TYMAN PLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Tyman plc (TYMN.L) announces results for the year ended 31 December 2019.

Summary Group Results

£m unless stated	**2019**[(1)]	2018	**Change**	*LFL*[(2)] *(adj*)*
Revenue	**613.7**	591.5	**+4%**	*(2)%*
Adjusted operating profit*	**85.4**	83.6	**+2%**	*(5)%*
*Adjusted operating margin**	***13.9%***	*14.1%*	***(20)bps***	
Operating profit	**40.5**	50.5	**(20)%**	
Adjusted profit before taxation*	**71.0**	72.7	**(2)%**	
Profit before taxation	**24.8**	38.9	**(36)%**	
Adjusted EPS*	**27.46p**	27.68p	**(1)%**	
Basic EPS	**9.08p**	13.76p	**(34)%**	
Dividend per share	**12.20p**	12.00p	**+2%**	
Leverage*[(2)]	**1.72x**	1.96x	**(0.24)x**	
*Return on capital employed**	***12.0%***	*13.4%*	***(140) bps***	

* Alternative performance measures. These "Adjusted" metrics (formerly "Underlying") provide additional information to shareholders on the underlying performance of the business and are used consistently through the statement. Further details can be found on page 43

(1) *All 2019 numbers are on a reported basis, including the impact of IFRS 16, with the exception of leverage, which is calculated in accordance with the debt covenant methodology. 2018 numbers are on a previous GAAP basis (see APMs on page 43)*

(2) *LFL = constant currency like-for-Like (see APMs on page 43)*

Highlights:

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

***Martin Towers, Chair of the Board of Directors, commented**: "2019 has been a busy year for Tyman, a year of transition and stabilisation. The Board was delighted Jo Hallas joined as Chief Executive on 1st April. Jo moved quickly to address the emerging operational issues in North America, particularly at Statesville. Jo was joined by Jason Ashton as CFO in May. The new executive team has delivered a second half performance very similar to the comparative period in 2018. With work still to be done, the business nevertheless moves forward into 2020 from a strengthening platform and a sharper focus around its strategic positioning as a Group.*

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

***Jo Hallas, Chief Executive Officer, commented**: "While revenue and adjusted operating profit increased following the successful acquisitions in 2018, performance was impacted by challenging markets and the operational and customer disruption which was identified in North America in the first half. I'm encouraged by the progress made to date in resolving these issues, with operational improvements ongoing, no further material customer losses in the second half and with a notable improvement in customer satisfaction. I'm pleased with the reduction in leverage to 1.72x, which reflects our strong focus on cash management through the year and is robust progress towards our new medium-term leverage target of between 1.0 and 1.5x.*

We anticipate mixed markets in 2020, absent a material impact from the coronavirus situation which we are monitoring closely. We expect limited top-line growth, but aim to deliver margin expansion through self-help activities already commenced and improvement actions at the Statesville facility. In parallel, we will progress strategic initiatives that strengthen our platform for the next phase of Tyman's evolution. I am confident that, taken together, executing on these priorities will position the business well for long-term profitable growth."

5 March 2020

Enquiries

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Analyst and investor presentation

Tyman will host an analyst and investor presentation at 9.30 a.m. today, Thursday 5 March 2020, at the offices of Numis Securities, 10 Paternoster Square, London, EC4M 7LT.

The presentation will be webcast at the Group's website (www.tymanplc.com) and the audio conference call details are:

Number	+44 (0) 330 336 9127
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Notes to editors

Tyman (TYMN: LSE) is a leading international supplier of engineered fenestration components and access solutions to the construction industry. The company 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 divisions: North America (AmesburyTruth), UK and Ireland (ERA) and International (SchlegelGiesse). Headquartered in London, the Group employs approximately 3,900 people with facilities in 18 countries worldwide. Further information is available at www.tymanplc.com.

TYMAN PLC

Overview of results

Progress in 2019

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

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

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

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

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

Health, safety and sustainability

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

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

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

M&A

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

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

Strategy update

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

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

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

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

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

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

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

Coronavirus

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

Summary and outlook

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

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

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

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

Jo Hallas

Chief Executive Officer

North America (AmesburyTruth)

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

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 31 to 33.

Markets

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

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

Business performance and developments

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

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

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

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

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

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

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

Restructuring

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

New product development

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

Leadership changes

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

Outlook

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

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

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UK and Ireland (ERA)

£m except where stated	2019	2018[1]	Change	LFL
Revenue	**107.2**	97.4	+10%	*-1%*
Adjusted Operating Profit	**13.8**	12.7	+9%	*-2%*
Adjusted Operating Margin	***12.9%***	*13.1%*	*-20bps*	

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 31 to 33.

Markets

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

Business performance and developments

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

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

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

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

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

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

New product development

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

Outlook

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

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

International (SchlegelGiesse)

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

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 31 to 33.

Markets

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

Business performance

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

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

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

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

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

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

Restructuring

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

New product development

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

Outlook

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

FINANCIAL REVIEW

Income statement

Revenue and profit

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

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

Adjusted operating profit increased by 2.2% to £85.4 million (2018: £83.6 million) and declined 4.8% on a LFL basis. The operational disruption and customer losses relating to the North America footprint consolidation project negatively impacted adjusted operating profit by c. £8.1 million. Pricing actions offset cost inflation which started to moderate in the year. Tariffs and surcharges of £5.8 million related to recovery of US tariffs and metal costs. Reported operating profit decreased 19.8%, with the benefit from more favourable foreign exchange movements of £1.6 million, acquisitions net of disposals of £1.9 million and the adoption of IFRS 16 'leases' (see note 13) of £1.6 million being offset by increased exceptional items. The Group's adjusted operating margin decreased 20bps to 13.9% (2018: 14.1%).

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

Materials and input costs

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

(1) FY 2019 materials cost of sales for raw materials, components and hardware for overall category

(2) Average 2019 tracker price compared with average 2018 tracker price

(3) Spot tracker price as at 31 December 2019 compared with spot tracker price at 31 December 2018

(4) Pricing on a representative basket of components sourced from the Far East by ERA.

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

Exceptional items

Certain items that are material and non-trading in nature have been drawn out as exceptional such that the effect of these items on the Group's results can be better understood and to enable a clearer analysis of trends in the Group's underlying performance. Exceptional costs paid in cash in 2020 are expected to be c. £5.0–£10.0 million.

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

Footprint restructuring

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

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

M&A and integration

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

Write-off of inventory fair value adjustments

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

Loss on disposal of business

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

Impairment charges

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

Finance costs

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

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

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

Interest rate swap contracts

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

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

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

Forward exchange contracts

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

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

Taxation

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

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

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

Earnings per share

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

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

Cash generation, funding and liquidity

Cash and cash conversion

£m	2019	2018
Net cash generated from operations	**97.1**	72.6
Add: Pension contributions	**1.0**	1.1
Add: Income tax paid	**14.2**	12.3
Less: Purchases of property, plant and equipment	**(10.7)**	(15.7)
Less: Purchases of intangible assets	**(0.8)**	(1.5)
Add: Proceeds on disposal of PPE	**0.8**	5.3
Operational Cash Flow after exceptional cash costs	**101.6**	74.1
Exceptional cash costs	**11.3**	3.2
Operational Cash Flow	**112.9**	77.3
Less: Pension contributions	**(1.0)**	(1.1)
Less: Income tax paid	**(14.2)**	(12.3)
Less: Net interest paid	**(15.0)**	(9.2)
Less: Exceptional cash costs	**(11.3)**	(3.2)
Free Cash Flow	**71.4**	51.5
Excluding impact of IFRS 16		
Operational Cash Flow	104.3	77.3
Free Cash Flow	62.8	51.5

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

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

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

Bank facilities and US private placement notes

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

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

Liquidity

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

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

Covenant performance

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

(1) *Calculated covenant performance consistent with the Group's banking covenant test (banking covenants set on a frozen GAAP basis and not impacted by IFRS 16)*

(2) *The approximate amount by which adjusted EBITDA would need to decline before the relevant covenant is breached*

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

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

Balance sheet – assets and liabilities

Working capital

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

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

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

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

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

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

Capital expenditure

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

Goodwill and intangible assets

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

Provisions

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

Balance sheet - equity

Shares in issue

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

Bonus share issue and capital reduction

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

Employee Benefit Trust purchases

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

Dividends

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

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

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

Other financial matters

Return on capital employed

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

Returns on acquisition investment

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

(1) See Alternative Performance Measures on page 43

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

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

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

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

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

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

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact the Group's results are the US Dollar, the Euro, the Australian Dollar and the Canadian Dollar.

In 2019, the Sterling was weaker against the US Dollar and Canadian Dollar, and stronger against the Euro and Australian Dollar when compared with the average exchange rates in 2018.

Translational exposure

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

(1) Adjusted Operating Profit impact

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

The net effect of currency translation caused revenue and adjusted operating profit from ongoing operations to increase by £13.3 million and £2.4 million respectively compared with 2018.

Transactional exposure

Foreign exchange hedges against the US Dollar and Renminbi held by the UK and Ireland division resulted in a loss of £0.8m in 2019 compared to a profit of £0.3m in 2018. The Group's other transactional exposures generally benefit from the existence of natural hedges and are immaterial.

Currency in the consolidated balance sheet

The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to adjusted operating profit. Tyman's banking facility allows for funds to be drawn in currencies.

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

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

New accounting standards

IFRS 16 – Leases

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

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

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

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

The Group's banking covenants are unaffected as these are set on the basis of prevailing GAAP. For further details of the impact of IFRS 16 on the Group, see note 13.

Jason Ashton

Chief Financial Officer

Consolidated income statement

For the year ended 31 December 2019

	Note	**2019** £'m	2018 (Restated[2]) £'m
Revenue	3	**613.7**	591.5
Cost of sales	3	**(408.1)**	(393.4)
Gross profit		**205.6**	198.1
Administrative expenses		**(165.1)**	(147.6)
Operating profit		**40.5**	50.5
Analysed as:			
Adjusted[1] operating profit	3	**85.4**	83.6
Exceptional items	4	**(18.9)**	(7.3)
Amortisation of acquired intangible assets	7	**(23.5)**	(25.8)
Impairment of acquired intangible assets	7	**(2.5)**	-
Operating profit		**40.5**	50.5
Finance income		**-**	0.4
Finance costs		**(15.7)**	(12.0)
Net finance costs		**(15.7)**	(11.6)
Profit before taxation	3	**24.8**	38.9
Income tax charge	5	**(7.1)**	(12.6)
Profit for the year		**17.7**	26.3
Basic earnings per share	6	**9.08p**	13.76p
Diluted earnings per share	6	**9.05p**	13.66p
Non-GAAP alternative performance measures[1]			
Adjusted[1] operating profit		**85.4**	83.6
Adjusted[1] profit before taxation	6	**71.0**	72.7
Basic Adjusted earnings per share	6	**27.46p**	27.68p
Diluted Adjusted earnings per share	6	**27.35p**	27.47p

1 Before amortisation of acquired intangible assets, deferred taxation on amortisation of acquired intangible assets, impairment of goodwill, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect. See Alternative Performance Measures on page 43.

2 Depreciation on manufacturing assets was reclassified from administrative expenses to cost of sales in 2019 to better reflect the nature of this charge. For comparability, the 2018 comparatives have been amended to reflect the new classification. See note 2.2.3.

TYMAN PLC

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	2019 **£'m**	2018 £'m
Profit for the year	**17.7**	26.3
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**(1.0)**	0.9
Total items that will not be reclassified to profit or loss	**(1.0)**	0.9
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(11.9)**	15.2
Total items that may be reclassified to profit or loss	**(11.9)**	15.2
Other comprehensive (expense)/income for the year, net of tax	**(12.9)**	16.1
Total comprehensive income for the year	**4.8**	42.4

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 5.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital £'m	Share premium £'m	Other reserves[1] £'m	Treasury reserve £'m	Hedging reserve £'m	Translation reserve £'m	Retained earnings £'m	Total equity £'m
At 1 January 2018	8.9	81.4	8.9	(2.8)	(0.3)	56.2	212.3	364.6
Change in accounting policy[2]	-	-	-	-	-	-	(0.7)	(0.7)
Total comprehensive (expense)/income	-	-	-	-	-	15.2	27.2	42.4
Profit for the year	-	-	-	-	-	-	26.3	26.3
Other comprehensive income/(expense)	-	-	-	-	-	15.2	0.9	16.1
Transactions with owners	0.9	50.8	(8.9)	(2.1)	-	-	(13.2)	27.5
Share-based payments[3]	-	-	-	-	-	-	1.3	1.3
Dividends paid	-	-	-	-	-	-	(22.4)	(22.4)
Issue of shares	0.9	50.8	-	-	-	-	-	51.7
Transfer of merger reserve	-	-	(8.9)	-	-	-	8.9	-
Issue of own shares from Employee Benefit Trust	-	-	-	1.1	-	-	(1.0)	0.1
Purchase of own shares for Employee Benefit Trust	-	-	-	(3.2)	-	-	-	(3.2)
At 31 December 2018	9.8	132.2	-	(4.9)	(0.3)	71.4	225.6	433.8
Change in accounting policy[4]	-	-	-	-	-	-	2.4	2.4
At 1 January 2019	9.8	132.2	-	(4.9)	(0.3)	71.4	228.0	436.2
Total comprehensive income/(expense)	-	-	-	-	-	(11.9)	16.7	4.8
Profit for the year	-	-	-	-	-	-	17.7	17.7
Other comprehensive income/(expense)	-	-	-	-	-	(11.9)	(1.0)	(12.9)
Transactions with owners	-	(132.2)	-	0.6	-	-	106.9	(24.7)
Share-based payments[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**

1 Other reserves related to a merger reserve which arose on a previous acquisition. This reserve was transferred to retained earnings in 2018 on the basis that it was available for distribution.

2 The change in accounting policy at 1 January 2018 related to adoption of new accounting standards IFRS 15 and IFRS 9.

3 Share-based payments include a tax credit of £0.1 million (2018: tax debit of £0.1 million) and a release of the deferred share-based payment bonus accrual of £0.4 million (2018: £0.3 million).

4 The change in accounting policy at 1 January 2019 relates to adoption of new accounting standard IFRS 16. See note 13.

TYMAN PLC

Consolidated balance sheet

As at 31 December 2019

	Note	**2019 £'m**	2018 £'m
TOTAL ASSETS			
Non-current assets			
Goodwill	7	**371.3**	382.1
Intangible assets	7	**104.0**	134.8
Property, plant and equipment		**65.8**	76.9
Right of use assets	8	**59.4**	-
Financial assets at fair value through profit or loss		**1.1**	1.2
Deferred tax assets		**17.2**	17.4
		618.8	612.4
Current assets			
Inventories		**88.6**	105.3
Trade and other receivables		**76.3**	87.3
Cash and cash equivalents		**49.0**	51.9
Derivative financial instruments		**-**	0.3
		213.9	244.8
TOTAL ASSETS		**832.7**	857.2
LIABILITIES			
Current liabilities			
Trade and other payables		**(84.9)**	(87.0)
Derivative financial instruments		**(0.7)**	-
Borrowings	9	**(0.3)**	(1.5)
Lease liabilities	8	**(6.0)**	-
Current tax liabilities		**(6.5)**	(7.4)
Provisions		**(2.5)**	(7.0)
		(100.9)	(102.9)
Non-current liabilities			
Borrowings	9	**(211.5)**	(259.2)
Lease liabilities	8	**(54.0)**	-
Derivative financial instruments		**-**	(0.3)
Deferred tax liabilities		**(31.3)**	(38.2)
Retirement benefit obligations		**(11.2)**	(10.8)
Provisions		**(7.1)**	(8.1)
Other payables		**(0.4)**	(3.9)
		(315.5)	(320.5)
TOTAL LIABILITIES		**(416.4)**	(423.4)
NET ASSETS		**416.3**	433.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**9.8**	9.8
Share premium		**-**	132.2
Treasury reserve		**(4.3)**	(4.9)
Hedging reserve		**(0.3)**	(0.3)
Translation reserve		**59.5**	71.4
Retained earnings		**351.6**	225.6
TOTAL EQUITY		**416.3**	433.8

TYMAN PLC

Consolidated cash flow statement
For the year ended 31 December 2019

	Note	**2019 £'m**	2018 £'m
Cash flow from operating activities			
Profit before taxation	3	**24.8**	38.9
Adjustments	11	**71.9**	53.6
Changes in working capital[1]:			
Inventories		**13.7**	(4.5)
Trade and other receivables		**7.7**	(2.8)
Trade and other payables		**0.7**	3.3
Provisions utilised		**(6.5)**	(2.5)
Pension contributions		**(1.0)**	(1.1)
Income tax paid		**(14.2)**	(12.3)
Net cash generated from operations		**97.1**	72.6
Cash flow from investing activities			
Purchases of property, plant and equipment		**(10.7)**	(15.7)
Purchases of intangible assets	7	**(0.8)**	(1.6)
Proceeds on disposal of property, plant and equipment		**0.8**	5.3
Acquisitions of subsidiary undertakings, net of cash acquired	10	**(0.9)**	(106.4)
Interest received		**-**	0.1
Net cash used in investing activities		**(11.6)**	(118.3)
Cash flow from financing activities			
Interest paid		**(15.0)**	(9.1)
Dividends paid		**(23.6)**	(22.4)
Net proceeds on issue of shares		**-**	50.4
Purchase of own shares for Employee Benefit Trust		**(2.0)**	(3.2)
Refinancing costs paid		**(0.3)**	(2.0)
Proceeds from drawdown of revolving credit facility		**33.5**	272.7
Repayments of revolving credit facility		**(73.4)**	(229.6)
Principal element of lease payments		**(5.6)**	-
Net cash (used in)/generated from financing activities		**(86.4)**	56.8
Net (decrease)/increase in cash and cash equivalents		**(0.9)**	11.1
Exchange losses on cash and cash equivalents		**(2.0)**	(1.8)
Cash and cash equivalents at the beginning of the year		**51.9**	42.6
Cash and cash equivalents at the end of the year		**49.0**	51.9

1 Excluding the effects of acquisition and exchange differences on consolidation.

Notes to the 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 3,900 people with facilities in 18 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 consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments.

Accounting policies have been consistently applied to all the years presented, except as described below.

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2019 and 2018. Statutory accounts for the year ended 31 December 2018 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2019 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

These results were approved by the Board of Directors on 5 March 2020.

2.1 Going concern

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

2.2 Changes in accounting policies and disclosures

2.2.1 New, revised and amended EU-endorsed accounting standards

Certain new or amended standards became applicable for the current reporting year and the Group changed certain accounting policies and made adjustments to opening balances as at 1 January 2019 as a result of adopting IFRS 16 'Leases'.

The adoption of IFRS 16 had a material impact on the Group's financial statements, and the impact of the adoption of this standard is disclosed in note 13.

The other standards that became applicable in the year did not materially impact the Group's accounting policies and did not require retrospective adjustments.

2.2.2 New, revised and amended accounting standards currently EU-endorsed but not yet effective

A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements.

None of the standards which have been issued by the IASB but are not yet effective are expected to have a material impact on the Group.

2.2.3 Other changes to accounting policies
In 2019, depreciation on assets used in the manufacturing process was reclassified from administrative expenses to cost of sales to better reflect the nature of this charge. For comparability, the 2018 comparatives were amended to reflect the new classification. The effect of this was to increase cost of sales by £10.2 million and reduce administrative expenses by £10.2 million. There is no net effect on profit and no impact on the statement of financial position.

In addition, following changes to the information reported to the Chief Operating Decision Maker in 2019, an amendment has been made to the presentation of segment information. The 2018 comparatives have been restated the reflect the new basis. See note 3.1 for further information.

3. Segment reporting

3.1 Change to segment reporting

In 2019, an amendment was made to the method of eliminating inter-segment revenue as well as the allocation of share-based payment charges in the internal reporting provided to the Chief Operating Decision maker. Consequently, for comparability the 2018 comparatives have been restated to reflect the new method of presentation. The changes were not material and there is no effect on the total Group. Inter-segment revenue has been disclosed separately to provide additional information.

3.2 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions: AmesburyTruth, ERA and SchlegelGiesse.

AmesburyTruth comprises all the Group's operations within the US, Canada and Mexico. ERA comprises the Group's UK and Ireland hardware business, together with Access 360, Ventrolla, and Tyman Sourcing Asia. SchlegelGiesse comprises the Group's remaining businesses outside the US, Canada, Mexico and the UK (although includes the two UK seal manufacturing plants).

Centrally incurred functional costs that are directly attributable to a Division are allocated or recharged to the Division. All other centrally incurred costs and eliminations are disclosed as a separate line item in the segment analysis.

Each reporting segment broadly represents the Group's geographical focus, being the North American, UK and international operations respectively. In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically defined segments to be reportable. For completeness, the Group discloses certain financial data for business carried on in the UK that is not accounted for in ERA in notes 3.2.1 and 3.2.4.

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

3.2.1 Revenue

	2019 £'m			2018 (Restated) £'m		
	Segment revenue	**Inter-segment revenue**	**External revenue**	Segment revenue	Inter-segment revenue	External revenue
AmesburyTruth	**388.3**	**(2.3)**	**386.0**	380.5	(2.6)	377.9
ERA	**107.5**	**(0.3)**	**107.2**	97.6	(0.2)	97.4
SchlegelGiesse	**122.8**	**(2.3)**	**120.5**	118.7	(2.5)	116.2
Total revenue	**618.6**	**(4.9)**	**613.7**	596.8	(5.3)	591.5

Included within the SchlegelGiesse segment is revenue attributable to the UK of £19.4 million (2018: £18.6 million). There are no single customers which account for greater than 10% of total revenue.

3.2.2 Profit before taxation

	Note	2019 £'m	2018 (Restated) £'m
AmesburyTruth		**64.5**	62.5
ERA		**13.8**	12.7
SchlegelGiesse		**14.8**	15.2
Operating segment result		**93.1**	90.4
Centrally incurred costs		**(7.7)**	(6.8)
Adjusted operating profit		**85.4**	83.6
Exceptional items	4	**(18.9)**	(7.3)
Amortisation of acquired intangible assets	7	**(23.5)**	(25.8)
Impairment of acquired intangibles	7	**(2.5)**	-
Operating profit		**40.5**	50.5
Net finance costs		**(15.7)**	(11.6)
Profit before taxation		**24.8**	38.9

3.2.3 Operating profit disclosures

	Cost of sales		Depreciation		Amortisation	
	2019 **£'m**	2018 (Restated) £'m	**2019** **£'m**	2018 £'m	**2019** **£'m**	2018 £'m
AmesburyTruth	**(269.6)**	(264.3)	**(13.3)**	(8.7)	**(17.1)**	(21.2)
ERA	**(69.1)**	(62.3)	**(2.6)**	(1.2)	**(4.1)**	(3.0)
SchlegelGiesse	**(69.4)**	(66.8)	**(4.7)**	(2.6)	**(3.8)**	(3.0)
Total	**(408.1)**	(393.4)	**(20.6)**	(12.5)	**(25.0)**	(27.2)

3.2.4 Segment assets and liabilities

	Segment assets		Segment liabilities[1]		Non-current assets[2]	
	2019 **£'m**	2018 £'m	**2019** **£'m**	2018 £'m	**2019** **£'m**	2018 £'m
AmesburyTruth	**530.5**	562.1	**(169.5)**	(180.1)	**422.6**	428.1
ERA	**142.2**	132.8	**(40.1)**	(28.7)	**92.1**	82.1
SchlegelGiesse	**153.8**	156.3	**(70.2)**	(64.0)	**85.9**	84.8
Unallocated	**6.2**	6.0	**(136.6)**	(150.6)	**1.0**	-
Total	**832.7**	857.2	**(416.4)**	(423.4)	**601.6**	595.0

1 Included within unallocated segment liabilities are centrally held borrowings of £133.0 million (2018: £145.4million), provisions of £0.4 million (2018: £0.4 million) and other liabilities of £3.2 million (2018: £4.8 million). Where borrowings can be directly attributed to segments, these have been allocated.

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

Non-current assets of the SchlegelGiesse segment include £14.2 million (2018: £13.3 million) attributable to the UK.

3.2.5 Capital expenditure

	Property, plant and equipment		Intangible assets	
	2019 **£'m**	2018 £'m	**2019** **£'m**	2018 £'m
AmesburyTruth	**5.8**	11.1	**0.2**	0.9
ERA	**0.8**	1.3	**-**	0.3
SchlegelGiesse	**4.1**	3.3	**0.5**	0.5
Total	**10.7**	15.7	**0.7**	1.7

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3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m	**2019 £'m**	2018 £'m
AmesburyTruth	**275.7**	286.0	**68.8**	91.7	**(7.7)**	(7.0)
ERA	**60.2**	59.7	**11.3**	14.5	**-**	-
SchlegelGiesse	**35.4**	36.4	**23.9**	28.6	**(3.5)**	(3.8)
Total	**371.3**	382.1	**104.0**	134.8	**(11.2)**	(10.8)

4. Exceptional items

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

5. Taxation

5.1 Taxation – income statement and other comprehensive income

5.1.1 Tax on profit on ordinary activities

	2019 £'m	2018 £'m
Current taxation		
Current tax on profit for the year	**(15.0)**	(15.6)
Prior year adjustments	**1.6**	0.2
Total current taxation	**(13.4)**	(15.4)
Deferred taxation		
Origination and reversal of temporary differences	**6.8**	4.0
Rate change adjustment	**(0.1)**	1.1
Prior year adjustments	**(0.4)**	(2.3)
Total deferred taxation	**6.3**	2.8
Income tax charge in the income statement	**(7.1)**	(12.6)
Total (charge)/credit relating to components of other comprehensive income		
Current tax (charge)/credit on translation	**-**	(0.4)
Current tax credit on share-based payments	**0.2**	-
Deferred tax charge on actuarial gains and losses	**0.3**	(0.3)
Deferred tax (charge)/credit on share-based payments	**(0.1)**	(0.1)
Deferred tax (charge)/credit on translation	**0.3**	(0.3)
Income tax (charge)/credit in the statement of other comprehensive income	**0.7**	(1.1)
Total current taxation	**(13.2)**	(15.8)
Total deferred taxation	**6.8**	2.1
Total taxation	**(6.4)**	(13.7)

The Group's UK profits for this financial year are taxed at the statutory rate of 19.0% (2018: 19.0%). A reduction to the UK corporation tax rate to 17.0% was introduced in the Finance Act 2016 with effect from 1 April 2020. The deferred tax balances have been measured using the applicable enacted rates.

Under the Tax Cuts and Jobs Act 2017 the US Federal tax rate reduced from 35.0% to 21.0% with effect from 1 January 2018. Accordingly, the Group's US profits are taxed at 21.0% (2018: 21.0%).

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

5.1.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £'m	2018 £'m
Profit before taxation	**24.8**	38.9
Rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**(4.7)**	(7.4)
Effects of:		
Expenses not deductible for tax purposes	**(1.6)**	(1.3)
Overseas tax rate differences	**(1.9)**	(3.0)
Rate change adjustment	**(0.1)**	1.1
Prior year adjustments	**1.2**	(2.0)
Income tax charge in the income statement	**(7.1)**	(12.6)

5.1.3 Factors that may affect future tax charges

On 25 April 2019, the European Commission published its final decision regarding its investigation into the UK CFC rules, concluding that the exemption applied to income derived from UK activities constituted a breach of EU State Aid rules. On 12 June 2019, the UK government applied to the EU General Court to annul this decision. Like many other multinational Groups that have acted in accordance with UK legislation, the Group may be affected by the final outcome of this case. The Group estimates the potential range of exposure is between £nil and £4 million. The Group does not consider that a provision is required at this stage based on the level of uncertainty that exists over the potential liability. This is considered to be a contingent liability at 31 December 2019.

6. Earnings per share

6.1 Earnings per share

	2019 £'m	2018 £'m
Profit for the year	**17.7**	26.3
Basic earnings per share	**9.08p**	13.76p
Diluted earnings per share	**9.05p**	13.66p

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

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

6.1.1 Weighted average number of shares

	2019 £'m	2018 £'m
Weighted average number of shares (including treasury shares)	**196.8**	193.2
Treasury and Employee Benefit Trust shares	**(1.9)**	(1.8)
Weighted average number of shares - basic	**194.9**	191.4
Effect of dilutive potential ordinary shares - LTIP awards and options	**0.8**	1.5
Weighted average number of shares - diluted	**195.7**	192.9

6.1.2 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.

Adjusted profit after taxation is derived as follows:

	2019 £'m	2018 £'m
Profit before taxation	**24.8**	38.9
Exceptional items	**18.9**	7.3
Gain/(Loss) on revaluation of fair value hedge	**0.8**	(0.3)
Amortisation of borrowing costs	**0.5**	1.0
Amortisation of acquired intangible assets	**23.5**	25.8
Impairment of acquired intangible assets	**2.5**	-
Adjusted profit before taxation	**71.0**	72.7
Income tax charge	**(7.1)**	(12.6)
Add back: Adjusted tax effect[1]	**(10.4)**	(7.1)
Adjusted profit after taxation	**53.5**	53.0

1 Tax effect of exceptional items, amortisation of borrowings costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Adjusted earnings per share is summarised as follows:

	2019	2018
Basic Adjusted earnings per share	**27.46p**	27.68p
Diluted Adjusted earnings per share	**27.35p**	27.47p

7. Goodwill and intangible assets

7.1 Carrying amount of goodwill

	Note	£'m
Net carrying value		
At 1 January 2018		323.8
Acquisitions of subsidiaries		40.8
Exchange difference		17.5
At 31 December 2018		382.1
Acquisitions of subsidiaries	10	0.9
Exchange difference		(11.7)
At 31 December 2019		**371.3**

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

	2019 £'m	2018 £'m
AmesburyTruth	**275.7**	286.0
ERA	**60.20**	59.7
SchlegelGiesse	**35.4**	36.4
	371.3	382.1

7.2 Carrying amount of intangible assets

	Note	Computer software £'m	Acquired brands £'m	Customer relationships £'m	Total £'m
Cost					
At 1 January 2018		13.0	73.5	216.7	303.2
Additions		1.7	-	-	1.7
Disposals		(0.3)	(0.9)	-	(1.2)
Acquisitions of subsidiaries		-	12.3	38.1	50.4
Transfers to property, plant and equipment		(0.1)	-	-	(0.1)
Exchange difference		0.6	4.0	12.1	16.7
At 31 December 2018		14.9	88.9	266.9	370.7
Additions		0.7	-	-	0.7
Disposals		(1.8)	-	-	(1.8)
Acquisitions of subsidiaries	10	-	0.6	-	0.6
Transfers to property, plant and equipment		-	0.3	-	0.3
Exchange difference		(0.6)	(3.3)	(8.8)	(12.7)
At 31 December 2019		**13.2**	**86.5**	**258.1**	**357.8**
Accumulated amortisation					
At 1 January 2018		(4.1)	(41.6)	(154.1)	(199.8)
Amortisation charge for the year		(1.4)	(5.3)	(20.5)	(27.2)
Disposals		0.3	0.9	-	1.2
Impairment		(0.1)	-	-	(0.1)
Exchange difference		(0.2)	(2.1)	(7.7)	(10.0)
At 31 December 2018		(5.5)	(48.1)	(182.3)	(235.9)
Amortisation charge for the year		(1.5)	(6.4)	(17.1)	(25.0)
Disposals		0.5	-	-	0.5
Impairment		-	-	(2.5)	(2.5)
Exchange difference		0.6	2.0	6.5	9.1
At 31 December 2019		**(5.9)**	**(52.5)**	**(195.4)**	**(253.8)**
Net carrying value					
At 1 January 2018		8.9	31.9	62.6	103.4
At 31 December 2018		9.4	40.8	84.6	134.8
At 31 December 2019		**7.3**	**34.0**	**62.7**	**104.0**

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £23.5 million (2018: £25.8 million) relating to amortisation of acquired intangible assets and £1.5 million (2018: £1.4 million) relating to amortisation of other intangible assets.

An impairment charge of £2.5 million was recognised on customer relationship intangibles in 2019 as a result of the closure of the Fremont, Nebraska facility. An impairment charge of £0.1 million was recognised on computer software in 2018.

8. Leases

8.1 The Group's leasing arrangements

The Group leases manufacturing and warehousing facilities, offices, and various items of plant, machinery, and vehicles used in its operations.

Leases of manufacturing and warehousing facilities and offices generally have lease terms between 5 and 25 years, while plant, machinery, and vehicles generally have lease terms between 6 months and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

8.2 Carrying value of right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year

	Note	Land and buildings £'m	Plant and machinery £'m	Total £'m
At 31 December 2018		-	-	-
Change in accounting policy	13	62.8	2.2	65.0
At 1 January 2019 (revised)		62.8	2.2	65.0
Additions		1.9	1.2	3.1
Depreciation charge		(6.5)	(1.0)	(7.5)
Exchange difference		(1.2)	(0.0)	(1.2)
At 31 December 2019		**57.0**	**2.4**	**59.4**

8.3 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:

		2019 £'m
At 31 December 2018		**-**
Change in accounting policy	13	**(63.7)**
At 1 January 2019 (revised)		**(63.7)**
New leases		**(3.0)**
Lease modifications		**(0.1)**
Interest charge		**(3.0)**
Lease payments		**8.6**
Foreign exchange		**1.2**
At 31 December 2019		**(60.0)**

	2019 £'m	1 January 2019 £'m
Current liabilities	**(6.0)**	(5.5)
Non-current liabilities	**(54.0)**	(58.2)
	(60.0)	(63.7)

8.4 Amounts recognised in profit of loss

The following are the amounts recognised in profit or loss

	2019 £'m
Depreciation of RoU assets	**(7.5)**
Interest expense (included in finance cost)	**(3.0)**
Expense relating to short-term and low-value assets not included in lease liabilities (included in cost of sales and administration expenses)	**(1.3)**
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales and administration expenses)	**(0.5)**
	(12.3)

8.5 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 2019, potential future cash outflows of £63.0 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

9. Interest-bearing loans and borrowings

9.1 Carrying amounts of interest-bearing loans and borrowings

		2019 £'m	2018 £'m
Unsecured borrowings at amortised cost:			
Bank borrowings		**(137.7)**	(183.8)
Senior notes		**(75.8)**	(78.5)
Finance leases		**-**	(0.2)
Capitalised borrowing costs		**1.7**	1.8
Borrowings		**(211.8)**	(260.7)
Lease liabilities	8	**(60.0)**	-
Total interest-bearing liabilities		**(271.8)**	(260.7)
Analysed as:			
Current liabilities		**(6.3)**	(1.5)
Non-current liabilities		**(265.5)**	(259.2)
		(271.8)	(260.7)

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

Non-cash movements in the carrying amount of interest-bearing loans and borrowings relate to the amortisation of borrowing costs.

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

	2019 £'m	2018 £'m
Sterling	**1.7**	(4.2)
US Dollars	**(146.7)**	(188.1)
Euros	**(66.8)**	(68.4)
	(211.8)	(260.7)

9.1.2 Bank borrowings

Multi-currency revolving credit facility

On 19 February 2018, the Group entered into the 2018 Facility. The 2018 Facility gives the Group access to up to £310.0 million of borrowings and comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility, expiring in February 2024. The banking facility is unsecured and is guaranteed by Tyman plc and its principal subsidiary undertakings.

As at 31 December 2019, the Group has undrawn amounts committed under the multi-currency revolving credit facility of £102.8 million (2018: £58.5 million). These amounts are floating rate commitments which expire beyond 12 months.

Other borrowings

The Group acquired bank borrowings as part of the acquisitions of Giesse, Zoo Hardware, and Reguitti. At 31 December 2019, the remaining facilities have a carrying value of £0.5 million (2018: £2.3 million) an undrawn value of £Nil (2018: £Nil). These facilities have a maturity ranging between 28 May 2020 and 10 September 2020 and are unsecured. In 2018, £0.8 million was secured against trade receivables in a factoring arrangement, which was terminated in 2019.

9.1.3 Private placement notes

On 19 November 2014, the Group issued private debt placement notes with US financial institutions totalling US$100.0 million.

The debt placement is unsecured and comprises US$55.0 million debt with a seven-year maturity at a coupon of 4.97% and US$45.0 million with a 10-year maturity at a coupon of 5.37%

9.2 Net debt

9.2.1 Net debt summary

	2019 £'m	2018 £'m
Borrowings	(211.8)	(260.7)
Lease liabilities	(60.0)	-
Cash	49.0	51.9
At 31 December	**(222.8)**	(208.8)

9.2.2 Net debt reconciliation

	Cash	**Borrowings**	**Lease liabilities**	**Total**
At 1 January 2018	42.6	(205.4)	-	(162.8)
Cash flows	9.6	(41.2)	-	(31.6)
Acquisitions	1.5	(2.5)	-	(1.0)
Foreign exchange adjustments	(1.8)	(10.6)	-	(12.4)
Amortisation of borrowing costs	-	(1.0)	-	(1.0)
At 31 December 2018	51.9	(260.7)	-	(208.8)
Change in accounting policy	-	-	(63.7)	(63.7)
At 1 January 2019	51.9	(260.7)	(63.7)	(272.5)
Cash flows	-	40.4	8.6	49.0
Acquisitions	(0.9)	-	-	(0.9)
New leases	-	-	(3.0)	(3.0)
Lease modifications	-	-	(0.1)	(0.1)
Lease interest accretion	-	-	(3.0)	(3.0)
Foreign exchange adjustments	(2.0)	9.0	1.2	8.2
Amortisation of borrowing costs	-	(0.5)	-	(0.5)
At 31 December 2019	**49.0**	**(211.8)**	**(60.0)**	**(222.8)**

10. Business combinations

10.1 Summary of business combinations

The following table summarises the consideration paid and the fair value of assets acquired and liabilities assumed for all acquisitions in the year at the respective acquisition dates. The fair values will be finalised within 12 months of each acquisition date.

		Y-cam (provisional) £'m	**Amendments to 2018 acquisition fair values £'m**	**Total**
Intangible assets	7.2	0.6	-	0.6
Inventories		0.1	(0.1)	-
Trade and other receivables		(0.1)	-	(0.1)
Cash and cash equivalents		0.1	-	0.1
Trade and other payables		(0.1)	-	(0.1)
Current tax liabilities		-	(0.3)	(0.3)
Deferred tax liabilities		(0.1)	-	(0.1)
Total identifiable net assets		0.5	(0.4)	0.1
Goodwill arising on acquisition	7.1	0.5	0.4	0.9
Total consideration		**1.0**	**-**	**1.0**
Satisfied by:				
Cash		1.0	-	1.0
Deferred consideration		-	-	-
Total consideration		**1.0**	**-**	**1.0**
Net cash outflow arising on acquisition:				
Cash consideration		1.0	-	1.0
Net cash and cash equivalents acquired		(0.1)	-	(0.1)
Net cash outflow		**0.9**	**-**	**0.9**

1 Subsequent to publishing the interim financial statements, the Group has made amendments to the fair value of inventory acquired, deferred tax liabilities, and consideration as part of the progression of the acquisition accounting process.

10.2 Description of business combinations

Acquisition of Y-cam

On 18 February 2019, ERA completed the acquisition of Y-cam Solutions Limited, a UK-based smart home security pioneer for initial cash consideration of £1.0 million. The agreement includes provision for additional consideration of up to £10 million, subject to reaching certain performance targets, to be paid in instalments over a three-year period. Based on the current projections, no deferred consideration will be payable.

Intangible assets acquired relate to technology assets and residual goodwill is attributable to the expected benefits of using the acquired technology platform in conjunction with ERA smartware products and the acquired workforce. The estimated value of intangibles, including goodwill, deductible for tax purposes is nil.

Acquisition related costs of £0.2 million have been included in exceptional costs in the Group's consolidated income statement (note 4).

The fair value of trade and other receivables at the acquisition date, revenue and profit in the consolidated income statement since 18 February 2019 are not material. Had Y-cam been acquired on 1 January 2019, the Groups' revenue and profit would not have been materially different.

Changes to 2018 acquisition fair values

A number of changes have been made to the fair values of assets and liabilities in relation to Ashland, Zoo, and Reguitti which were acquired in 2018 as part of the finalisation of the acquisition accounting. These adjustments are not material and have therefore been recognised as adjustments to goodwill in the current year without restating prior years.

11. Adjustments to cash flows from operating activities

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

	Note	**2019 £'m**	2018 £'m
Net finance costs		**15.7**	11.6
Depreciation of PPE		**13.1**	12.5
Depreciation of right of use assets		**7.5**	**-**
Amortisation of intangible assets	7	**25.0**	27.2
Impairment of intangible assets	7	**2.3**	0.1
Impairment of property, plant and equipment		**4.3**	-
(Profit)/loss on disposal of property, plant and equipment		**1.6**	-
Write-off of inventory fair value adjustments		**-**	2.5
Pension service costs and expected administration costs		**0.3**	0.6
Non-cash provision movements		**1.3**	(1.9)
Share-based payments		**0.8**	1.0
		71.9	53.6

12. Events after the balance sheet date

There were no events after the balance sheet date.

13. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial statements.

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new standard are recognised in the opening balance sheet as at 1 January 2019.

13.1 Impact on the balance sheet

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Increase/ decrease	**£m**
Property, plant and equipment	Decrease	(0.8)
Right of use assets	Increase	65.0
Deferred tax liability	Increase	(0.5)
Prepayments	Decrease	(0.5)
Other payables	Decrease	2.9
Lease liabilities	Increase	(63.7)

The net impact on retained earnings on 1 January 2019 was an increase of £2.4 million.

13.1.1 Lease liabilities

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The lease liabilities at 31 December 2019 and 1 January 2019 were as follows:

	2019 £'m	1 January 2019 £'m
Current liabilities	(6.0)	(5.5)
Non-current liabilities	(54.0)	(58.2)
	(60.0)	(63.7)

Lease liabilities recorded at 1 January 2019 can be reconciled to operating lease disclosures as at 31 December 2018 as follows:

	£m
Operating lease commitments disclosed as at 31 December 2018	91.5
(Less): short-term leases recognised on a straight-line basis as expense	(0.7)
(Less): low-value leases recognised on a straight-line basis as expense	(0.4)
Gross future lease cashflows	90.4
Effect of discounting	(26.5)
Add: finance lease liabilities recognised as at 31 December 2018	(0.2)
Lease liability recognised as at 1 January 2019	**63.7**

13.1.2 Right of use assets

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to leases and dilapidations assets recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	2019 £'m	1 January 2019 £'m
Properties	**57.0**	62.8
Plant, equipment and vehicles	**2.4**	2.2
Total	**59.4**	65.0

13.2 Impact on the income statement and earnings per share

For year ended 31 December 2019, Adjusted Operating Profit was £1.6 million higher as a result of applying IFRS 16 due to a portion of the lease expense now being recorded as interest expense. Profit before tax was £1.4 million lower due to interest expenses being higher at the beginning of the lease term. This also reduced Earnings Per Share by 0.73p.

The impact on Adjusted Operating Profit by operating segment for the year was:

	£m
AmesburyTruth	1.3
ERA	0.1
SchlegelGiesse	0.2
Total	**1.6**

13.3 Impact on the cash flow statement

Payments in respect of leases which were previously recognised within cash flows from operating activities are now recorded within cash flow from financing activities, separated between payment of interest and payment of principal elements. This has increased net cash generated from operations and increased net cash used in financing activities by £8.6 million.

Alternative performance measures

The Group uses a number of alternative performance measures. APMs provide additional useful information to shareholders on the underlying performance of the business. These APMs are consistent with how business performance is measured internally by the Group, align with the Group's strategy, and remuneration policies. These measures are not recognised under IFRS and may not be comparable with similar measures used by other companies. APMs are not intended to be superior to or a substitute for GAAP measures.

The following summarises the key APMs used, why they are used by the Group, and how they are calculated. Where appropriate, a reconciliation to the nearest GAAP number is presented. Details of other APMs are included in the Group's Annual Report and Accounts. Measures formerly referred to as 'Underlying' are now referred to as 'Adjusted'.

Adjusted operating profit and adjusted operating margin

Definition

Operating profit before amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and exceptional items.

Adjusted operating margin is calculated as adjusted operating profit divided by revenue, expressed as a percentage.

Purpose

This measure is used to evaluate the trading operating performance of the Group.

Exceptional items are excluded from this measure as they are largely one off and non-trading in nature and therefore create volatility in reported earnings.

Amortisation of acquired intangible assets is excluded from this measure as this is a significant non-cash fixed charge that is not affected by the trading performance of the business.

Impairment of acquired intangible assets and goodwill is excluded, as this is a significant non-cash charge.

Reconciliation/calculation

Adjusted operating profit is reconciled on the face of the income statement on page 25.

Like-for-like or LFL revenue and adjusted operating profit

Definition

The comparison of revenue or operating profit, as appropriate, excluding the impact of IFRS 16, 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, 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.

Change in current year

This measure has been amended in the current period to exclude the impact of applying IFRS 16. The Group considers this amendment provides 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, excluding the impact of M&A and currency movements.

Reconciliation/calculation

	2019 **£'m**	2018 £'m
Reported revenue	**613.7**	591.5
Disposals	**-**	(5.6)
Acquisitions	**(24.3)**	-
Effect of exchange rates	**-**	14.6
Like-for-like revenue	**589.4**	600.5
Adjusted operating profit	**85.4**	83.6
Acquisitions	**(3.2)**	-
Disposals	**-**	(1.4)
Impact of IFRS 16	**(1.6)**	-
Effect of exchange rates	**-**	2.5
Like-for-like adjusted operating profit	**80.6**	84.7

Adjusted profit before and 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, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and associated tax effects.

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, and the associated tax effect are excluded. These items are excluded as they are of a non-trading nature.

Reconciliation/calculation

A reconciliation is included in note 6.1.2.

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 assess the trading operating performance per share in issue. This is used as the basis of the Group's long-term incentive plan targets and is the measure used in determining the level of dividend to be paid under the Group's dividend policy.

Reconciliation/calculation

A reconciliation of adjusted profit after tax and the number of shares can be found in note 6.

Leverage

Definition

Adjusted net debt translated at the average exchange rate for the year divided by Adjusted EBITDA, calculated using the prevailing GAAP at February 2018 (excluding the impact of IFRS 15, 9, and 16). This calculation is the covenant calculation defined in the Group's banking facility and private placement debt documents.

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Purpose

This measure is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations and to provide users of the accounts with details of whether the Group remains in compliance with its lending covenants.

Reconciliation/calculation

	2019 £'m	2018 £'m
Adjusted Net Debt (at average exchange rate)	**170.1**	202.2
Adjusted EBITDA (in accordance with covenants)	**98.9**	103
Leverage	**1.72x**	1.96x

Return on Capital Employed (ROCE)

Definition

LTM adjusted operating profit as a percentage of the LTM average capital employed (expressed as a 13 point average).

Purpose

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

Reconciliation/calculation

	2019 £'m	2018 £'m
Adjusted operating profit	**85.4**	83.6
Average capital employed	**709.9**	621.8
ROCE	**12.0%**	13.4%

Return on acquisition investment (ROAI)

Definition

Adjusted operating profit attributable to the acquired business divided by the gross cost of investment (original cost plus acquisition and integration costs), plus the change in fair value of controllable capital employed between the date of acquisition and the date of measurement. The denominator is adjusted for seasonality where appropriate.

For acquisitions made within the last 12 months, adjusted operating profit is an annualised measure. For acquisitions made more than 12 months ago, adjusted operating profit is measured over the last 12 months. ROAI is measured for 2 years following acquisition.

Purpose

This measure is used to evaluate the efficiency and returns achieved by the Group from its investments in recent material business acquisitions and allows users of the accounts to compare the relative performance of each acquisition made by the Group. ROAI is measured over a two year period following acquisition.

Reconciliation/calculation

	Howe Green £m	Ashland $m	Zoo £m	Profab £m	Reguitti €m
Adjusted operating profit	1.2	17.0	3.6	0.4	1.5
Acquisition enterprise value	6.4	106.3	19.1	4.4	16.5
Change in controllable capital employed	0.6	(2.8)	(0.2)	(0.6)	2.7
	7.0	103.5	18.9	3.8	19.2
ROAI	**17.0%**	**16.4%**	**18.9%**	**10.5%**	**7.8%**

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.

Adjusted operational cash flow

Operational cash flow, less lease payments.

Operating cash conversion

Operational cash flow divided by adjusted operating profit.

Purpose

These measures are used to evaluate the cash flow generated by the business operations in order to pay down debt, return cash to shareholders and invest in acquisitions. Cash conversion provides users of the accounts with a measure of the extent that the Group's profitability converts into cash.

Reconciliation/calculation

A reconciliation is included in the financial review on page 18.

Definitions and glossary of terms

Access 360	The Access Solutions business of ERA, constituting Bilco UK, Profab and Howe Green
APM	Alternative Performance Measure
ASEAN	Association of Southeast Asian Nations
Ashland or Ashland Hardware	Ashland Hardware Holdings Inc, acquired by AmesburyTruth on 15 March 2018
Bilco	The Bilco Company acquired by the Group's AmesburyTruth Division on 1 July 2016
bps	Basis points
CGU	Cash Generating Unit
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EBT	Employee Benefit Trust
EMEAI	Europe, Middle East and Africa and India region
EPS	Earnings per Share
FENSA	A government-authorised scheme that monitors building regulation compliance for replacement windows and doors.
Giesse	Giesse Group acquired by the Group's Schlegel International Division on 7 March 2016.
Howe Green	Howe Green Limited acquired by the Group on 3 March 2017
IFRS	International Financial Reporting Standards
LIRA	Leading Indicator of Remodelling Activity published by the Joint Centre for Housing Studies of Harvard University
LTM	Last twelve months
M&A	Mergers and acquisitions
NAHB	The National Association of Home Builders
NPD	New Product Development
OEM	Original equipment manufacturer
PPE	Property, plant and equipment
Profab	Profab Access Solutions Limited acquired by ERA on 31 July 2018
Reguitti	Reguitti S.P.A acquired by SchlegelGiesse on 31 August 2018
RMI	Renovation, maintenance and improvement
Tyman	Any references to Tyman, the Group, or the Company refer to Tyman plc and its subsidiaries.
Y-cam	Y-cam Solutions Limited acquired by ERA on 18 February 2019
Zoo or Zoo Hardware	Zoo Hardware Limited acquired by ERA on 10 May 2018

Exchange rates

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

Closing Rates:	**2019**	2018
US Dollars	**1.3186**	1.2736
Euros	**1.1757**	1.1128
Australian Dollars	**1.8801**	1.8055
Canadian Dollars	**1.7164**	1.7360
Brazilian Real	**5.3005**	4.9410

Average Rates:	**2019**	2018
US Dollars	**1.2770**	1.3350
Euros	**1.1406**	1.1302
Australian Dollars	**1.8365**	1.7862
Canadian Dollars	**1.6943**	1.7293
Brazilian Real	**5.0371**	4.8643

Roundings

Percentage numbers have been calculated using unrounded figures, which may lead to small differences in some figures and percentages quoted.