

Dear Shareholder

I am delighted to present the Group's Corporate Governance Report for the financial year ended 31 December 2020. This is my first report since succeeding Martin Towers as the Chair of Tyman's Board on 1 December 2020.

The aim of this report is to explain Tyman's governance framework and how it was applied on a day-to-day basis in the year under review, with particular emphasis on how we have applied the 2018 UK Corporate Governance Code (the Code). 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 Audit and Risk Committee report, Nominations Committee report and Remuneration Committee report.

Areas of focus for the Board

The Board values good corporate governance and recognises the important role that it plays in supporting our long-term success and sustainability.

In 2020, the Board's focus has been on safeguarding our colleagues and communities and servicing our customers during the pandemic. The Board quickly embraced the move to online meetings and met more frequently than originally scheduled to enable quick review and response to the developing situation.

In spite of the pandemic, over the course of 2020, the Board has also overseen the continued strengthening of the Group and the progression of its strategic growth initiatives. In the year, this was focused on fostering a cohesive Group culture to underpin a federated operating model and included the steps taken to frame and launch the Group's purpose and values, 'Business Integrity & Ethics Programme' and 'Sustainability Roadmap' in 2021.

Directors of the Board had over a hundred meetings with the Company's shareholders and lenders to gain a better understanding of their concerns, including their sustainability objectives and priorities. Through such meetings, we were able to incorporate material sustainability topics into the Group's 'Sustainability Roadmap', which can be found on pages 20 to 29.

Engagement with stakeholders

During my induction into the business, I was pleased to find that Tyman's strong governance framework incorporates the consideration of its stakeholders' needs while supporting its federated operating structure. The Group's strong corporate culture enabled Senior Management to adapt quickly to steer the Group through the evolving challenges of the pandemic.

For example, throughout the crisis, the Board received regular reports of the Group's financial performance and scenario modelling as well as reports of the health and safety measures that were decisively implemented to safeguard our employees, their families and local communities. The satisfaction of the Group's employees with the measures taken was affirmed through reports to the Board, surveys and the Workforce Engagement NED, Pamela Bingham.

We know that our AGM provides our shareholders with another valuable opportunity to engage with us. Last year, we were disappointed that we had to restrict attendance at our AGM because of the movement restrictions in force and our articles of association did not allow us to organise a virtual AGM under English law. However, we will be able to organise a 'hybrid' AGM under our new articles of association, which our shareholders approved last year. Under this format, all shareholders will be able to vote and submit questions electronically in advance and join the AGM online to hear from me, ask questions of the Board and vote on our resolutions. Information on how to participate digitally, both in advance and on the day, can be found in the Notice of the Company's AGM. We look forward to your participation at the AGM.

Thank you for your support.

Nicky Hartery
Non-executive Chair

4 March 2021

The Board

UK Corporate Governance Code

As a company that is premium-listed on the London Stock Exchange, Tyman is required to explain how it has applied the main principles of the 2018 UK Corporate Governance Code (the Code), which is available at www.frc.org.uk, and the Code's provisions throughout the financial year.

For the year ended 31 December 2020, and up to the date of this report, the Company has applied the main principles of the Code and has complied with all the relevant provisions set out in the Code throughout the period under review, except in relation to the mis-alignment of the Chief Executive's pension payments with the wider workforce, which is being addressed through the proposed changes to the Chief Executive's remuneration, see page 102. 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.

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. The Board also ensures that there is an effective system of controls to safeguard the Group'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: overseeing the Group's values and standards; approval of the Group's strategic plan; 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 Group's key stakeholders. This includes the need to foster the Group's business relationships with its employees, customers, investors and societies in the countries that the Group operates. The Board keeps engagement mechanisms under review so that they remain effective.

The Directors take their duties under section 172 of the Companies Act 2006 very seriously and consider that they have acted in the way they consider, in good faith, would 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 section 172 (1) (a-f) in the decisions taken during the year ended 31 December 2020. The full statement, together with how Tyman engages with key stakeholders can be found on pages 64 to 66.

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 and Risk, Remuneration and Nominations. Membership of these Committees is made up of the Non-executive Directors. The Chair is also a member of the Nominations and Remuneration Committees.

The work of these Committees in 2020 is explained in more detail on pages 89 to 121. Each of the Committees' terms of reference may be found on the Group's website.

All Directors have access to the services of the General Counsel & 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 80 to 81 and at the Group's website.

The following Directors served during the year ended 31 December 2020:

Board member	Appointed to the Board
Nicky Hartery	October 2020
Jo Hallas	April 2019
Jason Ashton	May 2019
Paul Withers	February 2020
Pamela Bingham	January 2018
Helen Clatworthy	January 2017
Martin Towers	December 2009
Mark Rollins	April 2015

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 backgrounds, experiences and relevant industry experiences 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 Chair, Martin Towers, who had served on the Board for eleven years, and as Chair for the past four years. In accordance with Provision 19 of the Code, the Board requested that he sought re-election at the 2020 AGM so as to pursue an orderly transition to a new Chair following the replacements of the CEO and CFO in 2019, and the SID in 2020. Accordingly, Martin was re-elected with 96.82% of the votes cast by the Company's shareholders at the 2020 AGM. Paul Withers led the Chair recruitment process, which culminated in the appointment of Nicky Hartery as Martin's successor before Martin's retirement from the Board.

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. Despite the travel and movement restrictions in force this year, Nicky and Paul's inductions were successfully conducted online, using a combination of remote meetings, briefing notes and video tours of facilities.

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 General Counsel & 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. Promotes the Group's culture and values. Leads the Executive team and develops and implements the Group's strategic objectives, with assistance from the Executive Committee. Responsible for sustainability. Brings matters of particular significance or risk to the Chair 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. 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.

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
Nicky Hartery[1]	3/3	–	1/1	1/1
Jo Hallas	8/8	–	–	–
Jason Ashton	8/8	–	–	–
Paul Withers[2]	7/7	4/4	3/3	3/3
Pamela Bingham	8/8	5/5	4/4	3/3
Helen Clatworthy	8/8	5/5	4/4	3/3
Martin Towers (Chair)[3]	7/7	–	4/4	2/2
Mark Rollins[4]	2/2	2/2	2/2	1/1

1. Nicky Hartery was appointed as a Non-executive Director on 1 October 2020 and succeeded Martin Towers as Chair of the Board on 1 December 2020. He has attended all meetings since his appointment.
2. Paul Withers was appointed to the Board on 1 February 2020 and has attended all meetings since his appointment.
3. Martin Towers stepped down from the Board on 30 November 2020.
4. Mark Rollins stepped down from the Board on 31 March 2020.

Attendance at Board meetings

Eight scheduled Board meetings were held during the year, with one held in SchlegelGiesse's Budrio site before travel and movement restrictions came into force. The Board also met on an ad hoc basis on four further occasions to consider the Group's responses to the pandemic and other corporate matters. 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 2020

The Board's principal matters during 2020 are summarised below:

Principal matter	
Health and Safety	• Reviewed and debated the health and safety impact of COVID-19 on business operations, and the measures necessary to manage and mitigate the impact on employees, their families and communities (see page 70) • Received details of every health and safety lost time incident, including remedial actions taken, lessons learned and future preventative measures (see page 68 to 69) • Oversaw the launch of the Group's Safety Leadership Programme (see page 68 to 69)
Strategy and Sustainability	• Reviewed and approved the updated Group strategy (see pages 20 to 30) • Reviewed and approved the Group's 'Sustainability Roadmap' (see pages 20 to 29) • Reviewed and discussed updates on trading performance, markets and strategic initiatives, including presentations from the Group's senior management • Received reports on new product development and launches • Received reports on the impact of COVID-19 on the Group's business and oversaw the business responses to the pandemic (see page 38 and 70)
Governance	• Recruited and inducted a new Chair of the Board and Nominations Committee (see page 80) • Inducted a new Chair of the Remuneration Committee and Senior Independent Director (see page 81) • Conducted an internally-facilitated Board evaluation (see pages 86 to 87) • Received reports from the Chairs of the Nominations, Audit and Remuneration Committees
Purpose, Values and Group Culture	• Reviewed and discussed the outcomes of employee surveys on safety, purpose and values, ethics and overall satisfaction (see page 78) • Received reports from the General Counsel & Company Secretary on general governance updates, material legal matters and whistleblowing events • Received a paper from the General Counsel & Company Secretary on plans to establish a group-wide Business Integrity & Ethics Programme • Reviewed and approved the Group's Modern Slavery Act statement • Reviewed and approved the reductions applied to the fees and salaries of the Board (see page 100)
Financial	• Actively monitored trading performance conditions, ongoing scenario modelling and supported management's actions in responding to the pandemic (see page 38) • Approved the amendments to the leverage covenants of the Group's revolving credit facility and its USPP notes • Approved application to confirm eligibility for the UK Government's COVID-19 Corporate Financing Facility • Approved the voluntary repayment of the money received under the UK Government's Job Retention Scheme and repayments of foregone salaries to the Group's employees, excepting the Executive Directors (see page 112) • Approved the budget for 2021 and set KPIs (see pages 31 to 33) • Reviewed and approved the half-year 2020 and full-year 2019 annual results, viability and going concern statements and the 2020 AGM notice • Reviewed the Group's risk register and the effectiveness of the systems of internal control and risk management (see pages 54 to 60)
Investor Relations and Communications	• Received presentations from the Company's brokers and financial advisors on the Company's shareholder profile and market perception • Received feedback from proxy advisors in respect of the 2020 AGM resolutions • Received reports and feedback from analysts and shareholders following meetings with them (see page 66 and 87)
Employee Engagement	• Visits to sites and discussions with management, conducted in person or remotely (see page 86) • Reviewed and discussed the outcomes of employee surveys (see page 78) • Received and discussed reports from the Workforce Engagement NED, Pamela Bingham, following her skip-level meetings with employees across the divisions (see page 86)

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. In 2020, the Board was able to visit the Budrio site in person but subsequent movement restrictions prevented travel to other sites. The Group adapted by providing virtual tours of sites for the new Chair and Senior Independent Director's inductions, conducting video conference calls with senior managers located at sites and receiving reports on developments at these sites.

Both the Chief Executive and the Workforce Engagement NED had skip-level employee meetings in 2020. For example, before the onset of movement restrictions, the Chief Executive met with over 50 managers and supervisors from the Bilco and AmesburyTruth sites where they conveyed their passion for the business, their appreciation for the intense focus on safety and their desire to strengthen company culture, including greater collaboration across sites.

Later in the year, the Workforce Engagement NED had separate online meetings with diverse employees and employee representatives across the Group's UK, Italy and US businesses. The meetings provided her with opportunities to better understand local challenges and practices, opportunities for improvement and to promote a direct link into the Board.

Board performance evaluation

The Board undertakes a formal evaluation of its performance, and that of each Director, on an annual basis. The three principal Committees of the Board also undertake an annual evaluation of their effectiveness, in accordance with their respective terms of reference.

For the third consecutive year, the Board participated in an internal review. An external evaluation was not considered an appropriate use of the Company's funds at this time because the new Chair was able to provide an external party's view when facilitating the Board evaluation. The Board plans to undertake an externally-facilitated review in the year to 31 December 2021.

Board, Committee and Directors' evaluation process

1 Questionnaire

A comprehensive questionnaire is completed by each Director

2 Evaluation

The Company Secretary or an external facilitator compiles the results and performs some analysis

3 Discussion

The Chair has one-to-one discussions with each of the Directors and provides feedback

4 Action Plan

The Board discusses the consolidated results and formulates an action plan

The key observations, developments and recommendations arising from the evaluation are set out below:

- The Directors expressed that they missed being able to engage with stakeholders in face-to-face meetings but feel that they have otherwise been effective in operating virtually.
- The Board agreed that the continual strengthening of the Group's risk framework is a priority.
- The Directors would welcome opportunities to develop deeper insight into the Group's corporate structure, business and strategy, and specialist subject areas such as sustainability, cyber-security and e-commerce so as to support more informed debate.
- The Board was pleased with the continuing evolution of the Organisation Capability Review and recent hires, and is supportive of the plans to continue strengthening the Group's talent base.

As part of the Board evaluation process, the Chair reviewed the performance of each Director; these reviews were followed up with one-to-one meetings. Following these reviews, the Chair has confirmed that the Board and its Committees continue to operate effectively and 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.

The Senior Independent Director would usually lead the other Directors to carry out a review of the Chair's performance. Feedback from these personal reviews would then be discussed on a one-to-one basis with the Chair. Such reviews would be taken into consideration when confirming whether the Chair 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. However, as Nicky Hartery has only been Chair for one Board meeting, it was not considered appropriate to evaluate his performance on this occasion.

Investor relations programme

The Board is fully committed to maintaining good communications with the Company's 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 principally maintained through:

- meetings and calls involving the Chief Executive Officer and the Chief Financial Officer;
- four scheduled releases to the market of updates on the financial performance of the Group, and four additional announcements to provide further updates during the pandemic; and
- the Chair regularly engaging with larger institutional shareholders to discuss matters including the Board, strategy, corporate governance and succession planning.

The Board considered that during this period of uncertainty caused by the pandemic, our stakeholders would benefit from a better understanding of the actions that were being taken in response and the Group's ongoing performance. To make up for the prohibition on face-to-face meetings, the Board significantly increased its efforts to engage with the Company's shareholders and prospective shareholders: a total of 119 (2019: 66) separate meetings were held by members of the Board in 2020 with a variety of shareholders and prospective shareholders (including institutions, wealth management and private client brokers), analysts and equity salesforces. Most of these meetings were conducted online because of movement restrictions under the pandemic.

In addition, the Company actively engages with individual shareholders who periodically contact the Company.

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.

It is currently envisaged that a similar shareholder engagement programme will be run during the 2021 financial year.

A table setting out the Company's major shareholders can be found on page 123.

2020 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.

However, to comply with movement restrictions in the UK in force at the time, which prohibited public gatherings of more than two people, only the Chair and the General Counsel & Company Secretary were able to attend the 2020 AGM in person, in their capacities as shareholders of the Company. The Company's articles in force at the time did not allow for it to count in the AGM's quorum such shareholders who could only participate remotely. Nonetheless, the Company provided shareholders a channel to submit questions to the Board through a dedicated form on the website and a conference call was organised to allow shareholders to dial-in to the AGM.

To ensure that any incidents similar to the pandemic do not prevent the Company's conduct of an AGM, the Company proposed (and received shareholder approval for) new articles of association that will allow for future AGMs to be convened in 'hybrid' formats that allow both physical and remote participation of Directors and shareholders.

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 Chair attended a number of such meetings during the year to cover areas such as the Board, strategy, corporate governance and succession planning. As face-to-face meetings were neither practical nor possible for most of the year, most of the meetings were conducted online or over telephone calls.

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 and Risk Committee report on pages 92 to 98.

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.

English company law requires the Directors to prepare financial statements for each financial year. Accordingly, the Directors have prepared the Group's financial statements in accordance with IFRS as adopted by the European Union and the Company financial statements in accordance with UK GAAP. Under English 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

Nicky Hartery
Non-Executive Chair

4 March 2021

Nicky Hartery
Chair, Nominations Committee

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

3
Meetings held

Dear Shareholder

I am pleased to present the Nominations Committee's report for the year ended 31 December 2020.

Board changes

The Committee's main activities in 2020 were the recruitment and induction of a new Chair of the Board and Nominations Committee and the induction of the new Board Chair and Dr. Paul Withers, who succeeded Mark Rollins.

Following a rigorous recruitment process, I joined the Board as a Non-executive Director on 1 October 2020 and succeeded Martin Towers as Chair of the Board and Nominations Committee on 1 December 2020.

Role of the Committee

The Committee supports the Board within the Group's governance framework by 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 to ensure the Group's continued success.

Board evaluation

The Committee assists the Board in evaluating the Board's balance of skills, diversity, knowledge and experience. 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. Further information about the Board and Committees' evaluations can be found on page 86.

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 2020 were as follows:

Nominations Committee member	Appointed to the Committee	Retired from the Committee
Nicky Hartery (Chair)[1]	October 2020	N/A
Paul Withers	February 2020	N/A
Pamela Bingham	January 2018	N/A
Helen Clatworthy	January 2017	N/A
Martin Towers (Chair)[2]	December 2009	November 2020
Mark Rollins	April 2015	March 2020

1. Nicky Hartery was appointed Chair of the Nominations Committee on 1 December 2020.
2. Martin Towers retired from the Nominations Committee on 30 November 2020.

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, when appropriate.

Key activities of the Committee in the last twelve months

The Committee held three formal meetings during the year to consider the following:

- The Board succession planning strategy for Martin Towers, which led to the search and selection process for the new Chair of the Board and Nominations Committee.
- The search and selection process for a new Chair of the Board and Nominations Committee which culminated in my appointment being recommended to the Board.
- The induction of each of the two Non-executive Directors who joined the Board in 2020.
- 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.
- The consideration of the Committee's priorities for 2021.

New Director appointment process

Prior to initiating the recruitment of the new Chair of the Board and the Nominations Committee, the Committee, led by the Senior Independent Director and in discussion 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 otherwise has no connection, to undertake the search. The Chief Executive and the Senior Independent Director 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 my appointment to the Board.

Induction of the new Non-executive Directors

In 2020, Paul Withers and I joined the Board as Non-executive Directors. Both of us received tailored induction programmes relevant to our skills and experience and our respective roles on the Board.

My 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.

As movement restrictions have prevented Paul Withers and me from travelling to visit the Group's operating sites since our appointment, we have had virtual tours of key sites across the business. Via video conference and telephone calls, we have each also met with senior management teams across the business. Each of us has also met with a range of key institutional shareholders and advisors of the Group.

Organisation Capability Review (OCR)

This is the second year the Group has performed a structured OCR. The OCR's objectives are to:

- identify where there are capability gaps that need to be addressed to be able to successfully execute the Group's strategic plans;
- identify what organisation structure changes may be required to support this;
- assess the Group's leadership talent and how this supports succession plans across the Group; and
- understand areas of key talent risk and any mitigation actions that may be required.

The OCR is undertaken annually as a key element of the Group's talent management programme and will be used to strengthen the development of a diverse executive pipeline.

The Committee reviewed the findings and the recommendations of the OCR undertaken in 2020. The Committee also engaged directly with Senior Management at the Board strategy meeting on 14 October 2020, which was conducted online. At that meeting, the Committee received strategy updates and updates on progress against divisional strategic initiatives from the divisional leaders. This direct engagement and exposure is extremely valuable to the Committee in identifying and developing the talent pipeline for senior leadership positions.

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 of Directors who possess appropriate experiences and are independent in character and judgement. Therefore, 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 2020, the Board had 50% female representation.

The Committee is also aware of the Parker Review's recommendation that each board should have at least one Director from an ethnic minority background by 2024. In accordance with our policy on diversity and inclusion, the Committee will continue to ensure ethnic and all other 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 86. It was concluded that the Committee had operated effectively. 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. We also reviewed the independence of our Non-executive Directors and considered the Board's diversity and any potential conflicts of interest.

Committee priorities for 2021

The priorities of the Committee for 2021 are set out below:

- The creation of a skills matrix for the Board.
- Consideration of whether share ownership guidelines would be appropriate for the Non-executive Directors.
- The recruitment of a North American Non-executive Director to strengthen the Board's geographical diversity.
- 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 strengthening of talent pipelines.
- Oversee the external Board evaluation process to be undertaken during 2021.

On behalf of the Nominations Committee

Nicky Hartery
Chair, Nominations Committee

4 March 2021

Helen Clatworthy
Chair, Audit and Risk Committee

Continuing to enhance risk management systems, internal controls and approach to assurance

5
Meetings held

Dear Shareholder

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

This report sets out the activities of the Committee during 2020 and the Committee's priorities for the year ahead.

In the last year, changing geo-political circumstances and the global impact of COVID-19 have driven considerable uncertainty. During this period, the Audit and Risk Committee has remained focused on the core aspects of governance within the Group, including its system of risk management, internal control and financial reporting. Recognising the Committee's wider remit in considering non-financial and emerging risks, in 2020, the Audit Committee was renamed the 'Audit and Risk Committee'.

As the Group evolves, it continues to develop its risk management systems, internal controls and approach to assurance. After many years of outsourcing internal audit to BDO, a Group Head of Internal Audit and Risk Management was appointed during the year, a key step in enhancing the approach to group-wide risk management and developing a risk-based internal audit function. In addition, a Group Head of IT was appointed; he will focus on strengthening the IT control environment, particularly the Group's response to cyber risks. Our General Counsel & Company Secretary, who joined the Group at the end of March 2020, will focus on further reinforcing our business ethics and compliance culture. Together, these changes will significantly enhance the Group's control framework.

The main areas of focus for the Committee in 2021 will be the continued evolution of the Group's risk management processes and reviewing the risks facing the Group. In addition, the Committee will focus on the progress made in establishing the revised Group internal audit function and the tender for co-sourced internal audit services later in the year.

The Committee will also oversee and approve the completion of the external audit tender process during 2021.

Role of the Committee

The Board has delegated responsibility to the Committee for the oversight of the Company's financial reporting, monitoring 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 and updated by the Committee and may be found on the Group website.

In 2020, the Committee met five times, with meetings timed to coincide with key dates in the financial reporting and audit cycles of the Company. To provide the appropriate focus on key priorities, an annual schedule of Committee activity is set out a year in advance.

In addition to the Committee members, the Chair, 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 BDO and the Group Head of Internal Audit and Risk Management.

In advance of meetings, the Committee is provided with reports from the Chief Financial Officer, the Group finance function, PwC and internal audit. These reports provide the Committee with detailed information on accounting and audit matters, and the progress the Group is making in respect of risk management activities and internal control related matters.

The Committee meets separately with the external auditors and the Group Head of Internal Audit and Risk Management 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 appraised of the year-end audit process and audit matters in general.

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

Committee membership

The members of the Committee during the year ended 31 December 2020 were as follows:

Committee member	Appointed to the Committee
Helen Clatworthy (Chair)	January 2017
Paul Withers[1]	February 2020
Pamela Bingham	January 2018
Mark Rollins[2]	April 2015

1. Paul Withers joined the Board and Committee on 1 February 2020.
2. Mark Rollins stepped down from the Board and Committee on 31 March 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 has 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.

GOVERNANCE

Financial reporting

Key activities of the Committee in the last twelve months

- Review of the financial results for the half-year ended 30 June 2020 and recommendation of results announcement.
- Review of the financial results for the full-year ended 31 December 2020, results announcement, and the Annual report and Accounts.
- Review of the significant judgements and estimates that impact the financial statements.
- Consideration of appropriateness of accounting policies.

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 and Risk 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 £446.0 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. Particular consideration was given to the additional uncertainty arising from COVID-19 on estimated cash flows and discount rates in sensitivity analysis.	The Committee was satisfied that the methodology and assumptions used in the impairment testing were appropriate and that no impairment charge was required.
Going concern and viability assessment *See note 2 to the Group financial statements and pages 61 to 62*	The Board is required to satisfy itself that the Company will continue as a going concern for a period of at least twelve months from the date of the financial statements. It is also required to consider the longer-term viability of the Group. This assessment requires significant estimates in determining future cash flows and COVID-19 has created additional macro-economic uncertainty which could affect these cash flows. In addition to the scenario planning reviewed by the Board throughout the year, the Committee received a detailed report from management outlining key assumptions used in the going concern and viability assessments, and liquidity headroom and covenant compliance under a base case and severe but plausible downside scenarios.	The Committee was satisfied that assumptions used were reasonable and it was appropriate to prepare the financial statements on a going concern basis. It was also satisfied that the viability statement was appropriate (see pages 61 to 62).
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 £8.9 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 183 to 188 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 classification of the loss on disposal of the Ventrolla business as exceptional.	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 and Risk Committee review	Conclusions
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. Particular consideration was given to the impact of COVID-19 on expected credit loss risks.	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 cash and accounting terms. 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 Committee gave particular focus to developments in respect of the EU State Aid ruling since this was first made in 2019. 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.

Risk and control

Key activities of the Committee in the last twelve months

Risk

- Review of the risk management framework, the Group's appetite to risk and the 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.

Going concern and viability

- Review of the going concern and viability assessments 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 internal control.
- Approval of the appointment of the Group Head of Internal Audit and Risk Management.
- 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.
- Assessed effectiveness of internal audit.

The Group's assessment of its principal risks and uncertainties is set out on pages 54 to 60. The key elements of risk management and internal controls are detailed on page 56 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 2019 Annual report, the Committee set aside additional time for risk-based discussions during the year, including a focus on cyber risks and emerging risks. This included review of the Group and divisional risk registers. The Committee monitored how risks had evolved during the year, with specific attention being given to the assessment of emerging risks.

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, including reports from the Chief Financial Officer and the Group Head of Internal Audit and Risk Management. 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 Group's policies and procedures have been reviewed in the year and areas for enhancement have been identified. These will be addressed in 2021 as an integral part of the Group's review of the system of internal control, and as part of this a more comprehensive controls self-assessment process will be developed.

As outlined in the risk management section of this report on pages 54 to 60, risk management is embedded in many aspects of the Group's leadership model where key areas of risk are inherently considered.

Key governance mechanisms for the management of risk include the Executive Committee, the Finance Leadership Team, the strategic planning process, budgeting and forecasting and the Business Performance Review (BPR) process.

The BPR process, which is undertaken every month for each division is chaired by the Group Chief Executive and covers key aspects of strategic, financial, operational and compliance risks. This includes proactive monitoring of key actions from month to month, safety performance, business ethics, legal matters, financial performance, progress on strategic priorities, organisational developments and risk watchlist items. The BPR meetings include a review of organisational capabilities and twice a year include a deep dive into divisional risk management. The key points arising from this process are then reviewed by the Board.

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 2020 and up to the date of approval of the Annual report and Accounts. The Committee also confirms that no significant failings or weaknesses were identified from that review.

Internal audit and internal audit effectiveness

As outlined in the Committee's 2019 report, internal audit had been outsourced to BDO since 2013 and given the evolution of the Group over this period, a tender was planned to ensure the approach remained appropriate. However, given the importance of this function in providing independent and objective assurance to the Audit and Risk Committee and the Group's commitment to continually improving its risk management capabilities, in early 2020 it was decided that the internal audit function should be brought 'in house'.

In August 2020, the Group appointed an experienced Group Head of Internal Audit and Risk Management, who will focus on further developing and facilitating the Group's risk management process and developing a risk-based internal audit function. BDO will continue to provide co-sourced internal audit services reporting to the Head of Internal Audit and Risk Management until completion of the external audit tender during 2021, at which point a tender for co-sourced internal audit services will be undertaken.

BDO (until July 2020) and the Group Head of Internal Audit and Risk Management (since his appointment in August 2020) have attended every meeting of the Audit and Risk Committee. They have had ongoing contact with the Audit and Risk Committee throughout the year, including meetings without management being present. The Group Head of Internal Audit and Risk has monthly meetings with the Chair of the Committee. The Head of Internal Audit and Risk Management has had access to the Chair of the Board.

The 2020 internal audit plan was completed, albeit the number of audits was reduced, based on risk, due to the impact of COVID-19. Government restrictions and preserving safety meant internal audits were conducted remotely in most cases.

The Committee reviewed the activity of internal audit throughout the year, including progress in delivering the 2020 audit plan, audit reports, completion of audit recommendations and approved the 2021 internal audit plan.

The focus of internal audit in the year has been on a range of risk areas and included reviews of key financial controls, IT general controls, GDPR, payroll, and business continuity plans. In addition, internal audit has maintained a follow up audit process throughout the year to assess the completion of previously raised findings. This process has complemented the ongoing review and tracking of recommendations.

The Audit and Risk Committee reviewed the effectiveness of internal audit for the financial year and concluded the function had been effective in discharging its duties and resourced appropriately.

Moving into 2021, the Committee looks forward to supporting the Group Head of Internal Audit and Risk Management in further establishing the Group internal audit function and moving the risk and assurance agenda to the next stage in its development.

External audit

Key activities of the Committee in the last twelve 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 and approval of the 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 2020 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 and Risk Committee considered that it was desirable for the Company to follow these recommendations. As previously reported, the Committee confirms that it plans to commence 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 2021 Annual General Meeting.

External audit effectiveness

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

Due to the impact of COVID-19 and personnel changes, no externally facilitated formal feedback process was completed in respect of the 2019 audit. The Committee discussed feedback on the audit process with Group management and with PwC during private sessions and was satisfied there were sound working relationships between the Group's finance teams and the audit team and that enhanced planning activities undertaken had continued to improve the audit process.

Having considered feedback, the robustness and quality of the work performed and the contents of the reports on audit findings the Committee was 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 ad Risk Committee in March 2021. 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 reviewed and approved during the year, with no significant changes made. The policy had been updated in November 2019 to reflect the requirements of the FRC's revised Ethical Standard which became applicable on 1 January 2020. 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 2020 Group audit is £0.9 million (2019: £0.8 million). The increase in the fee is primarily driven by an increase in audit market rates, offset by a reduction in the number of legal entities requiring statutory audits. Further information in respect of the audit fee can be found in note 4 to the Group financial statements.

During 2020 non-audit fees paid to PwC were 6.3% (2019: 5.1%) of the annual Group audit fee. This work related entirely to the provision of compliance or regulation services customarily performed by external auditors, including the interim review which is classed as a non-audit service.

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 twelve months

- Review of the Committee terms of reference.
- Reviewed and considered the Group's compliance with the UK Corporate Governance Code as well as considering potential developments being considered by BEIS in relation to the recommendations made in the Brydon Report.
- Reviewed compliance with non-financial reporting practices and procedures, including sustainability and stakeholder engagement.
- Provided oversight to the Group's whistleblowing mechanisms.

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.

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, except in relation to the misalignment of the Chief Executive's pension payments with the wider workforce, which is being addressed through the proposed changes to the Chief Executive's remuneration, see page 102. Developing the Group's sustainability and stakeholder engagement agenda will remain a focus area for the Group in 2021.

Committee effectiveness

The Committee effectiveness was included as part of the overall Board effectiveness evaluation, with no specific matters noted. A full Committee effectiveness evaluation will be completed in 2021.

Audit and Risk Committee priorities for 2021

The priorities for the Committee for 2021 are set out below:

- Continue to review the developments of our Group-wide risk management and internal control processes, including the principal and emerging risks facing the Group, the impact of the ongoing COVID-19 pandemic, cyber risk management and emerging areas of risk management including those relating to sustainability, climate change and the wider environmental, social and governance (ESG) agenda.
- Monitor and respond to changes in corporate governance and financial reporting requirements including those recommendations made by BEIS on corporate reform (e.g. Brydon).
- Oversee the completion of the external audit tender process.
- Support the Group Head of Internal Audit and Risk Management in developing the in-house internal audit function, including the adoption of appropriate professional standards such as the recommendations of the IIA's Code of Practice for Internal Audit and oversee the internal audit co-sourcing tender process.
- Ensure focused training on evolving governance matters, throughout the year.

The results of the work on these priorities will be reported in the 2021 Annual report.

On behalf of the Audit and Risk Committee

Helen Clatworthy
Chair, Audit and Risk Committee

4 March 2021


ERA

Paul Withers
Chair, Remuneration Committee

Delivering our ambitions through appropriate incentives and fair rewards

4
Meetings held

Dear Shareholder

On behalf of the Board, I am delighted to present my first report as Chair of the Company's Remuneration Committee for the year ended 31 December 2020, having taken over from Mark Rollins in March 2020.

This 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;
- our proposed 2021 Remuneration policy, which reflects changes to our existing policy and which is being submitted for approval by the Company's shareholders at the 2021 Annual General Meeting (AGM); and
- the Annual Report on Directors' remuneration, which describes the implementation of our existing policy in 2020, and how we intend to implement our proposed 2021 Remuneration policy this year. This section of the report will be put to shareholders, for an advisory vote, at the 2021 AGM (pages 112 to 121).

Changes to the Board and Remuneration Committee composition

A number of changes have taken place in the year:

- Mark Rollins retired from the Board and Committee on 31 March 2020. I succeeded Mark Rollins as Senior Independent Director and Chair of the Remuneration Committee from that date.
- Martin Towers retired from the Board and Committee on 30 November 2020. Martin Towers was succeeded by Nicky Hartery, who was first appointed to the Board and Committee on 1 October 2020 as a Non-executive Director. Nicky was appointed Chair of the Board and Chair of the Nominations Committee from 1 December 2020.

The remuneration arrangements relating to these role and incumbent changes are covered in the Annual report on Directors' remuneration on pages 112 to 121.

The context for remuneration in 2020

As for many others, the COVID-19 pandemic posed unprecedented challenges for Tyman in 2020. On behalf of the Committee, I would like to add my thanks for the ongoing commitment and dedication of all our colleagues to delivering a set of positive results, while continuing to take steps to protect our business in a challenging and uncertain economic climate.

At the initial stages of the pandemic, the Group's immediate focus was on the safety of our people and on cash preservation, to ensure we would be able to withstand a prolonged period of reduced trading. The Board supported senior management's prompt and wide-ranging set of actions to ensure the safety of our colleagues, including: implementing enhanced hygiene and social distancing measures across the Group (and changing shift patterns to facilitate this), and moving employees to remote home working where possible. To support cash preservation, Tyman elected to use government employee programmes, tax relief and other measures as they became available in our geographies. As 80% of the Group's UK workforce was placed on furlough, the Group's senior management and most of the Group's global workforce voluntarily agreed to salary reductions of up to 20%, and the Group cancelled the 2020 Management Bonus Scheme. At the same time, and to reflect the wider stakeholder experience, all the members of the Board voluntarily agreed to take a 25% reduction to their fees and base salaries from 1 April 2020 until the Group was able to restore the salary levels of its employees.

In evaluating all their decisions, the members of the Board and the Committee have been very aware of, and sensitive to, the experiences of our stakeholders resulting from the pandemic. It was in the context of the cash preservation measures described above that the Board also decided that it would be appropriate to withdraw its recommendation of a final dividend for the financial year ended 31 December 2019 and declined to recommend an interim dividend for the 2020 financial year.

As the Group's operations were gradually allowed to resume from late April, trading recovered better than expected. North American orders were particularly strong, driven in part by a sharp recovery in the market, but also reflecting both the strong turnaround in the business's customer standing over the course of last year and agility demonstrated through the pandemic. Together with a recovery in our other markets, these developments in the second half of 2020 have resulted in the Group significantly outperforming its base case financial models.

Supported by the Group's strong trading and high levels of cash generation at the end of the year, in December 2020, the Group was pleased to repay the support that it received from the UK Government's Job Retention Scheme and the salaries voluntarily forgone by the Group's employees (including the employees of the Group's divested Ventrolla business) from the beginning of April to the end of July.

Adjusted profit before taxation decreased by 4% and adjusted earnings per share decreased by 1% over the prior year to 27.2 pence, although we experienced strong recovery in H2 2020, as evidenced by the Group's growth of 5% against H2 2019. In keeping with previous years, the Group's cash generation was very strong. Consequently, leverage at the year-end was 1.1×, which was significantly better than the prior year's 1.7×.

To demonstrate leadership and in recognition of the financial impact on the business, the stakeholder experience and the societal impact of the pandemic, the Board and the Executive Directors did not accept the repayment of the fees and salaries that they had voluntarily forgone between the start of April and the end of July. Furthermore, although the Executive Directors demonstrated strong delivery against their objectives for 2020 in an unprecedented market and despite many difficult challenges, the Committee agreed that it would not be appropriate to reinstate the 2020 bonus.

Performance and reward in 2020

Full details of the Directors' remuneration for 2020 are set out in the Annual report on Directors' remuneration on pages 112 to 121. Explanations for some of the key aspects of 2020 remuneration are as follows:

2020 annual bonus

In light of the uncertainty brought about by the pandemic, and as announced to the market on 3 April 2020, the 2020 management bonus scheme was cancelled.

Long Term Incentive Plan

The LTIP awarded in 2018 was subject to a performance condition of cumulative three-year underlying EPS of between 92.00 pence (25% vesting) and 109.00 pence (100% vesting). In addition, for the Executive Directors the award was subject to discretionary underpins based on three-year relative TSR and 2020 ROCE. The actual cumulative underlying EPS outcome for the three years, 2018 to 2020, was 82.36 pence, which was below threshold. Consequently, the 2018 LTIP (in which neither Jo Hallas nor Jason Ashton participated) did not vest.

Incoming Chair

Nicky Hartery was appointed to the Board as a Non-executive Director on 1 October 2020, with his base fee set at £49,250, in line with the 2020 Non-executive Director fee rates applicable at the time.

As part of this recruitment process, the Committee also determined the fee payable to Nicky Hartery from his appointment as Chair. The Committee considered the total remuneration paid for the position should be commensurate with the scope, complexities and international nature of the Chair's role, and similar to Chair roles at companies of comparable scale to Tyman. As a result, the annual fee payable to Nicky Hartery from the commencement of his role as Chair of the Board and Nominations Committee was £190,000 per annum.

Proposed revisions to Remuneration Policy

Context

Since her appointment (on broadly similar terms with the outgoing CEO, consistent with our policy on recruitment), Jo Hallas has demonstrated an impressive performance track record. As well as handling the legacy issues in North America and the unprecedented challenges created by the pandemic, Jo Hallas has at the same time initiated a significant Group realignment and started delivering against our ambitious growth strategy. In light of Jo Hallas' ongoing strong performance, the Committee now believes that an adjustment to Jo Hallas' package is appropriate to align her total remuneration opportunity more closely with levels for CEOs of companies of similar scale and complexity to Tyman today.

The Committee – and wider Board – is mindful that these proposals follow a challenging year for Tyman's stakeholders as well as society more generally and, as reported above, this important context has underpinned the Committee's decision-making throughout 2020. However, Tyman continues to deliver against its strategy, and the Committee is keen to ensure that the Executive Directors – the CEO in particular – are appropriately incentivised and fairly rewarded for delivering our short- and longer-term ambitions, and leading the Group through the next stage of its growth. Against this backdrop, the Remuneration Committee is therefore proposing a number of changes to the Remuneration Policy for 2021. We consulted shareholders representing c.75% of issued share capital in early 2021. On behalf of the Committee, I would like to thank shareholders for their time and valuable feedback during this process, and the strong support expressed for these proposals.

Summary of proposals

Element	Summary of changes
Annual bonus	**Policy:** limit increased from 125% to 150% of salary. No other changes. **2021 implementation:** it is proposed that the CEO's annual bonus opportunity be increased to 150% of salary (CFO: unchanged at 125% of salary). The bonus will continue to be based 70% on adjusted profit before tax and 30% on cash generation. 50% of any bonus earned will be deferred in Tyman shares for three years.
LTIP	**Policy:** normal maximum opportunity increased from 125% to 150% of salary. Exceptional award limit of 200% of salary removed. No other changes. **2021 implementation:** it is proposed to increase the CEO's annual LTIP opportunity from 125% to 150% of salary (CFO: unchanged at 125% of salary). 2021 LTIP awards to be based on: EPS (weighted 40%), ROCE (25%), Relative TSR (20%) and ESG (15%).
Pension	**Policy:** no change, except for clarification of proposed implementation (see below). **2021 implementation:** no change. **2022 implementation:** the CEO's pension contribution will be reduced to 7% of salary (in line with the CFO and majority of the wider workforce), with effect from 1 January 2022.
Salary	**Policy:** no change. **2021 implementation:** it is proposed to increase the CEO's salary by 4.5% (in line with other high performers across the Group) to £477,500 p.a., with effect from 1 January 2021. The Committee awarded Jason Ashton an increase of 1.5% (to £330,890 p.a.), in line with the average increases for the Group's UK, USA and Europe-based employees. **2022 implementation:** subject to continued good performance of the Company and the CEO, it is proposed to increase her salary to £550,000 p.a. with effect from 1 January 2022.

Further background to some of these proposals is set out below:

Incentive opportunities

By design, a significant proportion of Tyman Executive Director remuneration is variable, with outcomes linked to stretching short- and long-term performance targets. Both the annual bonus and LTIP also provide strong alignment with shareholders: 50% of any annual bonus earned is deferred in Tyman shares for three years, whilst the LTIP is denominated in shares that vest only after three years and are thereafter subject to a mandatory 2-year holding period.

Our proposal to increase the CEO's annual bonus and LTIP opportunities reflects the Committee's continued belief that a significant proportion of executive remuneration should be at-risk and linked to the successful delivery of our growth strategy. Paired with the proposed two-stage increase in salary, the Committee considers that the revised CEO package will be competitive, but not excessive, when compared to companies of similar size, internationality and complexity to Tyman. Removal of the exceptional award limit reflects prevailing market practice.

The LTIP rules will be amended to accommodate the proposed changes to Policy set out above, and subject to a separate binding resolution at the 2021 AGM.

LTIP measures

During its review of Policy, the Committee also reviewed the LTIP framework and concluded that it would be appropriate to introduce ESG and Relative TSR alongside the existing measures of ROCE and EPS growth. The Committee believes this scorecard maintains an appropriate balance between growth and returns (but with returns split between ROCE and Relative TSR), while introducing ESG reflects Tyman's strategic focus on delivering performance responsibly and sustainably.

ESG measures have been selected (and targets set) to measure progress against defined, ambitious, long-term targets linked to our sustainability agenda. Relative TSR, which is currently used as an underpin to the LTIP, will be measured over the 3-year performance period and reward above-median TSR relative to the FTSE250 Index (excluding investment trusts). Further details of the performance measures and targets are set out on page 114 of the Annual report on remuneration.

Fixed Pay

In light of ongoing strong performance in the role, the Committee now believes that an adjustment to Jo Hallas' salary is appropriate to align her total remuneration more closely with comparable levels for other CEOs of companies of similar scale and complexity to Tyman today. However, the Committee is mindful of the optics of a large increase in the current environment and the need to ensure that any salary progression over time remains warranted by continued strong performance. For these reasons, the Committee proposes to increase Jo Hallas' salary over the course of two years, subject to her performance in role, and weighted to 2022 to reflect the proposed increase to incentive opportunities for 2021.

Jo Hallas' current pension contribution of 15% of salary was agreed on her appointment, in line with our Policy at that time and prior to the evolving market focus on aligning executive pensions with the majority of employees. The Committee supports this principle (as evidenced through our commitment to alignment for new executive Directors in the existing policy and the CFO's pension contribution rate), and has agreed with Jo Hallas as part of these proposals to reduce her contractual pension contribution to 7% of salary from 1 January 2022.

Closing remarks

The Committee is grateful for the strong levels of shareholder support it has received for remuneration-related resolutions in recent years, most recently when the Policy was submitted for approval at the 2020 AGM. We hope that our decision-making in the truly unprecedented year of 2020, together with our proposals for 2021 and beyond, demonstrate a balanced and mindful approach to executive remuneration that is at the same time fair, proportionate and closely aligned with the interests of all stakeholders.

The Committee looks forward to your continued support at the 2021 AGM, where I will be happy to answer questions or receive feedback on any aspect of the Group's remuneration.

Paul Withers
Chair, Remuneration Committee

4 March 2021

Remuneration policy Report

This section sets out the proposed Remuneration policy for Executive and Non-executive Directors that will be put to shareholders for approval at the forthcoming AGM. If approved by shareholders then this new policy will be effective from the date of approval until the Group's 2024 AGM.

The 2018 UK Corporate Governance Code sets out principles against which the Committee should determine the Policy for executives. A summary of these principles, and how the proposed Policy reflects these, is set out below:

Principle	Our approach
Clarity	We remain 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 (50% deferred into shares for three years) and long-term, sustainable earnings performance and 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 111.
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 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.

Details of the key revisions proposed to Policy (compared with that approved by shareholders in 2020) are set out in the Annual Statement, and summarised again below for ease of reference:

- Increase in the maximum annual bonus opportunity under Policy limits, to 150% of salary
- Increase in the normal LTIP award opportunity under Policy limits, to 150% of salary
- Removal of the exceptional LTIP award limit (previously 200% of salary)
- Commitment in our policy on pensions that the Chief Executive's pension will be aligned with the majority of the wider workforce (currently 7% of salary) from 1 January 2022

We have also made a minor amendment to our policy on Non-executive Director remuneration, to permit the payment of a travel allowance to Non-executive Directors for intercontinental travel from the Directors' home location to attend Board meetings.

Link to strategy	Operation	Maximum opportunity	Metrics
Base salary			
To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved. The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and the management of its business in the international environment in which it operates.	Base salary is paid monthly in cash. The Executive Directors' salaries are set having regard to typical pay levels at companies of a similar size, internationality and complexity. Salaries are normally reviewed annually and are typically effective from 1 January each year. When reviewing salaries, the Committee considers all relevant factors including: • prevailing market and economic conditions; • scope and responsibilities of the role; • the level of increase for other roles within the business; and • Company and individual performance.	There is no prescribed maximum salary. Salary increases will normally be broadly in line with the general annual salary increase received by Group employees in the relevant Director's country of residence. The Committee retains the discretion to award larger increases, for example, to reflect a change in role, development and performance of a Director or reflect an increase in complexity of the Group.	While there are no performance targets attached to the payment of salary, Company and individual performance is a factor considered in the salary review process.
Benefits			
To provide a range of market competitive benefits to facilitate the recruitment of high calibre individuals and encourage their retention.	Executive Directors are eligible for a range of benefits that may include: • life assurance cover; • critical illness cover; • private medical and dental cover; • car allowance; and • professional tax and financial advice. Additional benefits may also be provided in certain circumstances which may include relocation and associated expenses. Other benefits may be offered if considered appropriate, reasonable and necessary by the Committee and any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). Executive Directors are eligible for other benefits introduced for the wider workforce on broadly similar terms.	No overall maximum level has been set since some costs may change in accordance with market conditions. Benefits are reviewed by the Committee on an annual basis and set at an appropriate market rate.	No performance metrics apply.

Remuneration policy Report

Link to strategy	Operation	Maximum opportunity	Metrics
Pension			
To provide a market-competitive benefit for retirement, to facilitate the recruitment of high calibre individuals and encourage their retention.	Executive Directors are eligible to participate in the relevant pension arrangements offered by the Group or to receive a cash salary supplement in lieu of pension entitlement. The Committee may amend the form of any Executive Director's pension arrangements in response to changes in legislation or similar developments, provided that the amendment does not materially increase the cost to the Company of the pension provision.	The maximum pension allowance for the current Chief Executive is 15% of base salary. This will be aligned with the majority of the wider workforce with effect from 1 January 2022. 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.	No performance metrics apply.
Annual bonus			
To incentivise and reward achievement of annual goals consistent with the strategic direction of the business. To create further alignment with shareholders' interests via the delivery and retention of deferred equity.	Rewards annual performance against targets set and assessed by the Committee. Any bonus payable under the annual bonus scheme is paid 50% 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.	The normal maximum annual bonus opportunity for the Executive Directors is 150% of salary.	Performance metrics are selected annually based on the objectives of the business at the time, with the majority of the bonus linked to financial metrics. Annual financial performance targets have historically been focused on profit and cash generation metrics. Performance below threshold results in zero payment. Payments normally rise from 0% to 100% of the maximum opportunity for performance between the threshold and maximum targets.

Link to strategy	Operation	Maximum opportunity	Metrics
Long Term Incentive Plan			
To align the interests of senior executives to those of shareholders in developing the long-term growth of the business and execution and delivery of the Group's strategy. To facilitate share ownership.	Consists of awards of shares that vest subject to the achievement of performance conditions. Participation and individual award levels will be determined at the discretion of the Committee and within the approved limits of the policy. The Committee reviews the LTIP performance measures in advance of each grant to ensure their ongoing appropriateness and, where material changes to performance measures are proposed, it consults with shareholders. Awards made under the LTIP are non-pensionable and will normally require Executive Directors to retain any awards that vest, net of tax, (whether held as shares or options) for a minimum of two further years from the date of vesting. Three-year recovery and withholding provisions apply. Dividend equivalents may 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.	150% of salary.	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 requirements			
To motivate and reward the creation of long-term shareholder value. To ensure alignment with shareholders' interests.	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.		No performance metrics apply.

Link to strategy	Operation	Maximum opportunity	Metrics
Post-employment shareholding requirement			
To further strengthen alignment with shareholders' interests in the long term.	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. This is enforced by having such shares deposited in accounts that require the Company's approval for their release. Shares purchased by Executive Directors and shares under any buy-out awards are not included for the purpose of post-employment shareholding.		No performance metrics apply.
Chair and Non-executive Director fees			
To attract and retain high calibre Non-executive Directors.	Non-executive Director fees are set by the Board. Fees are normally reviewed annually, but not necessarily increased. Reviews take into account the time commitment, responsibilities and fees paid by companies of a similar size and complexity. Fee increases, if applicable, for Non-executive Directors, take effect from 1 January. Additional fees may be paid to 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). This may include a travel allowance to reflect the additional time commitment of intercontinental travel required of the Non-executive Directors, based on their home location and the location of the Board meeting.	Aggregate annual fees to Directors are limited to £500,000 under the Company's Articles of Association.	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), measures linked to other strategic priorities (such as ESG) 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 twelve 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 is that the structure of remuneration for new Executive Directors should be in line with the Policy in force at that time, with base salary set taking into account a range of factors, including the salary for the incumbent and the candidate's relative experience in role. 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 in line with the fee rates applicable at that time. The Committee will review the fee for a new Chairman on appointment, taking into account a range of factors, including the fee for the incumbent and the candidate's relative experience in role. All Non-executive Director appointments will 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 Chair 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

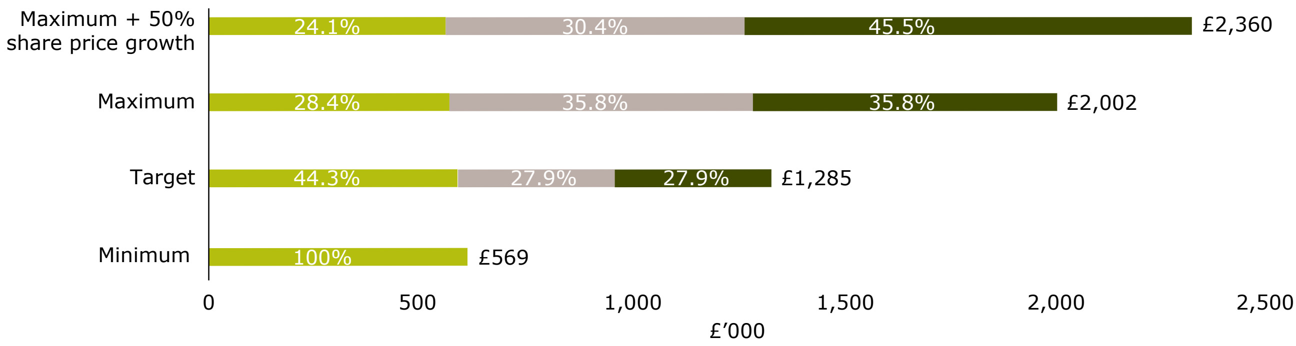
The Committee is committed to regular engagement with shareholders and governance bodies. In advance of implementing any material future changes to the Executive Directors' remuneration, the Committee would normally engage in consultation with shareholders.

All Committee members attend the Annual General Meeting and may also be contacted through the Group's registered office or via email to the Group's Secretariat (cosec@tymanplc.com) to answer any questions shareholders or shareholder bodies may have in relation to the Group's remuneration policy.

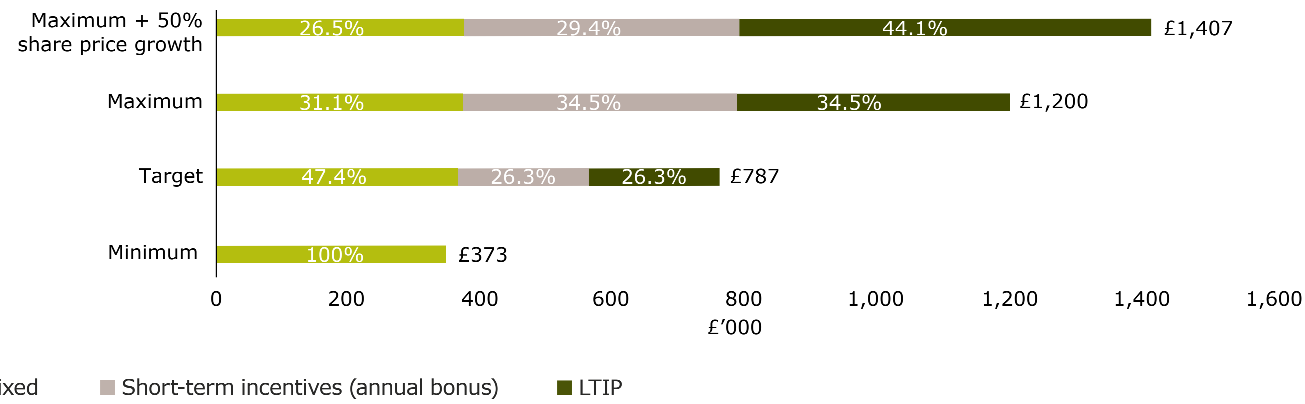
Illustrative performance scenarios

The table below sets out performance scenarios for each Executive Director, for the financial year 2021, 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:	2021
Minimum performance	Fixed remuneration No annual bonus No vesting of LTIP awards
On-target performance	Fixed remuneration 50% annual bonus payout (CEO: 75.0% of salary, CFO: 62.5% of salary) 50% of LTIP awards vest (CEO: 75.0% of salary, CFO: 62.5% of salary)
Maximum performance	Fixed remuneration 100% annual bonus payout (CEO: 150% of salary, CFO: 125% of salary) 100% of LTIP awards vest (CEO: 150% of salary, CFO: 125% of salary)
Maximum + 50% share price growth	Fixed remuneration 100% annual bonus payout (CEO: 150% of salary, CFO: 125% of salary) 100% of LTIP awards vest (CEO: 150% of salary, CFO: 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 ending 31 December 2021, as set out on page 119.
- Benefits are the annualised value of benefits paid in the year ended 31 December 2020, as set out in the table of Directors' remuneration on page 113.
- Cash contribution in lieu of pension of 15% of base salary for the CEO and 7% for the CFO.

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 2021 AGM. This report sets out the pay outcomes in respect of the 2020 financial year and explains how the Committee intends to operate in 2021 the proposed Remuneration policy that is being submitted for binding shareholder approval at the 2021 AGM. The information from the single figures of total remuneration for Directors on page 113 to the end of the section on payments to past Directors on page 116 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 2020 were as follows:

Remuneration Committee member	Appointed to the Committee
Paul Withers (Chair)[1]	February 2020
Nicky Hartery[2]	October 2020
Pamela Bingham	January 2018
Helen Clatworthy	January 2017
Mark Rollins (Chair)[3]	April 2015
Martin Towers[4]	December 2009

1. Paul Withers was appointed to the Committee when he joined the Board as a Non-executive Director on 1 February 2020. He succeeded Mark Rollins as Chair of the Remuneration Committee and Senior Independent Director on Mark Rollins' departure at the end of March 2020.
2. Nicky Hartery was appointed to the Committee when he joined the Board as a Non-executive Director on 1 October 2020. He succeeded Martin Towers as Chair of the Board and Chair of the Nominations Committee following Martin Towers' retirement from the Board and Committee on 30 November 2020.
3. Mark Rollins was Chair of the Committee until his retirement from the Board and the Committee on 31 March 2020.
4. Martin Towers stepped down from the Board and Committee on 30 November 2020.

All members of the Committee are Independent Non-executive Directors. The Chief Executive attends meetings at the invitation of the Committee Chair. Other individuals such as external advisers may be invited to attend all or part of any meeting, as and when appropriate and necessary. None of these individuals were present or participated in any discussion in respect of their own remuneration.

The Committee held four meetings during the year, which were scheduled to coincide with the Company's reporting cycle, including the approval of the Annual report, and the management of the Executive Directors' remuneration and incentive plans. There was full attendance at all meetings, which were conducted using secure online meeting technology due to the ongoing pandemic.

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.

Committee activities during the year

The Committee considered the following matters during the past 12 months:

Salaries and fees	• Supported the voluntary reductions made to salaries and fees across the Group, and the repayment of forgone salaries across the Group for employees who worked between April and August and the top-up of salaries to 80% for employees on furlough, except for members of the Board. • Reviewed and approved the base salaries to be paid to the Executive Directors and senior managers from 1 January 2021, taking account of pay award trends across the Group.
Bonus	• Determined the level of bonus payable for 2019 to the Executive Directors and senior managers. • Approved the structure of the 2020 bonus for the Executive Directors and senior managers. • Cancelled the 2020 bonus.
Share plans	• Approved the proposed participant list, award opportunities and targets for the 2020 LTIP. • Following the end of the year, reviewed and approved the vesting outcome of the 2018 LTIP. • Approved the terms of the UK, US, and International Employee Sharesave plans.
Remuneration Policy	• Considered revisions to Policy to ensure it remained fit-for-purpose, appropriately competitive, and closely aligned with our culture, strategy and stakeholder interests. • Consulted shareholders representing c.75% of issued share capital before finalising the proposals.
Chair succession	• Considered and approved the remuneration arrangements for the incoming Chair.
Governance	• Ensured the Group complied with gender pay gap and CEO pay ratio reporting requirements. • Reviewed changes to the Committee's terms of reference, in line with the Code. • Assessed the Committee's performance, and monitored progress against its set objectives. • Following the end of the year, reviewed and approved this 2020 Annual Remuneration Report.

External advisers

At the start of 2020, the Committee was advised by Aon. However, at the end of Q1 2020, the Committee was informed that Aon intended to cease to offer remuneration advisory services and the Committee therefore conducted a tender to select a new advisor. Mercer (part of the Marsh & McLennan Group (MMC) of companies) was appointed following a robust selection process. In addition, Pinsent Masons LLP, who provide the Group with corporate legal services under a separate contract, provided some advice to the Committee in 2020 on the Group's share plans.

Following the Committee's lead advisor moving to Ellason LLP, Ellason was appointed as the independent remuneration advisor to the Committee effective 1 January 2021.

Total fees for Aon's advice provided to the Committee during the year were £50,320 (2019: £82,752), excluding VAT. During the year, Mercer's total fees provided to the Committee amounted to £6,437, excluding VAT. Neither Aon nor Mercer provided any other service to the Group during the year, although Marsh, MMC's commercial insurance broking arm, provides the Group with insurance broking services under an independent contract. Total fees for Pinsent Masons' advice provided to the Committee during the year amounted to £3,131.75, excluding VAT.

Aon, Mercer and Ellason are signatories of the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code which sets out guidelines to ensure that each of them provides advice that is independent and free of undue influence.

Remuneration outcomes for 2020

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 2019 and 2020:

	Year ended 31 December	Salary/ fees[1]	Annual bonus: cash[2]	Annual bonus: deferred[2]	Cash Payments in lieu of pension[3]	Benefits[4]	Vested LTIP awards	Other[5]	Total remun-eration	Total fixed	Total variable
Executive Directors											
Jo Hallas[6]	**2020**	**419**	**-**	**-**	**63**	**20**	**-**	**-**	**502**	**502**	**-**
	2019	334	63	63	50	14	-	775	1,299	398	901
Jason Ashton[6]	**2020**	**299**	**-**	**-**	**21**	**19**	**-**	**-**	**339**	**339**	**-**
	2019	206	39	39	14	13	-	-	310	233	78
Non-executive Directors											
Nicky Hartery[8]	**2020**	**24**	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**24**	**-**
	2019	-	-	-	-	-	-	-	-	-	-
Paul Withers[9]	**2020**	**52**	**-**	**-**	**-**	**-**	**-**	**-**	**52**	**52**	**-**
	2019	-	-	-	-	-	-	-	-	-	-
Pamela Bingham	**2020**	**49**	**-**	**-**	**-**	**-**	**-**	**-**	**49**	**49**	**-**
	2019	48	-	-	-	-	-	-	48	48	-
Helen Clatworthy	**2020**	**56**	**-**	**-**	**-**	**-**	**-**	**-**	**56**	**56**	**-**
	2019	56	-	-	-	-	-	-	56	56	-
Martin Towers	**2020**	**119**	**-**	**-**	**-**	**-**	**-**	**-**	**119**	**119**	**-**
	2019	138	-	-	-	-	-	-	138	138	-
Mark Rollins[7]	**2020**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**15**	**-**
	2019	60	-	-	-	-	-	-	60	60	-

1. Executive and Non-executive Directors who were in a role from April 2020 to July 2020 volunteered a salary/fees reduction of 25% for that period as a response to COVID-19. The figures in the table show the reduced basic annual salaries and fees received in 2020.
2. All bonuses for 2020 have been cancelled as agreed by the Board as a response to COVID-19.
3. Jo Hallas and Jason Ashton received cash in lieu of pension amounting to 15% and 7% of earned base salary respectively. The Executive Directors are not members of any of the Group pension schemes.
4. 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.
5. A conditional share award was granted to Jo Hallas under Listing Rule 9.4.2 on 1 April 2019 to compensate for outstanding LTIP awards forfeited on leaving her previous employer, vesting in two tranches. The first tranche of the award (156,813 shares) vested on 30 April 2020 at a market price of £1.69031 per share. The second tranche (156,814 shares) is due to vest on 30 April 2021. Vesting is subject to Jo Hallas' continued service. The figure shown above reflects the grant date face value of the award. As a share-based award, the grant is captured under 'Total Variable' for the purposes of the final two columns of the table.
6. 2019 remuneration for Jo Hallas reflects the period from her appointment as CEO (with effect from 1 April 2019), and for Jason Ashton reflects the period from his appointment as CFO (with effect from 9 May 2019).
7. Mark Rollins stepped down from the Board on 31 March 2020.
8. Nicky Hartery was appointed to the Board on 1 October 2020.
9. Paul Withers was appointed to the Board on 1 February 2020.

Cancellation of the 2020 Group Bonus Plan

As announced to the market on 3 April 2020, the Committee cancelled the Group's 2020 bonus due to the scale of the financial impact of the COVID-19 pandemic on the business, our stakeholders and society more generally. No bonuses were consequently paid to Executive Directors in respect of the 2020 financial year. Notwithstanding this, the Executive Directors have demonstrated strong delivery against their objectives for 2020 in an unprecedented market and despite many difficult challenges.

DSBP awards granted during the year

The table below details the deferred shares granted on 11 March 2020 in respect of the 2019 annual bonus award:

Director	Number of shares[1]	Share price – five-day average[2]	Face value[3]	Vesting date
Jo Hallas	29,740	£2.352	£69,950	March 2023
Jason Ashton	17,155	£2.352	£40,349	March 2023

1. Shares are deferred for three years.
2. Over the five trading days subsequent to the announcement of the full-year results (five trading days ended 11 March 2020).
3. The actual value will be the value at the vesting date and will include dividend equivalents awarded in shares. As disclosed in last year's Annual Report, Jo Hallas received an additional £7k in deferred shares in respect of the period between 1 and 31 March 2019, when she had joined Tyman but before she was appointed as CEO. Similarly, Jason Ashton received just over £1k in respect of the period from joining Tyman until he was appointed as CFO. These awards are reflected in the table above.

LTIP awards vesting in March 2021

Neither of the current Executive Directors were recipients of LTIP awards granted in 2018 and subject to performance measured over three years ended 31 December 2020. Details on the adjudication of award interests retained by former Directors is included under the section 'Payments to past Directors'.

LTIP awards granted during the financial year

LTIP awards were granted to both Executive Directors on 25 March 2020, 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[2]	Share award receivable at lower threshold
Jo Hallas	LTIP	25 March 2020	March 2023	204,353	556	£2.7220	51,088
Jason Ashton	LTIP	25 March 2020	March 2023	146,032	398	£2.7220	36,508

1. The awards are subject to a two-year holding period after normal vesting.
2. In line with previous years, the Committee used an average share price over the 30 days prior to the announcement of full-year results to calculate these award levels. Given that the majority of this averaging period pre-dated the market-wide share price fall resulting from the onset of the pandemic, the Committee considers that there is no need to further adjust for windfall gains. For comparison, the spot closing share price on 25 March 2020 (the date of grant) was £1.48.

Vesting of the 2020 awards is based on FY22 adjusted EPS and ROCE targets set out below and subject to a discretionary underpin based on, inter alia, relative TSR over the period 2020–2022. Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will apply.

Performance will be measured against EPS and ROCE targets as set out below:

Measure	Weighting	Targets
FY22 adjusted EPS	50%	0% vesting below 31.33p; 25% vesting at 31.33p; 100% vesting for 38.57p and above; Straight-line vesting between these points.
FY22 ROCE	50%	0% vesting below 13.0%; 25% vesting at 13.0%; 100% vesting for 14.2% and above; Straight-line vesting between these points.

Directors' interests in shares

The interests of each person who was a Director of the Company as at 31 December 2020 (together with interests held by his or her connected persons) were:

Director	Shares				Options		% of salary required (2020)[2]	% of salary achieved[3]	2020 guidelines met?
	Owned outright or vested		Unvested and not subject to performance conditions	Unvested and subject to performance conditions	Vested but not exercised	Unvested and not subject to performance conditions			
	31 December 2020[1]	31 December 2019							
Nicky Hartery	100,000	–	–	–	–	–	–	–	–
Jo Hallas	161,454	74,127	186,554	429,391	–	10,793	**200%**	124%	**Building**
Jason Ashton	27,351	19,010	17,155	301,944	–	10,793	**200%**	29%	**Building**
Paul Withers	50,000	–	–	–	–	–	–	–	–
Pamela Bingham	3,928	3,928	–	–	–	–	–	–	–
Helen Clatworthy	15,000	15,000	–	–	–	–	–	–	–

1. From 31 December 2020 to 5 March 2021 there were no changes to the above stated holdings.
2. Annualised base salary as at 31 December 2020.
3. Based on the closing price of Tyman plc ordinary shares of £3.50 on 31 December 2020, and Executive Directors' beneficial shareholdings at that date.

Directors' interests in shares under all share plans (LTIP, share awards issued under Listing Rule 9.4.4(2), DSBP and SAYE) (audited)

Award scheme	Award date	Shares over which awards					Exercise price	Earliest vesting date[2]
		held at 1 Jan 2020	granted during the year	vested during the year[1]	lapsed/ cancelled during the year	**held at 31 Dec 2020**		
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
LTIP	25/03/20	–	204,353	–	–	**204,353**		Mar 2023
DSBP	11/03/20	–	29,740	–	–	**29,740**		Mar 2023
UK ESPP	30/09/19	4,066	–	–	–	**4,066**	£1.7706	Nov 2022
UK ESPP	30/09/20	–	6,727	–	–	**6,727**	£1.6054	Nov 2023
Jason Ashton								
LTIP	18/03/19	155,912	–	–	–	**155,912**		Mar 2022
LTIP	25/03/20	–	146,032	–	–	**146,032**		Mar 2023
DSBP	11/03/20	–	17,155	–	–	**17,155**		Mar 2023
UK ESPP	30/09/19	4,066	–	–	–	**4,066**	£1.7706	Nov 2022
UK ESPP	30/09/20	–	6,727	–	–	**6,727**	£1.6054	Nov 2023

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 Hallas' previous employment, which were forfeited.
4. Details of qualifying performance conditions in relation to outstanding LTIP awards are summarised below.

March 2019 LTIP	**EPS** (100% of an award)
Performance measure	Cumulative adjusted EPS (2019-2021)
25% (threshold) vesting	95.0p
100% vesting	112.0p
Between 25% and 100% vesting	Straight line sliding scale
Underpin	Discretionary; relative TSR and ROCE

March 2020 LTIP	**EPS** (50% of an award)	**ROCE** (50% of an award)
Performance measurement basis	FY22 adjusted EPS	FY22 ROCE
25% (threshold) vesting	31.33p	13.0%
100% vesting	38.57p	14.2%
Between 25% and 100% vesting	Straight line sliding scale	Straight line sliding scale
Underpin	Discretionary; relative TSR	Discretionary; relative TSR

Payments to past Directors

There were no cash payments to past Directors during the year.

In line with the leaver treatment outlined in last year's report, Louis Eperjesi retained an interest in 88,191 shares under the 2018 LTIP. These awards were based on three-year cumulative EPS to 31 December 2020, with a threshold target of 92 pence and stretch target of 109 pence. Adjusted cumulative EPS over the three-year period was 82.36 pence and accordingly none of the LTIP awards vested. During the year under review, Louis Eperjesi's interest in 37,555 shares (including dividend equivalents) under the 2017 DSBP also vested.

In line with the leaver treatment outlined in last year's report, James Brotherton's retained interest in 23,178 shares (including dividend equivalents) under the 2017 DSBP vested in March 2020.

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
Nicky Hartery	1 October 2020	1 October 2020	1 October 2023	One
Paul Withers	1 February 2020	1 February 2020	1 February 2023	One
Pamela Bingham	18 January 2018	18 January 2021	18 January 2024	One
Helen Clatworthy	9 January 2017	9 January 2020	9 January 2023	One

Copies of service contracts and letters of appointment are available to view at the Company's registered office.

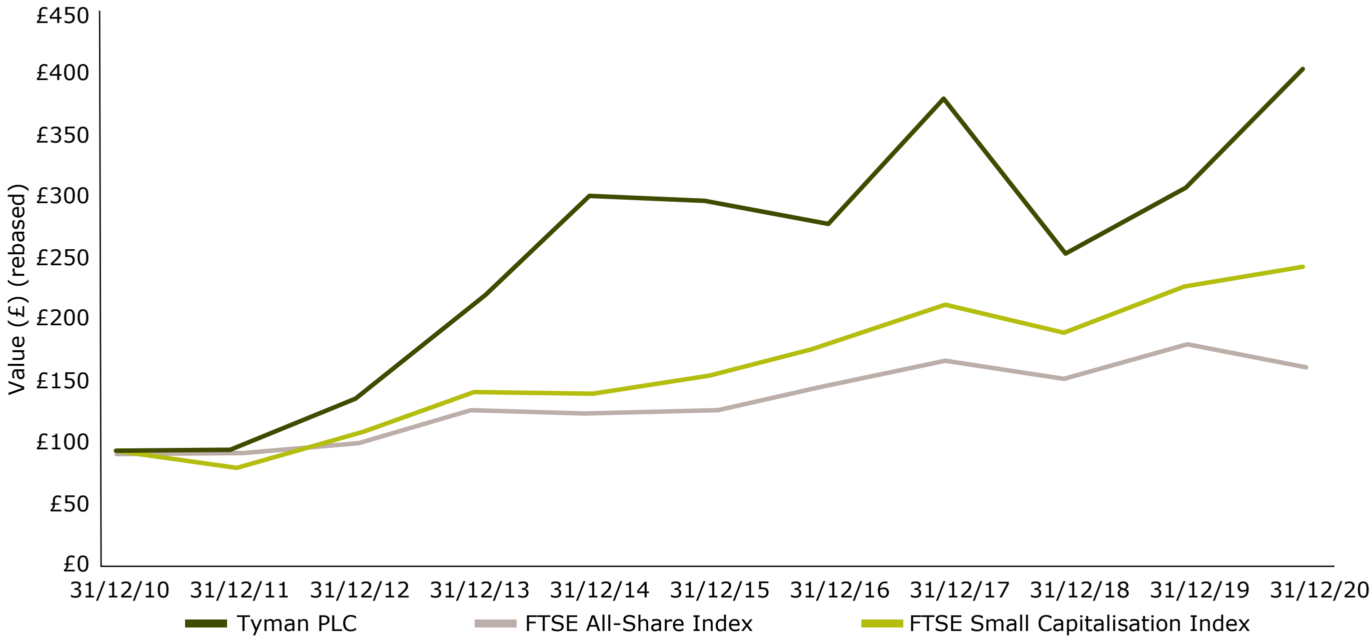
External appointments of Executive Directors

The Executive Directors do not hold any external appointments.

Performance graph and table

This graph shows the value, by 31 December 2020, of £100 invested in Tyman plc on 31 December 2010, compared with the value of £100 invested in the FTSE All-Share and FTSE SmallCap indices on the same date, these being two broad market indices of which Tyman has been a constituent for the majority of the period shown.

Total shareholder return



Historical Chief Executive remuneration outcomes

The table below sets out the single figure for the total remuneration paid to the Chief Executive Officer, together with the annual bonus payout (expressed as a percentage of the maximum opportunity) and the LTIP payout (expressed as a percentage of the maximum opportunity), for the current year and previous nine years.

Year	CEO	Single figure of total remuneration £'000	Annual bonus payout %	LTIP payout %
2020	Jo Hallas	501	Nil[1]	n/e
2019	Jo Hallas	1,299[2]	30	n/e[2]
	Louis Eperjesi	134	n/e	Nil
2018	Louis Eperjesi	1,153	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

'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.

1. The 2020 Group bonus was cancelled due to the scale of the financial impact of the COVID-19 crisis on the business, the wider stakeholder experience and the societal impact of the pandemic.
2. 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.

Percentage change in remuneration of Directors and employees

The Committee has previously disclosed year-on-year changes in salary, benefits and annual bonus for the Chief Executive Officer compared with that of all employees. In accordance with the Companies (Directors' remuneration policy and Directors' remuneration report) Regulations 2019 (applying to financial years commencing on or after 10 June 2019), this analysis has now been expanded to cover each Executive Director and Non-executive Director. This table will be built up over time to display a five-year history.

Director[1,2]	Basic salary/total fee[3] (2020 vs 2019)	Taxable benefits[4] (2020 vs 2019)	Annual bonus[5] (2020 vs 2019)
Nicky Hartery	n/a	n/a	n/a
Jo Hallas	-5.9%	-3.5%	-100.0%
Jason Ashton	-6.0%	-1.3%	-100.0%
Paul Withers	n/a	n/a	n/a
Pamela Bingham	1.0%	n/a	n/a
Helen Clatworthy	-1.3%	n/a	n/a
Martin Towers	-5.8%	n/a	n/a
Mark Rollins	2.5%	n/a	n/a
Average UK employee[6]	1.9%	5.8%	-91.4%

1. Changes in Directors and responsibilities during the 2019 and 2020 financial years as follows:
   a. Nicky Hartery was appointed to the Board on 1 October 2020
   b. Jo Hallas was appointed to the Board as the Chief Executive Officer on 1 April 2019.
   c. Jason Ashton was appointed to the Board as the Chief Financial Officer on 9 May 2019.
   d. Paul Withers was appointed to the Board on 1 February 2020 and became Chair of the Remuneration Committee and Senior Independent Director with effect from 31 March 2020.
   e. Pamela Bingham started receiving a fee in respect of her role as Employee Engagement Director with effect from 1 March 2020.
   f. Martin Towers stepped down from the Board on 30 November 2020.
   g. Mark Rollins stepped down from the Board on 31 March 2020.
2. All figures shown are based on a full-time equivalent basis to allow comparability where a Director was not in role for the entirety of a financial year.
3. All the Directors who were in role from April to July 2020 volunteered cuts of 25% to their base salaries and fees for 4 months (April to July) due to COVID-19. Whilst the workforce also experienced cuts to their salaries ranging from 10 to 20 per cent, the workforce's forgone salaries were repaid to them. However, the cuts to the Directors' salaries and fees were not repaid to them.
4. For Executive Directors, taxable benefits consist primarily of car allowance, private medical insurance, permanent health insurance and life assurance. Non-executive Directors do not receive taxable benefits.
5. The figures shown are reflective of any bonus earned in respect of the relevant financial year. Non-executive Directors are not eligible to participate in the annual bonus scheme.
6. The average percentage change of employee FTE salary is calculated with reference to the UK workforce as at 31 December 2020. This definition is broader than all employees of Tyman plc (as required by the reporting regulations), reflecting that the Tyman plc employee population is very small (and limited largely to the Head Office) and therefore is considered by the Committee not to be sufficiently representative of our wider workforce.

Relative spend on pay

The table below sets out, for the years ended 31 December 2020 and 31 December 2019, 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)	2020	2019	Year on year % change
Total employee remuneration for the Group (excluding share-based payments)	140,037	147,212	-4.87
Dividends paid in the financial year	Nil	23,577	-100

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
2020	Option A	1:26	1:22	1:14
2019	Option A	1:32	1:27	1:19

	CEO pay (£)	P25 pay (£)	P50 pay (£)	P75 pay (£)
Salary				
2020	**418,919**	**18,331**	**21,930**	**33,729**
2019	441,750	19,550	23,335	33,598
Total pay				
2020	**501,409**	**19,064**	**23,027**	**36,090**
2019	657,510	20,333	24,268	33,598

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 2020. This methodology is defined as Option A under the reporting regulations and is considered by the Committee to be the most accurate approach.

The Committee notes that the statutory CEO pay ratios have fallen in 2020 as compared to 2019, with the ratio of CEO total remuneration to the median employee, for example, dropping from 27:1 to 22:1. This change reflects a number of factors, including the cancellation of the annual bonus scheme for executive Directors and the temporary salary reduction of 25% volunteered for the period from April 2020 to July 2020. Neither the 2019 nor the 2020 figure includes any LTIP vesting to the CEO (who was appointed in 2019) which is expected to be a significant driver of the headline pay ratio each year and which may lead to an increase in the ratios in future.

In reviewing the pay ratio analysis, the Committee is satisfied that the individuals identified at each quartile reflect the pay profile across different levels at Tyman, and that the overall picture presented by the ratios is consistent with the Group's pay, reward and progression policies.

Statement of implementation for the 2021 financial year

Details of the Directors' remuneration for the 2021 financial year are set out in the table below:

Salary

Jo Hallas – to be increased to £477,500 with effect from 1 January 2021 (2020: £457,000 – 4.5% increase)

Jason Ashton – £330,890 (2020: £326,000 – 1.5% increase)

The average increase for the general worldwide workforce was between 1.5% and 3.3% (excl. Mexico). As set out in the Annual statement, the Committee awarded Jo Hallas a 4.5% salary increase in recognition of her ongoing strong performance (and in line with other high performers across the Group).

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 (of £17,500 per annum) and professional tax and financial advice.

Annual bonus

Maximum opportunities:
Jo Hallas: 150% of salary
Jason Ashton: 125% of base salary

Bonuses will be based entirely on financial measures, with 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 2021 Annual report and Accounts. Any bonus earned will be payable 50% in cash and 50% in shares deferred for three years.

LTIP

Award opportunities:
Jo Hallas: 150% of salary
Jason Ashton: 125% of base salary

While 2021 LTIP awards will be made to the Executive Directors following the AGM (subject to shareholder approval of the proposed Policy), awards will be calibrated as a number of shares using the same average share price used to determine the numbers of shares to be awarded to all other eligible employees in March 2021, to support alignment of interests across the LTIP population.

LTIP awards comprise grants of nil-cost options, vesting three years after grant, subject to performance over a 3-year period commencing 1 January 2021 against four measures:

Measure	Weighting	Basis of measurement	Threshold (25% vesting)	Stretch (100% vesting)
Adjusted EPS	40%	3-year CAGR to 2023	4.5% p.a.	12.0% p.a.
ROCE	25%	2023 outturn	13.0%	14.2%
Relative TSR	20%	Ranking vs constituents of the FTSE250 Index (xIT)	Median	Upper quartile
ESG	15%			
– Safety	Four categories weighted equally	2023 TRIR[1]	5.5	4.0
– Environment		2023 TCO_2e per £m revenue[2]	64.0	48.0
– Impact		2023 sustainable product revenues[3]	17%	20%
– Culture		Employee engagement	To be based on a qualitative assessment of improvement by the Workforce Engagement NED, taking into account factors such as eNPS[4], ethics training and incidents, diversity and inclusion, and talent development.	

1. Total Recordable Incident Rate. Aligns with Tyman's stated ambition to achieve a TRIR of <3.0 by 2026.
2. Tonnes of carbon dioxide equivalents per £m revenue is a measure of operation carbon emissions. Aligns with Tyman's stated ambition to achieve a 50% reduction by 2026 (relative to a 2019 baseline).
3. Reflects the % of total revenues that meet the UN Sustainable Development Goals (SDGs) in use.
4. Employee Net Promoter Score

For performance between Threshold and Stretch, the % vesting increases on a straight line sliding scale.

Vested LTIP awards continue to be required to be retained for two years after vesting.

Non-executive Director fees

The Chair is paid an annual basic fee (determined by the Remuneration Committee), with no additional fee for chairing the Nominations Committee. For 2021, the Chairman's annual fee will be increased by 1.5% (to £192,850), in line with the average increase awarded to the workforce.

Non-executive Directors are paid an annual basic fee, plus an additional fee for chairing a Board Committee. These fees are determined by the Chairman, CEO and CFO. In line with the increases awarded to the Chairman, the CFO and the wider workforce, the annual base fee payable to NEDs will be increased by 1.5% (to £50,000) for 2021. The fees payable to NEDs for additional responsibilities were also reviewed during 2020 in the context of the evolving nature and time commitment of these roles given Tyman's scale, complexity and international footprint. It was concluded that these should be revised for 2021, as set out below.

Position	**Annual fee 2021 £**	Annual fee 2020 £
Chair	**192,850**	190,000[1]
Non-executive Director	**50,000**	49,250
Annual fee for the Chair of the Audit or Remuneration Committees	**10,000**	8,500
Annual fee for the Senior Independent Director	**8,000**	7,000
Annual fee for the Employee Engagement Director	**6,000**	5,100[2]

1. This annual fee applied to Nicky Hartery upon his appointment as Board Chair on 1 December 2020. The annual fee paid to Martin Towers as Chair of the Board from 1 January 2020 – 30 November 2020 was £142,500.
2. Fee introduced with effect from 1 March 2020.

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 394,215 shares at a price of £1.6054 to £1.842, vesting over a one or three-year period, depending on jurisdiction. The total number of awards outstanding as at 31 December 2020 is 605,019.
- Deferred Share Bonus Plan: in the form of deferred share awards totalling 69,022 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 2020 is 348,634.
- Tyman Long Term Incentive Plan: awards totalling 1,005,686 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 2020 is 2,407,752.

The total number of shares outstanding under all share plans as at 31 December 2020 is 3,361,405.

Dilution

As at 31 December 2020, shares equivalent to 1.72% 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 110. 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 2020 AGM 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	163,978,639 (93.93%)	0 (0%)	10,599,603 (6.07%)	174,578,242 (100%)	3.894
Annual report on Directors' remuneration	174,548,932 (99.98%)	0 (0%)	29,310 (0.02%)	174,578,242 (100%)	3.894

The Committee is grateful to the Group's shareholders for their support as shown in the voting levels at the 2020 AGM and looks forward to receiving their continued support in 2021.

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

Paul Withers
Chair, Remuneration Committee

4 March 2021

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 previous year. The Company is the ultimate holding company of the Tyman Group of companies. A full list of subsidiaries may be found on pages 175 to 177.

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 2020 was 196,762,059 ordinary shares of 5.00 pence each, of which 521,423 shares are held in Treasury.

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

Directors

The names and biographical details of the Directors are on pages 80 to 81 of this report. Further information regarding the Directors who served during the year to 31 December 2020 may be found on pages 112 to 121 in the Remuneration report.

Re-election of Directors

Each Director of the Board will stand for election or re-election at the AGM. Accordingly, Jason Ashton, Pamela Bingham, Helen Clatworthy, Jo Hallas and Paul Withers will offer themselves for re-election at the 2021 AGM. As this is Nicky Hartery's first year of appointment, he will offer himself for election to the Board.

Annual General Meeting

At the Company's 2020 AGM the Directors were authorised to allot shares equal to approximately one-third of the issued share capital of the Company as at 3 April 2020 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 3 April 2020, 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 3 April 2020.

At the 2020 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 3 April 2020. 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 2021.

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 Directors' Remuneration policy and other routine matters.

Waiver of dividends

As at 31 December 2020, the Tyman Employee Benefit Trust held 1,068,969 ordinary shares in Tyman plc. Further information on the Employee Benefit Trust may be found on page 51. Dividend waivers are in place from Tyman plc in respect of the 521,423 shares held in Treasury as at 31 December 2020 and all but £0.01 of the total dividend to the Tyman Employee Benefit Trust.

Strategic report

Pages 20 to 121 (inclusive) of this Annual report comprise the Strategic report, Governance and Directors' report and the Remuneration report. These reports 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 79.

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 54 to 60 of the Strategic report.

Pursuant to Section 414c of the Companies Act 2006 the Strategic report on pages 1 to 79 contains disclosures in relation to future developments, dividends, finance and financial risk management, and 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 68 to 79 of the Strategic report.

Share transfer restrictions

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

Directors and Officers' insurance

Details of the Group's Directors and Officers' insurance arrangements may be found on page 87.

Substantial shareholders

The Company has been notified of, or has identified, the following direct or indirect interests comprising 3% 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 2020	%	**Ordinary shares notified as at 4 March 2021**	**%**
Alantra Asset Management	26,223,990	13.36	**25,925,911**	**13.21**
Wellington Management	18,942,011	9.65	**18,155,692**	**9.25**
Fidelity International	11,474,271	5.85	**11,764,645**	**6.00**
Aberdeen Standard Investments	10,756,881	5.48	**10,635,265**	**5.42**
Artemis Investment Management	9,697,467	4.94	**9,487,137**	**4.83**
Allianz Global Investors	9,160,936	4.67	**9,055,215**	**4.61**
M&G Investments	9,104,351	4.64	**8,552,681**	**4.36**
T Rowe Price Global Investments	8,657,829	4.41	**7,548,088**	**3.85**
BMO Global Asset Management (UK)	7,137,969	3.64	**7,339,526**	**3.74**
BlackRock	6,836,095	3.48	**7,884,663**	**4.02**
Janus Henderson Investors	6,579,617	3.35	**6,576,522**	**3.35**
Sterling Strategic Value Fund	6,540,324	3.33	**6,540,324**	**3.33**
Chelverton Asset Management	6,200,000	3.16	**7,050,000**	**3.59**

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 page 88 and a statement by the auditors on their responsibilities is given on page 130.

Employee engagement and policies

This information is included in the Sustainability report on pages 68 to 79.

Going concern

As a consequence of the work undertaken to support the viability statement, which may be found on pages 61 to 62, 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 (2019: £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 100 to 121. 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

Peter Ho
General Counsel & Company Secretary

4 March 2021

Company registration number: 02806007

Report on the audit of the financial statements

Opinion

In our opinion:

- Tyman plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's and Company's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements 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
- the financial statements 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 consolidated and Company balance sheets as at 31 December 2020; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statements 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 and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2.1 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 note 4 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- 10 operating units subject to full scope audits on the basis of financial significance
- Specific procedures over certain classes of transactions and balances at 8 further operating units where the particular balances were financially significant
- 80% (2019: 74%) of Group revenue accounted for by reporting units where full scope audit work performed over revenue. 79% (2019: 71%) of Group adjusted operating profit 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.

Key audit matters

- Goodwill and intangible assets impairment assessment (Group)
- Going concern (Group)
- Impact of COVID-19 (Group)

Materiality

- Overall Group materiality: £4,100,000 (2019: £4,300,000) based on 5% of three years average of adjusted operating profit.
- Overall Company materiality: £3,700,000 (2019: £4,000,000) based on 1% of total assets.
- Performance materiality: £3,100,000 (Group) and £2,800,000 (Company).

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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 to revenue 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 including consideration of known or suspected instances of non-compliance with laws and regulation.
- Evaluating management's controls designed to prevent and detect irregularities.
- Identifying and testing journals, in particular journal entries posted with unusual account combinations or with unusual descriptions.
- Challenging assumptions and judgements made by management in their significant accounting estimates including the key audit matters described below.
- Assessing matters reported on the entity's whistleblowing helpline.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Going concern and the Impact of COVID-19 are new key audit matters this year. IFRS 16 and Exceptional items, which were key audit matters last year, are no longer included because Exceptional items are no longer material at a Group level and IFRS 16 is not in its first year of adoption. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment (Group) Refer to note 10 of the financial statements. There is £361.9 million of goodwill and £84.1 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 and construction 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.	There are deemed to be three CGUs, namely North America, UK & Ireland and International. For all the CGUs we evaluated management's future cash flow forecasts and tested the underlying value in use calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management's forecasting. When comparing the current year results to forecast results, we have used the reforecast management prepared during the year as the effects of COVID-19 could not have been predicted or factored into forecasts prepared. We considered the performance of the Group in H2 of the year where economies around the world started to lift restrictions. 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 are satisfied these assumptions are 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.
Going concern (Group) The Group's financial statements at 31 December 2020 have been prepared on a going concern basis. Refer to the basis of preparation in note 2. The impact of COVID-19 in the year has resulted in widespread global disruption affecting the Group's major markets and the countries in which the Group operates. During the year, management obtained relaxations of their banking covenants, relaxing their adjusted EBITDA covenant from 3.0x to 3.5x. Management have performed a detailed assessment of forecast liquidity and covenant compliance using a base case scenario, a severe but plausible downside scenario and a reverse stress test to conclude whether the application of the going concern assumption remains appropriate.	For our audit response and conclusions in respect of going concern, see the 'Conclusions relating to going concern' section below.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (Group) The COVID-19 pandemic has had a significant impact on the performance of the Group during FY20, with the severity of the impact varying across the Group's divisions. As a result, the pandemic has brought increased estimation uncertainty to certain areas of the financial statements. The key areas of the financial statements most impacted by the increased estimation uncertainty are described below: 1. The Directors have considered the appropriateness of the going concern basis of preparation in the Group's financial statements, including assessing the impact on the Group's working capital and projected covenant compliance. 2. COVID-19 has increased the estimation uncertainty within impairment assessments for goodwill and intangible assets.	In response to the key areas identified as being significantly impacted by COVID-19, we performed the following procedures: • We evaluated management's assessment of the impact of COVID-19 on the business performance during the year and the future outlook. • We ensured that we adequately directed, supervised and reviewed the work undertaken by our significant and material component audit teams in a remote working environment, we increased the frequency and extent of our oversight, using video conferencing and remote working paper reviews. We were satisfied that the audit work performed by these audit teams was sufficient, appropriate and in accordance with our issued instructions. • Refer to our key audit matter above for details on how we considered the impact of COVID-19 in our audit procedures over going concern. • Refer to our key audit matter above for details of how we considered the impact of COVID-19 in our audit procedures over the goodwill and intangible assets impairment assessment. • We considered the appropriateness of disclosures of the impact of the current environment and the increased uncertainty on its accounting estimates within the Annual Report and found these to be adequate.

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 and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along three business lines being Tyman North America, Tyman UK & Ireland and Tyman 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 10 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 8 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 were in regular contact with the teams via video calls, reviewed audit work papers related to areas of focus, and participated in the US and Italian component clearance meetings.

80% 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. 79% of the Group's adjusted operating profit before taxation is accounted for by the 10 reporting units where we performed full scope audit work on the complete financial information.

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:

	Financial statements - Group	Financial statements - Company
Overall materiality	£4,100,000 (2019: £4,300,000).	£3,700,000 (2019: £4,000,000).
How we determined it	5% of three years average of adjusted operating profit	1% of total assets
Rationale for benchmark applied	Adjusted 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. In the current year, due to the COVID-19 pandemic, we have considered it appropriate to use a three year average to determine materiality on the basis that this is not a fundamental change in the operating model of the business. Adjusted operating profit excludes net finance costs, exceptional items, amortisation of acquired intangible assets, and impairment of acquired intangible assets and goodwill.	The Company is predominantly an investment holding company and therefore total assets is deemed the most appropriate benchmark.

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 £90,000 to £3,600,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3,100,000 for the Group financial statements and £2,800,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £195,000 (Group audit) (2019: £212,500) and £185,000 (Company audit) (2019: £200,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the appropriateness of the Group's cash flow, liquidity and gearing covenant forecasts in the context of the Group's 2020 financial position. In assessing this we considered the Group's performance in H2 when economies around the world started to lift restrictions. We also considered external construction industry outlook reports and economic growth forecasts from a variety of sources, as these were good indicators of building product sales;
- Understanding and assessing the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Corroborating key assumptions to underlying documentation and ensured this was consistent with our audit work in these areas;
- Obtaining and reviewing documents confirming the relaxation of the covenants;
- Testing the mathematical accuracy of management's cash flow models;
- Considering the historical accuracy of management's forecasting and note while there have been significant deviations between the original 2020 budget compared to the 2020 actuals the reforecasting performed by management as a result of the COVID-19 pandemic has been predominantly accurate; and
- Reviewing the disclosures provided relating to the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Statement of governance is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual report and accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when 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.

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, 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 and 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 Group or 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Company financial statements and the part of the 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 and Risk Committee, we were appointed by the members 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 9 years, covering the years ended 31 December 2012 to 31 December 2020.

Richard Porter
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London

4 March 2021

Consolidated income statement

For the year ended 31 December 2020

	Note	2020 £'m	2019 £'m
Revenue	3	**572.8**	613.7
Cost of sales	3	**(380.7)**	(408.1)
Gross profit		**192.1**	205.6
Administrative expenses		**(132.4)**	(165.1)
Operating profit	4	**59.7**	40.5
Analysed as:			
Adjusted[1] operating profit	3	**80.3**	85.4
Exceptional items	6	**(1.8)**	(18.9)
Amortisation of acquired intangible assets	10	**(18.8)**	(23.5)
Impairment of acquired intangible assets	10	**–**	(2.5)
Operating profit		**59.7**	40.5
Finance income	7	**0.3**	–
Finance costs	7	**(12.4)**	(15.7)
Net finance costs	7	**(12.1)**	(15.7)
Profit before taxation	3	**47.6**	24.8
Income tax charge	8	**(10.4)**	(7.1)
Profit for the year		**37.2**	17.7
Basic earnings per share	9	**19.07p**	9.08p
Diluted earnings per share	9	**19.00p**	9.05p
Non-GAAP alternative performance measures[1]			
Adjusted[1] operating profit		**80.3**	85.4
Adjusted[1] profit before taxation	9	**68.4**	71.0
Basic Adjusted earnings per share	9	**27.22p**	27.46p
Diluted Adjusted earnings per share	9	**27.12p**	27.35p

[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 pages 183 to 188 for non-GAAP Alternative Performance Measures.

The notes on pages 136 to 177 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	**2020 £'m**	2019 £'m
Profit for the year		**37.2**	17.7
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	21	**1.4**	(1.0)
Total items that will not be reclassified to profit or loss		**1.4**	(1.0)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(12.7)**	(11.9)
Effective portion of changes in value of cash flow hedges	17	**0.3**	–
Total items that may be reclassified to profit or loss		**(12.4)**	(11.9)
Other comprehensive income/(expense) for the year, net of tax		**(11.0)**	(12.9)
Total comprehensive income for the year		**26.2**	4.8

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 136 to 177 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital £'m	Share premium £'m	Treasury reserve £'m	Hedging reserve £'m	Translation reserve £'m	Retained earnings £'m	Total equity £'m
At 1 January 2019	9.8	132.2	(4.9)	(0.3)	71.4	225.6	433.8
Change in accounting policy[1]	–	–	–	–	–	2.4	2.4
Total comprehensive (expense)/income	–	–	–	–	(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[2]	–	–	–	–	–	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
Total comprehensive income/(expense)	–	–	–	0.3	(12.7)	38.6	26.2
Profit for the year	–	–	–	–	–	37.2	37.2
Other comprehensive income/(expense)	–	–	–	0.3	(12.7)	1.4	(11.0)
Transactions with owners	–	–	0.9	–	–	(0.3)	0.6
Share-based payments[2]	–	–	–	–	–	0.9	0.9
Issue of own shares from Employee Benefit Trust	–	–	1.2	–	–	(1.2)	–
Purchase of own shares for Employee Benefit Trust	–	–	(0.3)	–	–	–	(0.3)
At 31 December 2020	**9.8**	**–**	**(3.4)**	**–**	**46.8**	**389.9**	**443.1**

1 The change in accounting policy at 1 January 2019 relates to adoption of IFRS 16 'Leases'.

2 Share-based payments include a tax credit of £0.2 million (2019: tax credit of £0.1 million) and a release of the deferred share-based payment bonus accrual of £0.6 million (2019: £0.4 million).

The notes on pages 136 to 177 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2020

	Note	2020 £'m	2019 £'m
TOTAL ASSETS			
Non-current assets			
Goodwill	10	**361.9**	371.3
Intangible assets	10	**84.1**	104.0
Property, plant and equipment	11	**60.7**	65.8
Right of use assets	12	**51.8**	59.4
Financial assets at fair value through profit or loss	14	**1.1**	1.1
Deferred tax assets	8	**16.3**	17.2
		575.9	618.8
Current assets			
Inventories	13	**84.0**	88.6
Trade and other receivables	14	**72.8**	76.3
Cash and cash equivalents	15	**69.7**	49.0
		226.5	213.9
TOTAL ASSETS		**802.4**	832.7
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(84.4)**	(84.9)
Derivative financial instruments	17	**(0.2)**	(0.7)
Borrowings	18	**(40.3)**	(0.3)
Lease liabilities	12	**(5.4)**	(6.0)
Current tax liabilities		**(6.8)**	(6.5)
Provisions	20	**(1.3)**	(2.5)
		(138.4)	(100.9)
Non-current liabilities			
Borrowings	18	**(128.8)**	(211.5)
Lease liabilities	12	**(48.4)**	(54.0)
Deferred tax liabilities	8	**(26.8)**	(31.3)
Retirement benefit obligations	21	**(8.9)**	(11.2)
Provisions	20	**(7.6)**	(7.1)
Other payables	16	**(0.4)**	(0.4)
		(220.9)	(315.5)
TOTAL LIABILITIES		**(359.3)**	(416.4)
NET ASSETS		**443.1**	416.3
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	**9.8**	9.8
Treasury reserve		**(3.4)**	(4.3)
Hedging reserve		**–**	(0.3)
Translation reserve		**46.8**	59.5
Retained earnings		**389.9**	351.6
TOTAL EQUITY		**443.1**	416.3

The notes on pages 136 to 177 are an integral part of these consolidated financial statements.

The financial statements on pages 131 to 135 were approved by the Board on 4 March 2021 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 2020

	Note	2020 £'m	2019 £'m
Cash flow from operating activities			
Profit before taxation	3	**47.6**	24.8
Adjustments	26	**55.9**	71.9
Changes in working capital[1]:			
Inventories		**3.3**	13.7
Trade and other receivables		**1.7**	7.7
Trade and other payables		**3.3**	0.7
Provisions utilised		**(0.4)**	(6.5)
Pension contributions		**(1.7)**	(1.0)
Income tax paid		**(13.8)**	(14.2)
Net cash generated from operations		**95.9**	97.1
Cash flow from investing activities			
Purchases of property, plant and equipment	11	**(9.9)**	(10.7)
Purchases of intangible assets	10	**(0.6)**	(0.8)
Proceeds on disposal of property, plant and equipment		**–**	0.8
Acquisitions of subsidiary undertakings, net of cash acquired	25	**(1.5)**	(0.9)
Net cash used in investing activities		**(12.0)**	(11.6)
Cash flow from financing activities			
Interest paid		**(12.5)**	(15.0)
Dividends paid		**–**	(23.6)
Purchase of own shares for Employee Benefit Trust		**(0.3)**	(2.0)
Refinancing costs paid		**–**	(0.3)
Proceeds from drawdown of revolving credit facility		**91.6**	33.5
Repayments of revolving credit facility		**(135.7)**	(73.4)
Principal element of lease payments		**(6.4)**	(5.6)
Net cash used in financing activities		**(63.3)**	(86.4)
Net increase/(decrease) in cash and cash equivalents		**20.6**	(0.9)
Exchange gains/(losses) on cash and cash equivalents		**0.1**	(2.0)
Cash and cash equivalents at the beginning of the year		**49.0**	51.9
Cash and cash equivalents at the end of the year		**69.7**	49.0

[1] Excluding the effects of exchange differences on consolidation.

The notes on pages 136 to 177 are an integral part of these consolidated financial statements.

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 4,130 people with facilities in 17 countries worldwide.

Tyman plc is a public limited company listed on the London Stock Exchange, incorporated and domiciled in England and Wales. The address of the Company's registered office is 29 Queen Anne's Gate, London SW1H 9BU.

2. Accounting policies and basis of preparation

The accounting policies in this section relate to the financial statements in their entirety. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, that relate to a particular note are described in the specific note to which they relate. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Tyman plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 Group's business activities, financial performance and position, together with factors likely to affect its future development and performance including the impact of COVID-19, are described in the Cheif Executive Officer's review on pages 36 to 38. Changes to principal risks and uncertainties are described on pages 57 to 60.

As at 31 December 2020, the Group had cash and cash equivalents of £69.7 million and an undrawn RCF available of £143.1 million, giving liquidity headroom of £212.8 million. The Group also has potential access to an uncommitted accordion facility of £70 million.

The Group is subject to leverage and interest cover covenants tested in June and December and had significant headroom on both covenants at 31 December 2020. In order to provide increased headroom during the period of uncertainty earlier in the year, the Group agreed a temporary relaxation of the leverage covenant from 3.0x adjusted EBITDA to 3.5x at 31 December 2020 and 4.0x at 30 June 2021.

The Group has performed an assessment of going concern through modelling several scenarios. The base case scenario reflects the budget for 2021 and the strategic plan financials for 2022, which assumes current market conditions are maintained. A severe but plausible downside scenario has also been modelled, which assumes a deterioration in revenue from the base case of 17%. This scenario could arise if further significant lockdown measures are introduced in key markets or the global economy enters a prolonged period of deep recession and reflects the level of deterioration experienced in H1 2020 when the majority of the impact from COVID-19 was felt. This scenario includes additional cost reduction actions available, mainly in relation to further reductions in discretionary spend. There are further cost mitigating actions that could be taken by management in the event this became necessary.

In all scenarios modelled, the Group would retain significant liquidity and covenant headroom throughout the going concern period.

Reverse stress-testing has also been performed to model a scenario which would result in elimination of covenant headroom within the going concern assessment period. This scenario was considered highly unlikely.

Having reviewed the various scenario models, availably liquidity and taking into account current trading, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the consolidated and Company financial information has been prepared on a going concern basis.

Further details on the Group's Viability statement is set out on pages 61 and 62 of the Annual report and accounts.

2. Accounting policies and basis of preparation continued

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).

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:

- going concern assessment (note 2.2);
- recoverability of deferred tax assets (note 8);
- the carrying amount of goodwill and intangible assets (note 10);
- the carrying amount of inventories (note 13);
- the carrying amount of trade receivables (note 14);
- provisions (note 20);
- defined benefit pension and post-retirement benefit schemes (note 21).

2.4 Changes in accounting policies and disclosures

2.4.1 New, revised and amended EU-endorsed accounting standards

The accounting 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 2021, 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

The Group has utilised available government job retention schemes across various territories. The amount of government support received outside of the United Kingdom in the year is £1.7 million, and this has been accounted for as a government grant under IAS 20. As the grant has been intended to cover employee costs, this has been recognised in the profit or loss within administrative expenses, offsetting the related expense. £2.3 million of government support income received during the year in the United Kingdom was repaid in December 2020.

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. Accounting policies and basis of preparation continued

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.

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, 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.

3.2 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: Tyman North America, Tyman UK & Ireland and Tyman International.

North America comprises all the Group's operations within the US, Canada and Mexico. UK & Ireland comprises the Group's UK and Ireland hardware business, together with Access 360 and Tyman Sourcing Asia. International 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 Tyman UK & Ireland 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

3.2.1 Revenue

	2020			2019		
	Segment revenue £'m	**Inter-segment revenue £'m**	**External revenue £'m**	Segment revenue £'m	Inter-segment revenue £'m	External revenue £'m
North America	**374.8**	**(2.7)**	**372.1**	388.3	(2.3)	386.0
UK & Ireland	**92.8**	**(0.6)**	**92.2**	107.5	(0.3)	107.2
International	**110.9**	**(2.4)**	**108.5**	122.8	(2.3)	120.5
Total revenue	**578.5**	**(5.7)**	**572.8**	618.6	(4.9)	613.7

Included within the Tyman International segment is revenue attributable to the UK of £17.2 million (2019: £19.4 million).

There are no single customers which account for greater than 10% of total revenue.

3.2.2 Profit before taxation

	Note	2020 £'m	2019 £'m
North America		**64.5**	64.5
UK & Ireland		**8.8**	13.8
International		**12.3**	14.8
Operating segment result		**85.6**	93.1
Centrally incurred costs		**(5.3)**	(7.7)
Adjusted operating profit		**80.3**	85.4
Exceptional items	6	**(1.8)**	(18.9)
Amortisation of acquired intangible assets	10	**(18.8)**	(23.5)
Impairment of acquired intangibles	10	**–**	(2.5)
Operating profit		**59.7**	40.5
Net finance costs	7	**(12.1)**	(15.7)
Profit before taxation		**47.6**	24.8

3.2.3 Operating profit disclosures

	Cost of sales		Depreciation		Amortisation	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
North America	**(258.5)**	(270.3)	**(12.8)**	(13.3)	**(13.7)**	(17.1)
UK & Ireland	**(58.6)**	(67.2)	**(2.5)**	(2.6)	**(3.4)**	(4.1)
International	**(63.6)**	(70.6)	**(5.1)**	(4.7)	**(3.2)**	(3.8)
Total	**(380.7)**	(408.1)	**(20.4)**	(20.6)	**(20.3)**	(25.0)

3.2.4 Segment assets and liabilities

	Segment assets		Segment liabilities[1]		Non-current assets[2]	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
North America	**507.0**	530.5	**(133.5)**	(169.5)	**389.6**	422.6
UK & Ireland	**134.2**	142.2	**(33.1)**	(40.1)	**85.3**	92.1
International	**155.9**	153.8	**(61.1)**	(70.2)	**84.0**	85.9
Unallocated	**5.3**	6.2	**(131.6)**	(136.6)	**0.7**	1.0
Total	**802.4**	832.7	**(359.3)**	(416.4)	**559.6**	601.6

1 Included within unallocated segment liabilities are centrally held borrowings of £129.1 million (2019: £133.0 million), provisions of £0.4 million (2019: £0.4 million) and other liabilities of £2.1 million (2019: £3.2 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 International segment include £14.3 million (2019: £14.2 million) attributable to the UK.

3. Segment reporting continued

3.2.5 Capital expenditure

	Property, plant and equipment		Intangible assets	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m
North America	**7.7**	5.8	**–**	0.2
UK & Ireland	**0.3**	0.8	**0.1**	–
International	**1.9**	4.1	**0.6**	0.5
Total	**9.9**	10.7	**0.7**	0.7

3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
North America	**265.6**	275.7	**53.6**	68.8	**(5.2)**	(7.7)
UK & Ireland	**60.2**	60.2	**7.9**	11.3	**–**	–
International	**36.1**	35.4	**22.6**	23.9	**(3.7)**	(3.5)
Total	**361.9**	371.3	**84.1**	104.0	**(8.9)**	(11.2)

4. Operating profit

Operating profit is stated after charging the following:

	Note	**2020 £'m**	2019 £'m
Depreciation of property, plant and equipment	11	**(12.7)**	(13.1)
Depreciation of right of use assets	12	**(7.7)**	(7.5)
Amortisation of acquired intangible assets	10	**(18.8)**	(23.5)
Impairment of acquired intangible assets	10	**–**	(2.5)
Amortisation of other intangible assets	10	**(1.5)**	(1.5)
Foreign exchange loss		**(1.3)**	(1.0)
Employee costs	5	**(138.3)**	(147.7)

Analysis of auditors' remuneration:

	2020 £'m	2019 £'m
Audit of Parent Company and consolidated financial statements	**(0.3)**	(0.2)
Audit of subsidiaries	**(0.6)**	(0.6)
Total audit	**(0.9)**	(0.8)
Audit-related assurance services	**(0.1)**	(0.1)
Total fees	**(1.0)**	(0.9)
Total audit fees	**(0.9)**	(0.8)
Total non-audit fees	**(0.1)**	(0.1)
Total fees	**(1.0)**	(0.9)

Audit-related assurance services were in respect of the interim review and were £45,000 (2019: £50,000).

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 2020 was:

	Average		Total	
	2020	2019	**2020**	2019
Administration	**399**	408	**388**	393
Operations	**3,273**	3,318	**3,414**	3,111
Sales	**363**	420	**329**	408
	4,035	4,146	**4,131**	3,912

The analysis above includes Directors.

5.3 Employment costs

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

	Note	**2020 £'m**	2019 £'m
Wages and salaries		**(124.8)**	(130.9)
Social security costs		**(10.8)**	(11.7)
Share-based payments	23	**(0.1)**	(0.5)
Pension costs - defined contribution schemes	21	**(3.6)**	(3.8)
Pension costs - defined benefit schemes	21	**(0.7)**	(0.8)
Government support income	2	**1.7**	–
		(138.3)	(147.7)

Full details of Directors' remuneration are set out in the Remuneration report on pages 100 to 121.

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

	2020 £'m	2019 £'m
Footprint restructuring - costs	**–**	(7.1)
Footprint restructuring - credits	**0.2**	0.6
Footprint restructuring - net	**0.2**	(6.5)
M&A and integration - costs	**(0.8)**	(5.3)
M&A and integration – credits	**0.6**	–
M&A and integration - net	**(0.2)**	(5.3)
Loss on disposal of business	**(1.8)**	(1.7)
Impairment charges	**–**	(5.4)
	(1.8)	(18.9)

Footprint restructuring

The footprint restructuring costs in prior periods related to directly attributable costs incurred in the multi-year North American footprint consolidation project, as well as provisions for costs associated with the closure of the Fremont, Nebraska facility and streamlining the international satellite operations which commenced in 2019. These projects were completed in 2020, with the small credit arising due to the actual costs being slightly less than estimated.

M&A and integration

M&A and integration costs of £0.8 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland. M&A credits of £0.6 million relate to the release of an excess warranty provision made on a previous acquisition.

Loss on disposal of business

This charge relates to a loss on the disposal of the Ventrolla business, which was divested on 5 November 2020 for nominal consideration, set out in note 25. The charge in 2019 relates to a reduction in expected deferred consideration receivable in respect of the Rochester non-fenestration business which was disposed of in December 2018.

Impairment charges

Impairment charges in 2019 relate to the write down of assets and inventory associated with the slower than expected uptake of the new door seal product in North America.

7. Finance income and costs

	Note	2020 £'m	2019 £'m
Finance income			
Gain on revaluation of fair value hedge		**0.3**	–
		0.3	–
Finance costs			
Interest payable on bank loans, private placement notes and overdrafts		**(8.9)**	(11.1)
Interest payable on leases		**(2.8)**	(3.0)
Amortisation of borrowing costs		**(0.5)**	(0.5)
Pension interest cost		**(0.2)**	(0.3)
Loss on revaluation of fair value hedge		**–**	(0.8)
		(12.4)	(15.7)
Net finance costs		**(12.1)**	(15.7)

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 the same tax entity or different taxable entities where there is an intention to settle tax balances on a net basis.

8.1.1 Key source of estimation uncertainty: deferred tax assets

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

The Group has made provisions for uncertain tax positions in accordance with IFRIC 23. At any point in time the Group has open tax returns across the jurisdictions in which it operates that may give rise to different amounts of tax due. 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	2020 £'m	2019 £'m
Current taxation			
Current tax on profit for the year		**(15.5)**	(15.0)
Prior year adjustments		**1.4**	1.6
Total current taxation		**(14.1)**	(13.4)
Deferred taxation			
Origination and reversal of temporary differences		**3.6**	6.8
Rate change adjustment		**0.1**	(0.1)
Prior year adjustments		**–**	(0.4)
Total deferred taxation	8.3	**3.7**	6.3
Income tax charge in the income statement		**(10.4)**	(7.1)
Total (charge)/credit relating to components of other comprehensive income			
Current tax charge on translation		**(0.2)**	–
Current tax credit on share-based payments		**0.1**	0.2
Deferred tax credit on actuarial gains and losses	8.3	**0.1**	0.3
Deferred tax credit/(charge) on share-based payments	8.3	**0.1**	(0.1)
Deferred tax (charge)/credit on translation	8.3	**(0.2)**	0.3
Income tax (charge)/credit in the statement of other comprehensive income		**(0.1)**	0.7
Total current taxation		**(14.2)**	(13.2)
Total deferred taxation		**3.7**	6.8
Total taxation		**(10.5)**	(6.4)

The Group's UK profits for this financial year are taxed at the statutory rate of 19.0% (2019: 19.0%). The deferred tax balances have been measured using the applicable enacted rates.

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% (2019: 19.0%). The differences are explained below:

	2020 £'m	2019 £'m
Profit before taxation	**47.6**	24.8
Rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**(9.0)**	(4.7)
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	(1.6)
Overseas tax rate differences	**(2.8)**	(1.9)
Rate change adjustment	**0.1**	(0.1)
Prior year adjustments	**1.4**	1.2
Income tax charge in the income statement	**(10.4)**	(7.1)

8. Taxation continued

8.3 Taxation – balance sheet

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

	2020 £'m	2019 £'m
Deferred tax assets	**16.3**	17.2
Deferred tax liabilities	**(26.8)**	(31.3)
Net deferred tax liabilities	**(10.5)**	(14.1)

The net movement in deferred tax is as follows:

	Note	2020 £'m	2019 £'m
At 31 December		**(14.1)**	(20.8)
Change in accounting policy		**–**	(0.5)
At 1 January		**(14.1)**	(21.3)
Income statement credit	8.2	**3.6**	6.3
Rate change adjustment	8.2	**0.1**	(0.1)
Acquisitions of subsidiaries		**–**	(0.1)
Tax credit relating to components of other comprehensive income	8.2	**–**	0.5
Exchange difference		**(0.1)**	0.6
At 31 December		**(10.5)**	(14.1)

The change in accounting policy in December 2019 relates to the adoption of IFRS 16.

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 2019	0.9	1.8	6.1	8.6	17.4
Income statement (charge)/credit	(0.2)	–	(0.4)	1.1	0.5
Rate change adjustment	–	–	–	(0.2)	(0.2)
Tax credit/(charge) 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
Income statement charge	–	(0.2)	(0.4)	(0.3)	(0.9)
Rate change adjustment	–	–	–	0.1	0.1
Tax (charge)/credit relating to components of other comprehensive income	–	(0.3)	–	0.3	–
Exchange difference	–	–	–	(0.1)	(0.1)
At 31 December 2020	**0.7**	**1.5**	**5.2**	**8.9**	**16.3**

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 2019	(7.0)	(27.4)	(4.3)	(38.7)
Income statement 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)
Income statement credit	0.7	3.8	–	4.5
Rate change adjustment	–	(0.2)	0.1	(0.1)
Exchange difference	0.2	–	(0.1)	0.1
At 31 December 2020	**(5.4)**	**(18.0)**	**(3.4)**	**(26.8)**

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 £19.2 million (2019: £22.5 million) are expected to fall due after more than one year and deferred tax assets of £10.8 million (2019: £16.5 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**	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m
Capital losses	**3.3**	4.0	**(0.6)**	(0.7)
Trading losses	**21.4**	21.3	**(5.7)**	(5.6)
	24.7	25.3	**(6.3)**	(6.3)

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.

At 31 December 2020, the Group has undistributed earnings of non-UK subsidiaries of £3.7 million (2019: £Nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient.

An assessable temporary difference exists, but no deferred tax liability has been recognised because the Group is able to control the timing of any distributions from these subsidiaries and hence any tax consequences that may arise.

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 2020.

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 183 to 188).

9.2 Earnings per share

	2020 £'m	2019 £'m
Profit for the year	**37.2**	17.7
Basic earnings per share	**19.07p**	9.08p
Diluted earnings per share	**19.00p**	9.05p

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

	2020 'm	2019 'm
Weighted average number of shares (including treasury shares)	**196.8**	196.8
Treasury and Employee Benefit Trust shares	**(1.7)**	(1.9)
Weighted average number of shares - basic	**195.1**	194.9
Effect of dilutive potential ordinary shares - LTIP awards and options	**0.7**	0.8
Weighted average number of shares - diluted	**195.8**	195.7

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 184.

Adjusted profit after taxation is derived as follows:

	2020 £'m	2019 £'m
Profit before taxation	**47.6**	24.8
Exceptional items	**1.8**	18.9
(Gain)/loss on revaluation of fair value hedge	**(0.3)**	0.8
Amortisation of borrowing costs	**0.5**	0.5
Amortisation of acquired intangible assets	**18.8**	23.5
Impairment of acquired intangible assets	**–**	2.5
Adjusted profit before taxation	**68.4**	71.0
Income tax charge	**(10.4)**	(7.1)
Add back: Adjusted tax effect[1]	**(4.9)**	(10.4)
Adjusted profit after taxation	**53.1**	53.5

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:

	2020	2019
Basic adjusted earnings per share	**27.22p**	27.46p
Diluted adjusted earnings per share	**27.12p**	27.35p

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 2020, the Group had goodwill of £361.9 million (2019: £371.3 million) with intangible assets amounting in total to £84.1 million (2019: £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

	£'m
Net carrying value	
At 1 January 2019	382.1
Acquisitions of subsidiaries	0.9
Exchange difference	(11.7)
At 31 December 2019	371.3
Exchange difference	(9.4)
At 31 December 2020	**361.9**

Goodwill resulting from the acquisition of subsidiaries in 2019 relates to the acquisition of Y-Cam in February 2019.

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

	2020 £'m	2019 £'m
North America	**265.6**	275.7
UK & Ireland	**60.2**	60.2
International	**36.1**	35.4
	361.9	371.3

10.2.1 Impairment tests for goodwill

Assumptions

The Group's CGUs have been defined as each of the Group's three operating divisions. Each division has its own senior management and leadership team which holds the overall responsibility for the key decision making of each operating unit within that division. 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 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 2021 and the strategic plan for 2022 – 2023, 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**	
	2020	2019	**2020**	2019
North America	**12.8%**	12.0%	**23.4%**	22.3%
UK & Ireland	**12.6%**	11.9%	**16.0%**	15.5%
International	**14.1%**	12.8%	**19.2%**	19.6%

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10. Goodwill and intangible assets continued

10.2 Carrying amount of goodwill continued

Impairment review results: 2020

The Group experienced a downturn in performance in 2020 as a result of the COVID-19 pandemic. Trading has rebounded ahead of expectation since operations resumed. The impact of COVID-19 was considered in the base impairment model. 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 assumptions have been subjected to sensitivity analyses, including sensitising revenue, gross margin and the discount rate. The annual impairment review did not result in any impairment losses being recognised in 2020. Results are summarised as follows:

UK & Ireland: Revenue would need to decline by over 4% on average in each of the five years from 2021 to 2025 to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 16.0% to 10.8%, to reduce VIU headroom to zero. This scenario is considered unlikely to occur given historic rates and strategic initiatives in progress.

North America: Revenue would need to decline by over 7% on average in each of the five years from 2021 to 2025 to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 23.4% to 17.0%, to reduce VIU headroom to zero. Given the current trading performance, the margin uplift potential of operational improvement activities, this scenario is felt unlikely to occur.

International: Revenue would need to decline by approximately 6% on average in each of the five years from 2021 to 2025 to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 19.2% to 16.4% and continue at that level in perpetuity, for the VIU headroom of the International division to reduce to zero. Given the current strong performance of the International division, the expected benefits from streamlining International operations and growth from new product introductions, this is felt unlikely to occur.

10.3 Carrying amount of intangible assets

	Note	Computer software £'m	Acquired brands £'m	Customer relationships £'m	Total £'m
Cost					
At 1 January 2019		14.9	88.9	266.9	370.7
Additions		0.7	–	–	0.7
Disposals		(1.8)	–	–	(1.8)
Acquisitions of subsidiaries		–	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
Additions		0.6	–	–	0.6
Disposals		(0.4)	–	–	(0.4)
Exchange difference		(0.2)	(0.7)	(5.4)	(6.3)
At 31 December 2020		**13.2**	**85.8**	**252.7**	**351.7**
Accumulated amortisation					
At 1 January 2019		(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)
Amortisation charge for the year	4	(1.5)	(5.7)	(13.1)	(20.3)
Disposals		0.2	–	–	0.2
Exchange difference		0.1	0.8	5.4	6.3
At 31 December 2020		**(7.1)**	**(57.4)**	**(203.1)**	**(267.6)**
Net carrying value					
At 1 January 2019		9.4	40.8	84.6	134.8
At 31 December 2019		7.3	34.0	62.7	104.0
At 31 December 2020		**6.1**	**28.4**	**49.6**	**84.1**

The acquisition of subsidiaries in 2019 relates to the acquisition in Y-Cam in February 2019.

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £18.8 million (2019: £23.5 million) relating to amortisation of acquired intangible assets and £1.5 million (2019: £1.5 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. No impairment has been recognised in 2020.

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 2019		28.7	114.4	143.1
Additions		0.8	9.9	10.7
Disposals		(0.7)	(11.8)	(12.5)
Transfers from intangible assets	10	0.2	(0.5)	(0.3)
Exchange difference		(2.4)	(8.0)	(10.4)
At 31 December 2019		26.6	104.0	130.6
Additions		0.1	9.8	9.9
Disposals		–	(13.4)	(13.4)
Exchange difference		1.6	(2.8)	(1.2)
At 31 December 2020		**28.3**	**97.6**	**125.9**
Accumulated depreciation				
At 1 January 2019		(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
Impairment		–	(4.3)	(4.3)
Exchange difference		1.5	6.6	8.1
At 31 December 2019		(7.4)	(57.4)	(64.8)
Depreciation charge for the year	4	(0.8)	(11.9)	(12.7)
Disposals		–	12.1	12.1
Impairment		–	(0.5)	(0.5)
Exchange difference		(1.2)	1.9	0.7
At 31 December 2020		**(9.4)**	**(55.8)**	**(65.2)**
Net carrying value				
At 1 January 2019		20.3	55.8	76.1
At 31 December 2019		19.2	46.6	65.8
At 31 December 2020		**18.9**	**41.8**	**60.7**

11. Property, plant and equipment continued

11.2 Carrying amount of property, plant and equipment continued

Depreciation on property, plant, and equipment is included in the income statement as follows:

	2020 £'m	2019 £'m
Cost of sales	**9.7**	9.9
Administrative expenses	**3.0**	3.2
Total depreciation charge	**12.7**	13.1

12. Leases

12.1 Accounting policy

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 of 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.

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 five and 25 years, while plant, machinery, and vehicles generally have lease terms between six months and five 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:

	Land and buildings £'m	Plant and machinery £'m	Total £'m
At 1 January 2019	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
Additions	2.9	0.4	3.3
Disposals	(1.6)	–	(1.6)
Depreciation charge	(6.7)	(1.0)	(7.7)
Revaluation impairment	(0.3)	–	(0.3)
Exchange difference	(1.3)	–	(1.3)
At 31 December 2020	**50.0**	**1.8**	**51.8**

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:

	2020 £'m	2019 £'m
At 1 January	**(60.0)**	(63.7)
New leases	**(3.3)**	(3.1)
Lease disposals	**1.6**	–
Interest charge	**(2.8)**	(3.0)
Lease payments	**9.2**	8.6
Exchange difference	**1.5**	1.2
At 31 December	**(53.8)**	(60.0)

	2020 £'m	2019 £'m
Current liabilities	**(5.4)**	(6.0)
Non-current liabilities	**(48.4)**	(54.0)
	(53.8)	(60.0)

12.5 Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss

	2020 £'m	2019 £'m
Depreciation of RoU assets	**(7.7)**	(7.5)
Interest expense (included in finance cost)	**(2.8)**	(3.0)
Expense relating to short-term and low-value assets not included in lease liabilities (included in cost of sales and administration expenses)	**(1.0)**	(1.3)
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales and administration expenses)	**(0.5)**	(0.5)
	(12.0)	(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.

As at 31 December 2020, potential future cash outflows of £68.1 million (2019: £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).

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

	2020 £'m	2019 £'m
Raw materials and consumables	**28.4**	26.5
Work in progress	**14.0**	14.0
Finished goods	**41.6**	48.1
	84.0	88.6

The cost of materials charged to the income statement during the year was £242.7 million (2019: £265.3 million).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £18.9 million (2019: £19.9 million).

A credit in respect of a reduction in inventory provision of £0.9 million (2019: charge of £1.3 million) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2019: £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 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.

The Group has considered the impact of the current uncertainty on the expected credit loss rates, and accordingly has increased the expected credit loss rate.

14. Trade and other receivables continued

14.2 Carrying amounts of trade and other receivables

	2020 £'m	2019 £'m
Trade receivables	**66.8**	63.6
Less: Provision for impairment of trade receivables	**(3.7)**	(3.1)
Trade receivables – net	**63.1**	60.5
Other receivables – net	**4.8**	9.2
Prepayments	**4.9**	6.6
	72.8	76.3

All trade and other receivables are current. Other receivables is net of an expected credit loss provision of £1.8 million (2019: £1.9 million) associated with deferred consideration receivable from a previous business disposal. 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 £3.7 million has been recognised at 31 December 2020 (2019: £3.1 million).

The impairment loss allowance was determined as follows:

31 December 2020	**Not yet due**	**0–3 months overdue**	**3–12 months overdue**	**> 12 months overdue**	**Total**
Expected credit loss rate	**2.0%**	**13.1%**	**50.0%**	**100.0%**	**5.5%**
Gross trade receivables	**55.2**	**9.9**	**0.8**	**0.9**	**66.8**
Loss allowance	**1.1**	**1.3**	**0.4**	**0.9**	**3.7**

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

Movement in the allowance for impairment of trade receivables is as follows:

	2020 £'m	2019 £'m
At 1 January	**(3.1)**	(3.9)
Provision for receivables impairment	**(1.8)**	(0.8)
Receivables written off during the year	**0.5**	0.7
Unused amounts reversed	**0.7**	0.8
Exchange difference	**–**	0.1
At 31 December	**(3.7)**	(3.1)

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:

	2020 £'m	2019 £'m
US dollars	**36.6**	29.7
Sterling	**14.2**	18.0
Euros	**16.8**	18.8
Other currencies	**5.2**	9.8
	72.8	76.3

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:

	2020 £'m	2019 £'m
Unlisted shares	**1.1**	1.1

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

	2020 £'m	2019 £'m
Cash at bank and in hand	**72.8**	53.1
Short-term deposits	**0.4**	0.4
Bank overdrafts	**(3.5)**	(4.5)
	69.7	49.0

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2020 £'m	2019 £'m
Sterling	**19.2**	9.6
US dollars	**24.6**	19.2
Euros	**16.6**	10.9
Other currencies	**9.3**	9.3
	69.7	49.0

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

	2020 £'m	2019 £'m
Trade payables	**(55.1)**	(46.6)
Other taxes and social security costs	**(6.5)**	(7.9)
Accruals	**(22.3)**	(30.4)
Deferred income	**(0.9)**	(0.4)
	(84.8)	(85.3)
Analysed as:		
Current liabilities	**(84.4)**	(84.9)
Non-current liabilities	**(0.4)**	(0.4)
	(84.8)	(85.3)

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:

	2020 £'m	2019 £'m
US dollars	**(44.5)**	(41.9)
Sterling	**(14.8)**	(17.9)
Euros	**(19.8)**	(16.7)
Other currencies	**(5.7)**	(8.8)
	(84.8)	(85.3)

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 continued

	2020		2019	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
Forward exchange contracts - fair value hedges	**–**	**(0.2)**	–	(0.5)
Interest rate swaps - cash flow hedges	**–**	**–**	–	(0.2)
Total	**–**	**(0.2)**	–	(0.7)
Analysed as:				
Current	**–**	**(0.2)**	–	(0.7)
Total	**–**	**(0.2)**	–	(0.7)

The carrying amounts of derivative financial instruments are denominated in the following currencies:

	2020		2019	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
Sterling	**–**	**–**	–	(0.1)
US dollars	**–**	**(0.1)**	–	(0.5)
Other currencies	**–**	**(0.1)**	–	(0.1)
	–	**(0.2)**	–	(0.7)

17.2.1 Fair value hedges

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2020 was £23.7 million (2019: £34.1 million). The hedge ratio of foreign exchange contracts is 1:1, holding all other variables constant.

During the year a gain of £0.3 million (2019: loss of £0.8 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 2020 were £Nil (2019: £18.5 million).

During the year a gain of £0.3 million (2019: £Nil) was recognised in the statement of comprehensive income and £Nil (2019: £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)

The maturity date of the swaps was 17 June 2020 and therefore there are no interest rate swaps as at 31 December 2020.

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 2020, the value of the net investment hedges was £129.5 million (2019: £133.9 million). 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 1.284 (2019: 1.277) and of the EUR net investment hedge was 1.125 (2019: 1.141).

The effect of the net investment hedges on the Group's financial statements for the year ended 31 December 2020 is summarised as follows:

	2020 US net investment hedge	**2020 EUR net investment hedge**	2019 US net investment hedge	2019 EUR net investment hedge
Loan carrying amount (£m)	**(81.1)**	**(48.4)**	(88.4)	(45.5)
Loan carrying amount ($m/€m)	**(110.7)**	**(53.9)**	(116.5)	(53.5)
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	**2.7**	**(2.5)**	3.1	2.6
Change in value of hedged item used to determine hedge effectiveness	**(2.7)**	**2.5**	(3.1)	(2.6)

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	**2020 £'m**	2019 £'m
Unsecured borrowings at amortised cost:			
Bank borrowings		**(97.0)**	(137.7)
Senior notes		**(73.3)**	(75.8)
Capitalised borrowing costs		**1.2**	1.7
Borrowings		**(169.1)**	(211.8)
Lease liabilities	12	**(53.8)**	(60.0)
Total interest-bearing liabilities		**(222.9)**	(271.8)
Analysed as:			
Current liabilities		**(45.7)**	(6.3)
Non-current liabilities		**(177.2)**	(265.5)
		(222.9)	(271.8)

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:

	2020 £'m	2019 £'m
Sterling	**1.2**	1.7
US dollars	**(108.2)**	(146.7)
Euros	**(62.1)**	(66.8)
	(169.1)	(211.8)

18. Interest-bearing loans and borrowings continued

18.2 Carrying amounts of 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 2020, the Group has undrawn amounts committed under the multi-currency revolving credit facility of £143.1 million (2019: £102.8 million). These amounts are floating rate commitments which expire beyond 12 months.

Other borrowings

The Group acquired bank borrowings as part of the acquisition of Reguitti. At 31 December 2020, the remaining facility has a carrying value of £0.2 million (2019: £0.5 million) and an undrawn value of £Nil (2019: £Nil). The facility has a maturity of 22 May 2022 and is unsecured.

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 from inception at a coupon of 4.97% and US$45.0 million with a 10-year maturity from inception at a coupon of 5.37%. The US$55.0 million is due in November 2021 and is therefore current. The US$45.0 million is due in 2024.

18.3 Net debt

18.3.1 Net debt summary

	2020 £'m	2019 £'m
Borrowings	**(169.1)**	(211.8)
Lease liabilities	**(53.8)**	(60.0)
Cash	**69.7**	49.0
At 31 December	**(153.2)**	(222.8)

18.3.2 Net debt reconciliation

	Cash	Borrowings	Lease liabilities	Total
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)
Cash flows	22.1	44.0	9.2	75.3
Acquisitions	(1.5)	–	–	(1.5)
Disposals	–	–	1.6	1.6
New leases	–	–	(3.3)	(3.3)
Lease interest accretion	–	–	(2.8)	(2.8)
Foreign exchange adjustments	0.1	(0.8)	1.5	0.8
Amortisation of borrowing costs	–	(0.5)	–	(0.5)
At 31 December 2020	**69.7**	**(169.1)**	**(53.8)**	**(153.2)**

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.

19.1.1 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 14.

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 2020			31 December 2019		
	Financial assets at amortised cost £'m	**Financial assets at fair value through profit or loss £'m**	**Total £'m**	Financial assets at amortised cost £'m	Financial assets at fair value through profit or loss £'m	Total £'m
Trade and other receivables[1]	**63.1**	**–**	**63.1**	60.5	–	60.5
Financial assets at FVPL	**–**	**1.1**	**1.1**	–	1.1	1.1
Cash and cash equivalents	**69.7**	**–**	**69.7**	49.0	–	49.0
Total financial assets	**132.8**	**1.1**	**133.9**	109.5	1.1	110.6

1 Excludes non-financial assets.

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19. Financial risk management and financial instruments continued

19.2 Financial instruments: by category continued

	31 December 2020			31 December 2019		
	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[2]	**–**	**(170.3)**	**(170.3)**	–	(213.5)	(213.5)
Lease liabilities	**–**	**(53.8)**	**(53.8)**	–	(60.0)	(60.0)
Derivative financial instruments	**(0.2)**	**–**	**(0.2)**	(0.7)	–	(0.7)
Trade and other payables[3]	**–**	**(77.4)**	**(77.4)**	–	(77.0)	(77.0)
Total financial liabilities	**(0.2)**	**(301.5)**	**(301.7)**	(0.7)	(350.5)	(351.2)

[2] Excludes capitalised borrowing costs of £1.2 million (2019: £1.7 million).

[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 2020 the Group operated within its borrowing facilities. A temporary relaxation of the leverage covenant from 3.0x to 3.5x at December 2020 and to 4.0x at June 2021 was agreed due to uncertainty arising from COVID-19.

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]	**(43.9)**	**(135.0)**	**–**	**(178.9)**
Lease liabilities	**(8.0)**	**(24.5)**	**(44.2)**	**(76.7)**
Derivative financial instruments	**(0.2)**	**–**	**–**	**(0.2)**
Trade and other payables[2]	**(77.4)**	**–**	**–**	**(77.4)**
At 31 December 2020	**(129.5)**	**(159.5)**	**(44.2)**	**(333.2)**
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)

1 Excludes capitalised borrowing costs of £1.2 million (2019: £1.7 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 2020 was as follows:

	Floating rate borrowings[1] £'m	Fixed rate borrowings[2] £'m	Fixed rate lease liabilities £m	Total £'m
Sterling	**–**	**–**	**(14.9)**	**(14.9)**
US dollars	**(34.9)**	**(73.4)**	**(33.4)**	**(141.7)**
Euros	**(62.1)**	**–**	**(1.6)**	**(63.7)**
Other	**–**	**–**	**(3.9)**	**(3.9)**
At 31 December 2020	**(97.0)**	**(73.4)**	**(53.8)**	**(224.2)**
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)

1 Excludes capitalised borrowing costs of £1.1 million (2019: £1.5 million).

2 Excludes capitalised borrowing costs of £0.1 million (2019: £0.1 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, and, where appropriate, considers use of 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	**–**	**–**	**n/a**
US dollars	**(34.9)**	**–**	**n/a**
Euros	**(62.1)**	**–**	**n/a**
At 31 December 2020	**(97.0)**	**–**	
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)	

1 Excludes capitalised borrowing costs of £1.1 million (2019: £1.5 million).

19. Financial risk management and financial instruments continued

19.3 Financial instruments: risk profile continued

19.3.4 Interest rate risk continued

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c. £0.8 million (2019: £2.1 million) impact on profits. This impact would be reduced by the tax effect on such a change.

Interest rate risk of financial assets

The weighted average interest rate received on deposited funds was Nil% during the year (2019: Nil%).

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 includes entities 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 2020	Sterling £'m	US dollars £'m	Euros £'m	Other £'m	Total £'m
Financial assets					
Trade and other receivables[1]	**12.3**	**31.4**	**15.8**	**3.6**	**63.8**
Financial assets at FVPL	**–**	**1.1**	**–**	**–**	**1.1**
Cash and cash equivalents	**19.2**	**24.6**	**16.6**	**9.3**	**69.7**
Total financial assets	**31.5**	**57.1**	**32.4**	**12.9**	**134.6**
Financial liabilities					
Borrowings[2]	**–**	**(108.2)**	**(62.1)**	**–**	**(170.3)**
Lease liabilities	**(14.9)**	**(33.4)**	**(1.6)**	**(3.9)**	**(53.8)**
Derivative financial instruments	**–**	**(0.1)**	**–**	**(0.1)**	**(0.2)**
Trade and other payables[3]	**(13.3)**	**(41.1)**	**(17.9)**	**(5.0)**	**(77.3)**
Total financial liabilities	**(28.2)**	**(182.8)**	**(81.6)**	**(9.0)**	**(301.6)**
Potential impact on profit or loss - (loss)/gain					
10% increase in functional currency		**(2.3)**	**(0.4)**	**(0.4)**	**(3.1)**
10% decrease in functional currency		**2.5**	**0.3**	**0.5**	**3.3**
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		**11.6**	**4.5**	**(0.3)**	**15.8**
10% decrease in functional currency		**(14.1)**	**(5.5)**	**0.4**	**(19.2)**

19. Financial risk management and financial instruments continued

19.3 Financial instruments: risk profile continued

19.3.5 Foreign currency risk continued

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
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)

1 Excludes non-financial assets.

2 Excludes capitalised borrowing costs of £1.2 million (2019: £1.7 million).

3 Excludes non-financial liabilities.

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.

		2020 £'m	2019 £'m
Borrowings (including lease liabilities)[1]	18	**224.1**	273.5
Less: Cash and cash equivalents	15	**(69.7)**	(49.0)
Total equity		**443.1**	416.3
Total capital		**597.5**	640.8

1 Excludes capitalised borrowing costs of £1.2 million (2019: £1.7 million).

19. Financial risk management and financial instruments continued

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 2020 is a net liability of £0.2 million (2019: £0.7 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 and Risk Committee.

19.4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	2020 £'m	2019 £'m
Current liabilities	**(45.7)**	(6.2)
Non-current liabilities	**(177.2)**	(265.4)
Fair value of borrowings	**(222.9)**	(271.6)

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.

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. Provisions

20.2 Carrying amounts of provisions

	Property related £'m	Restructuring £'m	Warranty £'m	Other £'m	Total £'m
At 1 January 2019	(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)
(Charged)/credited to the income statement					
Additional provisions in the year	(0.1)	0.1	(0.5)	–	(0.5)
Unused amounts reversed	–	–	0.7	–	0.7
Utilised in the year	–	0.3	–	0.1	0.4
Exchange difference	–	–	0.1	–	0.1
At 31 December 2020	**(3.4)**	**(0.5)**	**(2.8)**	**(2.2)**	**(8.9)**

Analysed as:

	2020 £'m	2019 £'m
Current liabilities	**(1.3)**	(2.5)
Non-current liabilities	**(7.6)**	(7.1)
	(8.9)	(9.6)

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 (2019: £1.3 million) and leasehold dilapidations of £2.1 million (2019: £2.0 million).

The provision for leasehold dilapidations relates to contractual obligations to reinstate leasehold properties to their original state of repair. Property provisions are expected to be utilised by 2042.

20.2.2 Restructuring

Restructuring provisions utilised in the year and remaining at year end predominantly relate to the streamlining of the international satellite operations which commenced in late 2019. This included the exit of manufacturing in Australia and China, with these markets transitioned to distribution centres and closure of the distribution facility in Singapore, with this region now served as an export market. The majority of the remaining provisions are expected to be utilised in the second half of 2021 with the remaining half being utilised in 2022.

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. The unused amounts reversed during the year predominantly relates to a reduction in a provision made on a previous acquisition, following a revision to assumptions.

20.2.4 Other

Included in other provisions is £0.4 million (2019: £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 £1.7 million (2019: £1.9 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 2025.

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.

21.1.3 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 £3.6 million (2019: £3.8 million). At the year end, the Group had unpaid pension contributions of £0.1 million (2019: £0.1 million) included within employee benefit liabilities.

21. Retirement benefit obligations continued

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	2020 £'m	2019 £'m
Net liability on the balance sheet		**(8.9)**	(11.2)
Income statement (charge)/credit[1]		**(0.7)**	(0.8)
Remeasurements		**1.3**	(1.3)

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. 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.

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	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Balance at 1 January		**(30.5)**	(29.1)	**19.3**	18.3	**(11.2)**	(10.8)
Included in the income statement:							
Current service (cost)/credit		**(0.1)**	(0.1)	**–**	–	**(0.1)**	(0.1)
Administration costs		**–**	–	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Interest (expense)/income	7	**(0.9)**	(1.1)	**0.6**	0.7	**(0.3)**	(0.4)
Subtotal in income statement[1]	5	**(1.0)**	(1.2)	**0.3**	0.4	**(0.7)**	(0.8)
Included in other comprehensive income							
Remeasurement (loss)/gain arising from:							
Net gain on plan assets[2]		**–**	–	**4.1**	1.8	**4.1**	1.8
Gain from change in demographic assumptions		**0.2**	0.1	**–**	–	**0.2**	0.1
Loss from change in financial assumptions		**(3.0)**	(3.1)	**–**	–	**(3.0)**	(3.1)
Experience loss		**–**	(0.1)	**–**	–	**–**	(0.1)
Subtotal in other comprehensive income[3]		**(2.8)**	(3.1)	**4.1**	1.8	**1.3**	(1.3)
Employer contributions		**–**	–	**1.5**	0.8	**1.5**	0.8
Benefit payments		**1.6**	1.6	**(1.4)**	(1.3)	**0.2**	0.3
Exchange difference		**0.9**	1.3	**(0.9)**	(0.7)	**–**	0.6
Balance at 31 December		**(31.8)**	(30.5)	**22.9**	19.3	**(8.9)**	(11.2)

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 credit of £0.1 million (2019: deferred tax credit of £0.3 million) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation. Also see note 8.

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21. Retirement benefit obligations continued

21.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

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

	Present value of obligations		Fair value of plan assets		Net defined liability	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
United States	**(28.1)**	(27.0)	**22.9**	19.3	**(5.2)**	(7.7)
Italy	**(3.7)**	(3.5)	**–**	–	**(3.7)**	(3.5)
Balance at 31 December	**(31.8)**	(30.5)	**22.9**	19.3	**(8.9)**	(11.2)

Plan assets comprise the following asset classes:

	2020		2019	
	£'m	**%**	£'m	%
Equity instruments	**12.5**	**54.6%**	4.7	24.4%
Large US equity	**7.1**		2.6	
Small/mid US equity	**1.2**		0.5	
International equity	**4.2**		1.6	
Balanced/asset allocation	**–**	**–**	0.4	2.1%
Fixed income	**9.2**	**40.2%**	13.1	67.9%
Other	**1.2**	**5.2%**	1.1	5.6%
Balance at 31 December	**22.9**		19.3	

Equity instruments comprise quoted investments.

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:

	2020		2019	
	United States	**Italy**	United States	Italy
Discount rate	**2.30%**	**0.10%**	3.27%	0.68%
Inflation	**2.25%**	**0.50%**	2.25%	1.00%
Salary growth rate	**n/a**	**0.50%**	n/a	1.00%
Pension growth rate	**n/a**	**n/a**	n/a	n/a
Healthcare cost trend	**n/a**	**n/a**	n/a	n/a

21. Retirement benefit obligations continued

21.3 Defined benefit pension schemes and post-employment medical benefit schemes continued

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	19.9	n/a
Female	22.0	n/a
Male	21.5	n/a
Female	23.4	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)%	3.2%
Italy	0.50%	(5.3)%	4.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methodology has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous year.

The US pension schemes are closed to new entrants and closed to further accrual of service; as a result there will be no further service 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 2021 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	(9.1)
Total	**(17.9)**

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 2019	196.8	9.8	132.2
Capital reduction	–	–	(132.2)
At 31 December 2019	196.8	9.8	–
At 31 December 2020	**196.8**	**9.8**	**–**

Ordinary shares in the Company have a par value of 5.00 pence per share (2019: 5.00 pence per share). All issued shares are fully paid up.

As 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.

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 the Black-Scholes 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 £47,000 (2019: £82,000) is immaterial and therefore further disclosures are not provided. Further details of the deferred share bonus scheme are included in the Remuneration report on pages 100 to 121.

23. Share-based payments continued

23.2 LTIP

The charge to the income statement in 2020 in relation to the LTIP was £0.1 million (2019: £0.5 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 2020 and the assumptions used in the calculation of the share-based payment charge are outlined below.

	Grant 1	**Grant 2**
Exercise price	£Nil	£Nil
Share price at grant date	£1.48	£1.48
Fair value	£1.37	£1.48
Expected volatility	30.3%	0.0%
Expected dividend yield	2.6%	0.0%
Risk-free rate	0.6%	0.6%
Grant date	25 March 20	25 March 20
Expected life	3 years	1–3 years

For the LTIPs under Grant 1 to vest, employees must remain in continuous service for the three-year vesting period. For Executive and Head Office employees, 2022 EPS must be in the range of 31.33 pence to 38.57 pence, and 2022 ROCE must be in the range of 13% and 14.2%. Divisional Executives have an additional performance obligation based on the individual divisional 2022 EBITA. Grant 2 relates to restricted share awards, where the LTIPs vest in tranches over a period of up to three 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:

	2020 'm	2019 'm
At 1 January	**2.1**	2.3
Exercised	**–**	(0.7)
Granted	**1.1**	1.3
Lapsed	**(0.8)**	(0.8)
At 31 December	**2.4**	2.1

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:

	2020 'm	2019 'm
Number of ordinary shares	**0.1**	0.8
Cost to Company (£)	**0.3**	2.0

24. Dividends

	2020 £'m	2019 £'m
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2019 (2018: 8.25 pence)	**–**	16.1
Interim dividend for the year ended 31 December 2020 (2019: 3.85 pence)	**–**	7.5
Total amounts recognised as distributions to owners in the year	**–**	23.6
Amounts not recognised in the financial statements:		
Final dividend proposed for the year ended 31 December 2020 of 4.00 pence (2019: 8.35 pence)	**7.8**	16.3

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 2020.

As a result of significant uncertainty in 2020, payment of the final dividend proposed in 2019 was cancelled.

25. Acquisitions and disposals

Acquisitions

During the year £1.5 million of deferred consideration was settled in relation to the Zoo acquisition.

Disposal

The trade and certain assets of the Ventrolla business were divested on 5 November 2020, for consideration of £1. A loss on disposal of £1.8 million was recorded, reflecting the difference between the carrying value of assets sold and the fair value of consideration. This has been recognised in exceptional items in the income statement.

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	**2020 £'m**	2019 £'m
Net finance costs	7	**12.1**	15.7
Depreciation of PPE	11	**12.7**	13.1
Depreciation of right of use assets	12	**7.7**	7.5
Amortisation of intangible assets	10	**20.3**	25.0
Impairment of intangible assets	10	**–**	2.5
Impairment of property, plant and equipment	11	**0.5**	4.3
Impairment of right of use assets	12	**0.3**	–
Loss on disposal of property, plant and equipment		**1.3**	1.4
Pension service costs and expected administration costs		**0.4**	0.3
Non-cash provision movements		**(0.1)**	1.3
Share-based payments		**0.7**	0.8
		55.9	71.9

27. Financial commitments

27.1 Capital commitments

	2020 £'m	2019 £'m
Property, plant and equipment	**1.1**	0.2

28. Contingent liabilities

Other than the EU state aid contingent liability of between £Nil and £4 million referred to in note 8, there are no 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 100 to 121.

Full details of individual Directors' remuneration are given in the Remuneration report on page 105.

31. Subsidiaries

Details of the subsidiaries of the Group as at 31 December 2020 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 Limited[1]	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[1]	United Kingdom	Dormant
Otterburn Limited[1]	United Kingdom	Dormant
Profab Access Limited[1]	United Kingdom	Dormant
Response Electronics Limited[1]	United Kingdom	Dormant
Response Alarms Limited[1]	United Kingdom	Dormant
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	Smart home security
Zoo Hardware Limited[1]	United Kingdom	Building products

North American operations		
Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Toronto, ON M5H 4E3		
Amesbury Canada Inc[1]	Canada	Holding company
8005 Dixie Road, Unit 8043, Brampton, Ontario L6T 3V1		
AmesburyTruth, Inc	Canada	Holding company
Suite 1700 Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8 Canada		
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, Apoodaca, Nuevo Leon, Mexico, 66600		
Ashland Hardware and Casting Systems de Mexico, S.DE R.L. De C.V. [1]	Mexico	Building products

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31. Subsidiaries continued

Registered name and office address	Country of incorporation	Nature of business
Centennial Lakes, Office Park V, Suite 800, 3600 Minnesota Drive, Edina, MN 55435		
Amesbury Acquisition Holdings (2) Inc[1]	United States	Holding company
Amesbury Door Hardware Inc. [1]	United States	Building products
Amesbury Finance Holdings LLC[1]	United States	Holding company
Amesbury Group Inc[1]	United States	Holding company
Amesbury Group Plastic Profiles Inc[1]	United States	Building products
Amesbury Industries Inc[1]	United States	Holding company
Ashland Hardware Holdings, Inc[1]	United States	Holding company
Ashland Hardware LLC[1]	United States	Building products
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]	United States	Holding company
Unipoly Schlegel Holdings US Inc[1]	United States	Holding company
370 James Street, Suite 201, New Haven, CT 06513		
Bilco U.K. Limited[1]	United States	Building products
European operations		
Nieuwpoortsesteenweg 102, 8400 Oostende		
Schlegel Belgium BVBA[1]	Belgium	Dormant
Bredowstrasse 33, 22113, Hamburg		
Schlegel GmbH[1]	Germany	Building products
Carl-Zeiss-Strasse 37, 63322 Rödermark		
Jatec GmBH[1]	Germany	In liquidation
Kolonou 1-3, 12131 Peristeri		
Giesse Group Hellas S.A.[1]	Greece	Building products
Via Tubertini n.1, 40054 Budrio BO, Italy		
Giesse S.p.A.[1]	Italy	Building products
Localita Fondi, 33 25071, Agnosine, Italy		
Reguitti S.p.A.	Italy	Building products
Havenkade 99B, 1973 AK Ijmuiden, Holland		
Tetchy Investments BV[1]	Netherlands	Dormant
Constitucion 84, Poligono Industrial Les Grases, 08980 Sant Feliu De Llobregat, Barcelona		
Giesse Group Iberia S.A.[1]	Spain	Building products

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
617 Alameda Itatinga, Galpao 2, Parte B, Joapirange II, Valinhos-SP		
Giesse Brasil Indústria e Comércio de Ferragens e Acessórios Ltda.[1]	Brazil	Building products
618 Alameda Itatinga, Galpao 2, Parte B, Joapirange II, Valinhos-SP		
Schlegel América Latina - Vedação, Esquadrias e Extrusão Ltda.[1]	Brazil	Building products
No.151 Linjia of Linlianghe Village, Miaocheng Town, Huairou District, Beijing, 101401		
Giesse Hardware (Beijing) Co. Ltd.[1]	China	Building products
Second floor of No.3 Building, No.1515 of Juxian Road, Hi-Tech District, Ningbo, Zhejiang Province		
TSA Hardware (Ningbo) Co. 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. Ltd[1]	Singapore	In liquidation
3rd Interchange, Sheikh Zayed Road, Al Quoz Industrial Area 1, Dubai		
SchlegeGiesse Middle East Building Materials Trading LLC1,[2]	United Arab Emirates	Building products
Overseas branch operations		
3 Park Farm Business Centre, Genevieve, Farnham Street, IP28 6TS	United Kingdom	Building products
Bilco UK Ltd		
D-362, MIDC, TTC Industrial Area, Kushket Village, Juinagar, Navi Mumbai 400705	India	Building products
Giesse S.p.A		
Istanbul Merkez Şubesi, Halk Sokak Ada IS Merkezi No: 46, Kat: 2 Daire: 4, 34734 Sahrayicedid, Kadikoy, Istanbul	Turkey	Building products
Giesse S.p.A		
8 Chemin du Jubin, 69570 Dardilly	France	Building products
Giesse S.p.A		
Av. Eng. Duarte Pacheco, 19 - 3° DTO., 1070-100 Lisboa	Portugal	Building products
Giesse Group Iberia S.A.		

[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.

Company balance sheet

As at 31 December 2020

	Note	**2020 £'m**	2019 £'m
Fixed assets			
Investments in subsidiaries	4	**344.5**	343.7
Current assets			
Debtors	5	**104.7**	107.1
Cash and cash equivalents		**6.0**	5.9
		110.7	113.0
Creditors - amounts falling due within one year	6	**(40.7)**	(0.6)
Net current assets		**70.0**	112.4
Total assets less current liabilities		**414.5**	456.1
Creditors - amounts falling due after more than one year	6	**(33.5)**	(76.3)
Net assets		**381.0**	379.8
Equity			
Called up share capital	9	**9.8**	9.8
Treasury reserve		**(3.4)**	(4.3)
Retained earnings		**374.6**	374.3
– brought forward		**374.3**	261.2
– profit for the year		**0.6**	6.2
– other movements		**(0.3)**	106.9
Total shareholders' funds		**381.0**	379.8

The notes on pages 180 to 182 are an integral part of these financial statements.

The financial statements on pages 178 and 179 were approved by the Board on 4 March 2021 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 2020

	Called up share capital £’m	Share premium £’m	Treasury reserve £’m	Retained earnings £’m	Total £’m
At 1 January 2019	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[1]	–	–	–	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
Total comprehensive income					
Profit for the year	–	–	–	0.6	0.6
Transactions with owners	–	–	0.9	(0.3)	0.6
Share-based payments[1]	–	–	–	0.9	0.9
Issue of own shares to Employee Benefit Trust	–	–	1.2	(1.2)	–
Purchase of own shares for Employee Benefit Trust	–	–	(0.3)	–	(0.3)
At 31 December 2020	**9.8**	**–**	**(3.4)**	**374.6**	**381.0**

1 Share-based payments include a deferred tax credit of £0.2 million (2019: deferred tax credit of £0.1 million) and a release of the deferred share bonus plan accrual of £0.6 million (2019: £0.4 million).

The notes on pages 180 to 182 are an integral part of these financial statements.

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 twelve 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. Accounting policies continued

1.5 Borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans are subsequently carried at amortised cost using the effective interest rate method. All borrowing costs are expensed as incurred, on an accruals basis, to the income statement using the effective interest rate method.

1.6 Share-based payments

The Company operates an equity-settled share-based compensation plan (Long Term Incentive Plan, "LTIP") for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Company. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using 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 2020 of £0.6 million (2019: £6.2 million).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2019: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's Annual Report on pages 104 to 113.

4. Investments

	£'m
Cost	
At 1 January 2019	356.8
Disposals	(13.4)
Capital contribution relating to share-based payments	0.9
At 31 December 2019	344.3
Capital contribution relating to share-based payments	0.9
At 31 December 2020	345.2
Impairment	
At 1 January 2019	(0.7)
At 31 December 2019	(0.7)
At 31 December 2020	(0.7)
Carrying amount	
At 1 January 2019	356.1
At 31 December 2019	343.6
At 31 December 2020	**344.5**

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	2020 £'m	2019 £'m
Amounts receivable after more than one year			
Amounts owed by Group undertakings		**104.4**	106.8
Deferred tax asset	8	**0.3**	0.3
		104.7	107.1

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	2020 £'m	2019 £'m
Amounts falling due within one year			
Private placement notes	7	**(40.4)**	–
Corporation tax liability		**–**	(0.2)
Other creditors		**(0.3)**	(0.4)
		(40.7)	(0.6)
Amounts falling due after more than one year			
Private placement notes	7	**(32.9)**	(75.7)
Amounts owed to Group undertakings		**(0.6)**	(0.6)
		(33.5)	(76.3)

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:

	2020 £'m	2019 £'m
Wholly repayable in 2021	**(40.4)**	(41.7)
Wholly repayable in 2024	**(33.0)**	(34.1)
Capitalised borrowing costs	**0.1**	0.1
	(73.3)	(75.7)

8. Deferred tax asset

	2020 £'m	2019 £'m
At 1 January	**0.3**	0.3
Income statement charge	**(0.1)**	–
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 2020 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 £0.7 million (2019: £0.9 million) and of lease liabilities was £0.7 million (2019: £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.

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 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. The prior period comparative is retranslated at the current period average exchange rate. The result of Y-cam is not adjusted as it is not material. 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 in revenue and adjusted operating profit year on year, excluding the impact of M&A and currency movements.

Reconciliation/calculation

	2020 £'m	2019 £'m
Reported revenue	**572.8**	613.7
Revenue from businesses disposed of in current year	**-**	(0.9)
Effect of exchange rates	**-**	(3.4)
Like for like revenue	**572.8**	609.4
Adjusted operating profit	**80.3**	85.4
Operating profit for businesses disposed of in current year	**-**	0.2
Effect of exchange rates	**-**	(0.6)
Like for like adjusted operating profit	**80.3**	**85.0**

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 drawing these out aids the understanding of performance.

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 can be a significant non-cash charge.

Reconciliation/calculation

	2020 £'m	2019 £'m
Adjusted operating margin		
Adjusted operating profit	**80.3**	85.4
Revenue	**572.8**	613.7
Adjusted operating margin (%)	**14.0%**	**13.9%**

Leverage

Definition

Adjusted net debt translated at the average exchange rate for the year divided by adjusted EBITDA as defined in the lending agreement.

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

	2020 £'m	2019 £'m
Adjusted net debt (at average exchange rate)	**105.3**	170.1
Adjusted EBITDA	**95.2**	98.9
Leverage (x)	**1.1x**	**1.7x**

Return on capital employed (ROCE)

Definition

Adjusted operating profit as a percentage of the last thirteen month average capital employed.

Purpose

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

Reconciliation/calculation

	2020 £'m	2019 £'m
Adjusted operating profit	**80.3**	85.4
Average capital employed	**653.8**	709.9
ROCE	**12.3%**	12.0%

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

	Ashland £'m	Zoo £'m	Profab £'m	Reguitti £'m
Adjusted operating profit	18.8	3.4	0.4	1.0
Acquisition enterprise value	106.9	19.1	4.4	16.7
Change in controllable capital employed	(1.9)	(0.8)	0.3	1.7
	105.0	**18.3**	**4.7**	**18.4**
ROAI (%)	**17.9%**	**18.6%**	**8.8%**	**5.2%**

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 147.

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

	2020 £'m	2019 £'m
Adjusted earnings per share (p)	**27.22**	27.46
Total dividend per share[1] (p)	**4.00**	3.85
Dividend cover (x)	**6.80x**	7.13x

[1] As a result of significant uncertainty in 2020, payment of the final dividend proposed in 2019 was cancelled. The total dividend per share in 2019 therefore reflects the interim dividend for the year ended 31 December 2019.

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 operations in order to pay down debt, return cash to shareholders and make further investment in the business.

Reconciliation/calculation

	2020 £'m	2019 £'m
Net cash generated from operations	**95.9**	97.1
Income tax paid	**13.8**	14.2
Exceptional costs	**4.2**	11.3
Pension contributions	**1.7**	1.0
Proceeds on disposal of PPE	**–**	0.8
Payments to acquire PPE and intangible assets	**(10.5)**	(11.5)
Operational cash flow	**105.1**	112.9
Operational cash flow	**105.1**	112.9
Adjusted operating profit	**80.3**	85.4
Operating cash conversion	**130.9%**	**132.2%**

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Other APMs

EBITDA and adjusted EBITDA

Definition

EBITDA

Adjusted operating profit with depreciation, amortisation of computer software, and share-based payments expenses added back.

Adjusted EBITDA

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

	2020 £'m	2019 £'m
Adjusted operating profit	**80.3**	85.4
Depreciation	**12.7**	13.1
Amortisation of computer software	**1.5**	1.5
IFRS 16	**(1.2)**	(1.6)
Share-based payments expense	**0.1**	0.5
EBITDA of businesses disposed of during the year	**1.8**	–
Adjusted EBITDA	**95.2**	98.9

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, non-operating 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 174.

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 190. A sensitivity analysis showing the impact of fluctuations in exchange rates is also presented on page 52.

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 49 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

	2020 £'m	2019 £'m
EBITDA	**93.4**	98.9
Net interest	**8.9**	11.1
Interest cover	**10.5x**	**8.9x**

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

	2020 £'m	2019 £'m
Administrative expenses	**(132.4)**	(165.1)
Exceptional items	**1.8**	18.9
Amortisation of acquired intangible assets	**18.8**	23.5
Impairment of acquired intangible assets	**-**	2.5
Adjusted administrative expenses	**(111.8)**	**(120.2)**

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

	2020 £'m	2019 £'m
Adjusted tax charge	**(15.3)**	(17.5)
Adjusted profit before tax	**68.4**	71.0
Adjusted effective tax rate	**(22.4%)**	**(24.6%)**

Adjusted gross debt

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

	2020 £'m	2019 £'m
Borrowings	**(222.9)**	(271.8)
Lease liabilities	**53.8**	60.0
Unamortised borrowing costs	**(1.2)**	(1.7)
Adjusted gross debt	**(170.3)**	**(213.5)**

Adjusted net debt

Definition

Interest-bearing loans and borrowings, net of cash and cash equivalents, plus 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.

Reconciliation/calculation

	2020 £'m	2019 £'m
Borrowings	**(222.9)**	(271.8)
Cash	**69.7**	49.0
Lease liabilities	**53.8**	60.0
Unamortised borrowing costs	**(1.2)**	(1.7)
Adjusted net debt	**(100.6)**	**(164.5)**

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

	2020 £'m	2019 £'m
Profit before tax	**47.6**	24.8
Exceptional items	**1.8**	18.9
Amortisation of borrowing costs	**(0.3)**	0.8
Loss/(gain) on revaluation of fair value hedge	**0.5**	0.5
Amortisation of acquired intangible assets	**18.8**	23.5
Impairment of acquired intangible assets	**–**	2.5
Adjusted profit before taxation	**68.4**	71.0
Income tax charge	**(10.4)**	(7.1)
Adjusted tax effect	**(4.9)**	(10.4)
Adjusted profit after taxation	**53.1**	53.5

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

	2020 £'m	2019 £'m
Tax charge	**(10.4)**	(7.1)
Tax effect of adjusted profit adjustments	**(4.9)**	(10.4)
Adjusted tax charge	**(15.3)**	(17.5)

Definitions and glossary of terms

Access 360	UK Access solutions brand constituting Bilco UK, Howe Green and Profab
APM	Alternative performance measure
Ashland	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
BREEAM	Building research establishment environmental assessment method (building sustainability certification scheme)
CAGR	Compound annual growth rate
CGU	Cash generating unit
CIPS	Chartered Institute of Purchasing and Supply
DSBP	Deferred Share Bonus Plan
EB Trust (EBT)	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
ESG	Environment, social and governance
ESSP	Employee Sharesave Plan
ExCo	Executive Committee
FVPL	Fair value through profit or loss
GDPR	General Data Protection Regulation
GHG	Greenhouse gas (emissions)
Giesse	Giesse Group acquired by SchlegelGiesse Division on 7 March 2016
GRI	Global reporting initiative
Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
IoT	Internet of Things
LEED	Leadership in energy and environmental design (building sustainability certification scheme)
LFL	Like-for-like
LTIFR	Lost time incident frequency rate
LTM	Last twelve months
M&A	Mergers and acquisitions
NAHB	The National Association of Home Builders
NPD	New product development
OEM	Original equipment manufacturer
PMI	Purchasing Managers' Index
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
SASB	Sustainability Accounting Standards Board
SKU	Stock keeping unit
Smartware	Integrated mechanical and electronic security solutions
TCFD	Taskforce for climate related financial disclosures
TFR	Trattamento di fine Rapporto (Italian pension scheme)
UN SDG	United Nations Sustainable Development Goals
USPP	US private placement
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	**2020**	2019
US dollar	**1.3650**	1.3186
Euro	**1.1129**	1.1757
Australian dollar	**1.7708**	1.8801
Canadian dollar	**1.7393**	1.7164
Brazilian real	**7.0898**	5.3005

Average rates	**2020**	2019
US dollar	**1.2836**	1.2770
Euro	**1.1251**	1.1406
Australian dollar	**1.8626**	1.8365
Canadian dollar	**1.7200**	1.6943
Brazilian real	**6.6115**	5.0371

Five-year summary

Statutory measures

	2020 £'m	2019 £'m	2018 £'m	2017 £'m	2016 £'m
Revenue	**572.8**	613.7	591.5	522.7	457.6
Net finance costs	**(12.1)**	(15.7)	(11.6)	(9.4)	(7.8)
Profit before taxation	**47.6**	24.8	38.9	34.5	29.4
Taxation	**(10.4)**	(7.1)	(12.5)	(3.3)	(8.6)
Profit after taxation	**37.2**	17.7	26.3	31.2	20.7

Total number of shares in issue ('000)	**196,762**	196,762	196,762	178,582	178,582
Dividends per share declared (p)	**4.00p**	3.85p[2]	12.00p	11.25p	10.50p
Average monthly number of employees	**4,035**	4,146	4,303	3,904	3,568

APMs and KPIs

	2020	2019	2018	2017	2016
LFL revenue growth (%)[1]	**(6.0)%**	(1.8)%	2.7%	1.7%	0.9%
Adjusted operating profit (£'m)[1]	**80.3**	85.4	83.6	76.8	69.8
Adjusted operating margin[1]	**14.0%**	13.9%	14.1%	14.7%	15.3%
Adjusted profit before taxation (£'m)[1]	**68.4**	71.0	72.7	68.3	62.1
Adjusted net debt (£'m)[1]	**(100.6)**	(164.5)	(210.7)	(163.7)	(176.7)
Adjusted basic earnings per share (p)[1]	**27.22p**	27.46p	27.68p	26.91p	25.41p
Return on capital employed (%)[1]	**12.3%**	12.0%	13.4%	13.6%	13.8%
Operating cash conversion (%)[1]	**130.9%**	132.2%	92.4%	85.6%	105.9%
Leverage (x)[1]	**1.11×**	1.72×	1.96×	1.83×	1.89×

1 See Alternative performance measures on pages 183 to 188.

2 The 2019 final dividend of 8.35p was withdrawn due to COVID-19.

Shareholder notes

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