TYMAN PLC

TYMAN PLC

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Tyman plc (TYMN.L) announces unaudited results for the six months ended 30 June 2019.

Summary Group Results

£m unless stated	H1 2019	H1 2018	Change	LFL[1] (adj*)
Revenue	**301.9**	274.9	**+10%**	*(1)%*
Adjusted Operating Profit*	**41.9**	38.2	**+10%**	*(4)%*
*Adjusted Operating Margin**	***13.9%***	*13.9%*	***Flat***	
Operating Profit	**18.5**	19.9	**(7)%**	
Adjusted Profit before Taxation*	**34.7**	33.3	**+4%**	
Profit before Taxation	**11.0**	14.5	**(24)%**	
Adjusted EPS*	**13.14p**	13.11p	**Flat**	
Basic EPS	**4.06p**	5.35p	**(24)%**	
Dividend per share	**3.85p**	3.75p	**+3%**	
Leverage*[2]	**2.21x**	2.11x	**+0.10x**	
*Return on Capital Employed**	***12.7%***	*13.9%*	***(122)bps***	

(1) LFL = constant currency Like-for-Like (see APMs on page 44)
(2) Excluding IFRS 16 lease liabilities (see APMs on page 44)
* Alternative performance measures. In the opinion of the Board, these "Adjusted" metrics (formerly "Underlying") provide useful additional information to shareholders on the underlying performance of the business. Further details can be found on page 44.

Highlights:

- 10% growth in revenue and adjusted operating profit driven by 2018 acquisitions and currency
- Like-for-like revenue declined 1% reflecting disappointing performance at AmesburyTruth against solid performance in ERA and SchlegelGiesse
- Adjusted operating profit of £41.9m with adjusted operating margin flat at 13.9%
- Ashland on track to generate US$5m annual synergy benefits from 2020
- Acquired Y-cam, supporting development of new Smartware product pipeline
- Interim dividend increased in line with progressive policy
- New medium-term target leverage of 1.0x to 1.5x adjusted EBITDA
- Market outlook mixed; savings coming through from footprint rationalisation but offset by operational issues and customer losses in near term

Jo Hallas, Chief Executive Officer, commented*: "While revenue and adjusted operating profit increased by 10% following four successful acquisitions in 2018, overall the first half performance was below expectations, with organic revenue growth in SchlegelGiesse and ERA offset by a disappointing performance in AmesburyTruth. This reflected operational disruptions and customer losses arising from our North American footprint consolidation, as well as ongoing softness in our North American markets.*

Since arriving in the spring, Jason and I have been focused on diagnosing the issues in AmesburyTruth. Over the next twelve to eighteen months our priorities will be to resolve these issues, drive organic performance and reduce net debt to our new lower target level. Although operating profit will be impacted by the North American footprint-related issues in the current financial year, given the fundamentals of the market and the business, I am confident that the actions we are taking to address these, and our other near-term priorities, will position the business well for long-term sustainable value creation."

25 July 2019

Enquiries

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Analyst and investor presentation

Tyman will host an analyst and investor presentation at 10.30 a.m. today, Thursday 25 July 2019, at the offices of MHP Communications, 6 Agar Street, London, WC2N 4HN.

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

Toll number	+44 (0) 333 300 0804
Toll-free number	0800 358 9473
Participant PIN	35437318#

Notes to editors

Tyman (TYMN: LSE) is a leading international supplier of engineered door and window components and access solutions to the construction industry. The Company designs and manufactures products that help to improve the comfort, energy efficiency, security and design aesthetics of residential homes and commercial buildings. Tyman's portfolio of leading brands serve their markets through three divisions: AmesburyTruth, ERA and SchlegelGiesse. Headquartered in London, the Group employs approximately 4,200 people with facilities in 18 countries worldwide. Further information is available at www.tymanplc.com.

TYMAN PLC

OVERVIEW OF RESULTS

Tyman had a disappointing first half to the financial year, with like-for-like (LFL) revenue and operating profit slightly lower than H1 2018. However, the businesses acquired during 2018 have made strong contributions to Group reported results.

North American markets slowed in the period and UK markets remain relatively subdued, while European markets were broadly flat. The overall outlook remains somewhat mixed.

Revenue for the period was £301.9 million (H1 2018: £274.9 million), an increase of 10% on a reported basis, but a decrease of 1% on a LFL basis, with volume declines offset by pricing and surcharge actions. Reported revenue benefitted from contributions from acquisitions, and by the relative weakness of Sterling compared with H1 2018.

Adjusted operating profit improved by 10% on a reported basis to £41.9 million (H1 2018: £38.2 million) but declined 4% on a LFL basis, with growth at ERA and SchlegelGiesse being offset by a fall in profitability at AmesburyTruth. The Group adjusted operating margin was flat at 13.9% (H1 2018: 13.9%).

In addition to soft end markets, AmesburyTruth's performance was impacted by operational disruption and customer losses relating to the US footprint consolidation project. While the final moves of the footprint consolidation project were completed in Q1, two issues have arisen 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. Both of these issues are fixable and actions are already underway to get the business back to our expected levels of productivity and service quality.

The two largest businesses acquired during 2018, Ashland and Zoo Hardware, have both performed well, with trading ahead of H1 2018. The Group remains on track to deliver US$5m of Ashland annual synergy benefits from 2020. Profab and Reguitti were a little weaker than expected due to timing of projects at Profab and competitive pressures at Reguitti.

Input costs, with the exception of steel, moderated in the period, yielding some margin benefits. Price surcharges were used to fully recover the cost of US tariffs.

Operational cash generation was 26% above H1 2018, primarily as a result of lease payments now being included in financing cash flows following adopting IFRS 16 (see note 17). Excluding the impact of IFRS 16, operational cash generation was 3% higher than H1 2018. Operating cash conversion in H1 2019 was 62.3%, or 52.1% excluding the impact of IFRS 16 (H1 2018: 54.2%). This slight underlying decline was principally due to increased working capital levels.

ROCE fell by 122 bps to 12.7% (H1 2018: 13.9%) as a result of the adoption of IFRS 16 as well as the reduction in like-for-like adjusted operating profit and higher working capital build. Excluding the impact of IFRS 16, ROCE was 13.1%.

Leverage at the period end of 2.21x (H1 2018: 2.11x) reflected the extra debt taken on by the Group to fund the acquisitions made in the second half of 2018. The Group is focused on reducing net debt and expects to exit 2019 with a leverage below 2.0x.

An interim dividend of 3.85 pence per share, representing an increase of 3%, will be paid on 6 September 2019 to shareholders on the register at close of business on 2 August 2019. This is consistent with the Group's progressive dividend policy.

Board Changes

Jo Hallas joined the Board as Chief Executive Officer on 1 April this year and Jason Ashton joined the Board as Chief Financial Officer on 9 May. Louis Eperjesi stepped down from the Board on 1 April 2019 and James Brotherton stepped down on 9 May 2019.

Outlook

The overall macro-economic backdrop continues to be uncertain in the Group's core geographies of North America and the UK, and Tyman enters the second half with a cautionary view. The primary focus this half will be on resolving the issues relating to the US footprint consolidation project and a focus on cash generation to support a reduction in leverage.

The operational and customer disruption challenges at AmesburyTruth are expected to impact both revenue and costs. The planned cumulative benefits of the footprint project previously communicated are now expected to be more than fully negated this financial year by the disruption issues with a lesser impact expected into 2020 as management actions take effect. Once these issues are resolved we still expect the new footprint to yield improved margin performance in the medium term.

OPERATIONAL REVIEW

AmesburyTruth Division

£m except where stated	H1 2019	H1 2018	Change	LFL
Revenue	**187.4**	176.6	**+6%**	*(3)%*
Adjusted Operating Profit	**31.2**	30.0	**+4%**	*(5)%*
Adjusted Operating Margin	***16.7%***	*17.0%*		

Markets

The US residential and commercial markets were both soft in the first half, with AmesburyTruth exposed much more to the former than the latter.

Although housing completions increased by 3.0%, housing starts declined 3.7% to 1.253 million units. Multi-family construction showed modest growth, but was offset by a weaker performance in single family construction in which the division has proportionately higher exposure. Building permits also declined by 4.3%. New build activity in the US continues to be materially below long run average levels on both absolute and per capita measures.

US residential repair and remodelling markets were also softer with the NAHB RMI index lower at 54 (H1 2018: 58). A combination of weather and the carry-forward effect of higher mortgage rates in Q4 2018 influenced Q1 spend rates, but outlook indicators are currently positive. Specifically, the LIRA index has improved by 2.9% from the year end.

The market in Canada contracted compared to H1 2018, with housing starts down 4%, due in part to the discontinuation of government energy rebate programmes in place for some regions in 2018.

Business performance and developments

Reported revenue of £187.4 million (H1 2018: £176.6 million) for the Division was assisted by the incremental contribution from Ashland and the relative weakness of Sterling against the US Dollar in the period. The weaker Sterling increased reported revenue by £11.0 million.

In addition to soft end markets, AmesburyTruth's performance was impacted by operational disruption and customer losses relating to the US footprint consolidation project. While the final moves of the footprint consolidation project were completed in Q1, two issues have arisen 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.

Production ramp up during the footprint transitions was slower than expected in both Phase 1 of the project (hardware manufacturing) and Phase 2 (seals manufacturing). This was due largely to problems with recruitment and retention of key personnel through the moves. The lack of a stable, experienced workforce led to production

inefficiencies and incremental costs associated with excess material usage, high scrap levels and the temporary extra staffing required to address the challenges.

These production issues ultimately led to customer losses for the business. Phase 1 facilities are now fully stabilised with significant productivity improvements being realised and customer win-back activities underway. The Phase 2 facility in Statesville is not yet operating at the service level performance we expect but is making progress.

In the door seals product category, part of the transition from manufacturing in Rochester to the new Statesville facility in late 2018 involved investing in new production process technology to be able to launch a new type of door seal. While the new product offers various advantages, significant efforts are required by customers to test and transition their door systems, with the result that the new product has not been adopted by customers as well as anticipated. The business is working closely with customers to improve adoption, whilst also working to reinstate capacity for supply of the previous door seal product. In light of a reduction in expected volumes in the medium term, we have adopted a more cautious view on return on capital investments made in the new seals product line and have recorded a non-cash charge of £5.3 million related to the write down of fixed assets and associated costs.

The market share recovery expected in small accounts and distributors following the change in distribution model has not yet materialised and revenue in this segment declined 10% compared to H1 2018. Half of this was driven by the impact of issues with the US footprint consolidation and the other half due to the setup of the new distribution model (a large stocking order in late 2018 and some intentional product rationalisation). Without these effects, performance was broadly flat with price growth offsetting market softness.

Ashland, which was acquired in H1 2018, is performing in line with our expectations, with revenue falling 1% due to softer market conditions and adjusted operating profit increasing 13% as a result of synergy benefits and production efficiencies. Synergy benefits of US$1.8 million were realised in the period and the business is on track to deliver US$5.0 million of annual synergies by 2020.

Revenue from the Division’s access solutions business (Bilco) was 4% ahead of H1 2018 and adjusted operating profit was 7% ahead, benefitting from price increases and strong growth in roof hatch sales to wholesale distributors and sidewalk door products despite a weaker commercial construction market.

New product development

The division continues to focus on innovation, with products launched in 2018 performing ahead of expectations and a strong pipeline of new products due for release in H2 2019. The Contemporary hardware range launched in 2018 provides a range of upscale products to meet the growing demand for consistency of design styling throughout the home. The STASIS constant force window balance launched in 2018 is uniquely designed to be interchangeable from right to left, helping smaller customers to reduce SKU complexity in their business. Products due for release in H2 2019 include the Pegasus combination operator and lock which is an innovative product designed to combine opening/closing and locking into one motion; a new and improved child safety device for windows, SafeGard™2R/2C; and two smoke vent products, one designed to meet new

energy standards and one with an industry-leading sound rating. These products are expected to drive revenue and margin improvements.

Leadership change

In early June, Bob Burns was appointed to lead AmesburyTruth, replacing Jeff Graby who left the business to pursue other interests. Bob had joined the Tyman Group through the acquisition of Ashland Hardware. He has over 25 years of experience in the building products industry, in leadership positions with both window/door OEMs and with hardware manufacturing businesses. Bob led the turnaround of the Ashland business under its private equity ownership from 2013 to 2018, driving a significant improvement in financial and operational performance.

Outlook

The US residential repair and remodelling markets are expected to improve modestly in the second half, while both residential and commercial new build construction is expected to be at best flat in the near term. The primary focus in the second half will be on resolving the issues relating to the US footprint consolidation project and realising synergies from the integration of Ashland.

The footprint consolidation moves were a pre-requisite to the business being able to execute on its future organic growth plans. While the physical transitions are complete and the footprint project remains on track to deliver the $10m of benefits outlined previously to the market, this will not be evident in near term performance due to the repercussions outlined above. Once these issues are resolved, we still expect the new footprint to yield improved margin performance in the medium term.

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ERA Division

£m except where stated	H1 2019	H1 2018	Change	LFL
Revenue	**53.0**	42.8	**+24%**	*+1%*
Adjusted Operating Profit	**6.9**	4.8	**+43%**	*+13%*
Adjusted Operating Margin	***13.0%***	*11.3%*		

Markets

The UK market for doors and windows has contracted significantly in H1 2019 compared to H1 2018. FENSA data for door and window installations points to January to May being 8% down on the prior year. This is driven by a contraction in RMI investment, which constitutes the majority of the market. New build construction continued to grow modestly.

Business performance and developments

The strong momentum against strategic objectives continued into H1 2019 despite a difficult market backdrop, with further market share gain in hardware sales and significant margin expansion.

LFL revenue increased by 1%, largely reflecting growth in hardware sales to the distribution channel and the incremental benefit of the 2018 price increase. On a reported basis, revenue increased by 24%, assisted by incremental contributions from Zoo Hardware and Profab which were acquired in H2 2018.

Savings from the 2018 footprint consolidation, lower input costs and the benefit of the 2018 price increases meant that LFL adjusted operating profit in the period grew 13% to £6.9 million, with adjusted operating margin improving to 13% (H1 2018: 11%).

ERA continued to gain market share in hardware sales into OEM, with sales declining 2%, in a market that was down circa 4%. Hardware sales to the distribution channel significantly outperformed the market, growing by 11% on a LFL basis in the period. This was further assisted by the incremental contribution from Zoo, the architectural hardware business acquired in May 2018, whose revenue was 6% ahead of H1 2018 and whose adjusted operating profit was 17% ahead, reflecting realisation of synergy benefits. New product introductions have been well received, with sales from new products growing 4% against H1 2018.

The sash window refurbishment business, Ventrolla, recorded a decline in LFL revenue of 22% during the period, due to a lower level of online enquiries seen following changes to the website in 2018. The new management team put in place in late 2018 has made progress in reducing inefficiencies in the installation process and continues to be focused on improving lead generation and conversion rates.

Smartware

Smartware sales declined in the period as a result of a third-party distribution agreement coming to an end in late 2018. The ERA HomeGuard cloud-based alarm system which was brought to market in 2018 has been well received. The ERA Installer Scheme was

launched in 2018 and creates a new channel for smart security products that addresses a consumer 'do it for me' trend. The network has expanded rapidly since launch, with 250 installers trained to date, and an expected growth to 500 installers by year-end.

On 18 February 2019, ERA completed the acquisition of Y-cam, a smart home security business which operates a proprietary cloud-based platform, together with a range of award-winning security cameras, alarms and sensors. This acquisition provides ERA with a market leading technology that will enable the provision of value-added services such as security monitoring. Since acquisition, the business has been integrated into ERA, and a second generation range of smartware products is due for release in H2 2019, harmonising ERA's existing smartware range onto the Y-cam platform. This will be launched under the ERA Protect brand.

Access 360

The Division's commercial access businesses Bilco, Howe Green and Profab were brought together with the launch of the Access 360 brand, providing a single go-to-market identity.

LFL revenue for Access 360 increased by 2% in the period, slightly behind expectations, but reflective of the timing of projects, with the large Crossrail project coming to an end and the Battersea Power Station project slightly delayed. Profab, which was acquired in August 2018, had a challenging first half due to project timing, however order wins improved towards the end of the period and a stronger second half is expected.

New product development

Sales of the new Surefire auto-fire multipoint door locking system have been encouraging. Similarly, the new high-security patio door lock is experiencing strong adoption with a number of leading system houses. A new design-led range of premium architectural levers is being launched in H2 which will drive market penetration in the higher-end commercial sector. A strong pipeline of leads for the new ERA lockdown emergency barricade device are beginning to convert to sales. Sales of the Giesse aluminium hardware range in the UK continue to grow strongly.

Outlook

Despite the subdued trends in residential RMI, which are expected to persist over the balance of the year, and uncertainty surrounding Brexit, ERA is well-placed to make further progress through continued focus on market share gains, new product introductions and management of costs and overheads.

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SchlegelGiesse Division

£m except where stated	**H1 2019**	H1 2018	**Change**	***LFL***
Revenue	**61.5**	55.5	**+11%**	*+4%*
Adjusted Operating Profit	**7.6**	6.8	**+12%**	*+2%*
Adjusted Operating Margin	***12.3%***	*12.2 %*		

Markets

SchlegelGiesse's markets presented a mixed picture over the period. European markets were broadly flat, with market growth continuing in Italy, France and Spain, albeit that momentum slowed in Italy and Spain across the period. Germany was broadly flat and Russia continued to decline. In China, the residential RMI market continues to demonstrate strong growth. In the Middle East, Latin America and Australia, the broader macro-economic conditions continued to subdue the door and window markets.

Business performance

LFL revenue grew by 4% in H1 compared to prior year driven by successful price increases as well as volume growth. Revenue of £61.5m for the first half (H1 2018: £55.5m) was 11% ahead of prior year on a reported basis, assisted by the acquisition of Reguitti in August 2018. Operating profit grew by only 2% in H1 on a LFL basis, reflecting operational gearing with continued investment in research and development and overheads to support growth. On a reported basis, operating profit for H1 of £7.6m was 12% higher than prior year (H1 2018: £6.8m) and benefited from the first full reporting period of Reguitti. Adjusted operating margin of 12.3% was broadly flat to prior year (H1 2018: 12.2%).

Overall SchlegelGiesse produced positive organic LFL growth in Europe driven by strong performances in Russia, Italy, UK and France. In Spain, while hardware sales declined as a result of increasing low-cost competition, sales of seal products grew. Sales declined in Germany due to some market share loss of our OEM customers to lower cost imports.

Outside of Europe, SchlegelGiesse continued to perform strongly in China with sales growth of 28%. This is driven by continued expansion of the RMI distributor base, with a further 8 new distributors placing orders in H1 2019, and strong underlying market trends. The Middle East also delivered a strong performance, despite difficult liquidity conditions. In Australia, sales declined, in line with the challenging local residential housing market.

Sales in Latin American markets declined in the first half of the year as a result of the difficult macro-economic environment in the region. There was some market share growth in Argentina and margins continue to be well managed in this high inflationary market. Despite the absence of sales growth in Brazil, the cost base was managed down to achieve an improved operational performance for H1.

The Reguitti integration continued to progress in the first half of 2019, with synergy benefits from cross selling activities being realised but offset by increased penetration by low-cost competitors in the German and Italian markets.

New product development

The evolving trends for narrower window frames and a wider expanse of glass continues to drive strong sales growth of concealed hardware products. Sales of the CHIC concealed hinges and the Supra and Ultra rosette-free handles grew by 31% in H1 2019. SchlegelGiesse is continuing to invest in developing and expanding its range of innovative products, with further product launches planned later in 2019 and in 2020.

Outlook

SchlegelGiesse expect the markets to remain mixed in line with the conditions seen in the first half, albeit with some dampening of sentiment in Europe. Despite this, SchlegelGiesse continues to execute on its plans to grow market share, with contributions from new products and momentum in Reguitti expected in the second half.

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FINANCIAL REVIEW

Income statement

Revenue and profit

Reported revenue in the period increased by 10% to £301.9 million (H1 2018: £274.9 million), largely reflecting the impact of acquisitions made in 2018 of £22.2 million and the favourable impact of foreign exchange movements of £9.8 million. On a like-for-like basis, revenue declined 1% compared to the prior year, principally as a result of the customer losses associated with the US footprint consolidation project of circa £5.2 million and volume declines largely driven by market softness in the US and UK of £6.8 million. The impact of these was partially offset by pricing and surcharge actions of £10.1 million, which compensated for cost inflation experienced in 2018.

Adjusted administrative expenses increased to £68.3 million (H1 2018: £61.6 million), with £4.5 million of the increase due to acquisitions and £1.5 million due to the impact of foreign exchange.

Adjusted operating profit increased by 10% to £41.9 million (H1 2018: £38.2 million) and declined 4% on a like-for-like basis. The operational disruption and customer losses relating to the US footprint consolidation project negatively impacted adjusted operating profit by circa £4.7 million. Pricing actions of £10.1 million, £3.0 million of which related to recovery of tariffs, more than offset higher input costs and other inflationary increases of £7.0 million. More favourable foreign exchange rate movements increased reported operating profit by £1.7 million and the adoption of IFRS 16 'leases' (see note 17) increased adjusted operating profit by £0.8 million. The Group's adjusted operating margin was flat at 13.9% (H1 2018: 13.9%).

Adjusted profit before taxation increased by 4.2% to £34.7 million (H1 2018: £33.3 million) and declined 5.7% on a like-for-like basis. Reported profit before taxation decreased by 24.1% to £11.0 million (H1 2018: £14.5 million).

Materials and input costs

£m except where stated	FY 2018 Materials(1)	Average(2)	Spot(3)
Aluminium (Euro)	**20.8**	(1.0)%	(7.6)%
Polypropylene (Euro)	**32.1**	(1.3)%	(1.4)%
Stainless steel (US)	**47.8**	+7.0%	+16.3%
Zinc (US)	**34.8**	(15.1)%	(20.3)%
Far East components (UK)(4)	**37.7**	(5.0)%	(4.0)%

(1) FY 2018 materials cost of sales for raw materials, components and hardware for overall category

(2) Average H1 2019 tracker price compared with average H1 2018 tracker price

(3) Spot tracker price as at 30 June 2019 compared with spot tracker price at 30 June 2018

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

Raw material costs continued to moderate in H1 2019 with average prices across all commodity categories except stainless steel lower than H1 2018. Steel purchases in North America were higher than H1 2018 as a result of the direct and indirect impacts of US tariffs.

Exceptional items

£m	**H1 2019**	H1 2018
Footprint restructuring - costs	**(3.3)**	(2.5)
Footprint restructuring - credits	**0.6**	0.2
Footprint restructuring - net	**(2.7)**	(2.3)
M&A and integration	**(1.9)**	(1.4)
Write-off of inventory fair value adjustments	**-**	(2.4)
Impairment charges	**(5.3)**	-
Other	**-**	0.6
	(9.9)	(5.5)

Footprint restructuring

As announced in March 2015 and reported in previous periods, footprint restructuring principally relates to directly attributable costs incurred in the ongoing North American footprint project. Costs attributable to footprint restructuring in the period amounted to £3.3 million, with credits of £0.6 million related to gains on the disposal of assets. The North American footprint project is expected to conclude by 2020.

M&A and integration

M&A and integration costs of £1.9 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland, Zoo, and Reguitti.

Write-off of inventory fair value adjustments

The write-off of inventory fair value adjustments in 2018 of £2.4 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.

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. As a result of the magnitude and one off nature of these charges, it is considered appropriate to draw this out as exceptional so that the underlying performance of the business can be understood.

Outlook

Exceptional expenses are now expected to be between £11 million and £15 million in the full year as a result of the write down of assets associated with the new door seals product in North America. The level of cash exceptionals remains unchanged.

Finance costs

Net finance costs increased to £7.5 million (H1 2018: £5.4 million), with £1.5 million relating to interest on lease liabilities recognised as a result of adopting of IFRS 16.

Interest payable on bank loans, private placement notes and overdrafts increased to £5.6 million (H1 2018: £4.8 million) reflecting additional finance charges incurred on higher borrowings.

Non-cash movements charged to net finance costs in the period include amortisation of capitalised borrowing costs of £0.3 million (H1 2018: £0.7 million) and pension interest cost of £0.1 million (H1 2018: £0.1 million).

Taxation

The Group reported an income tax charge of £3.1 million (H1 2018: £4.5 million), comprising a current tax charge of £3.3 million (H1 2018: £5.6 million) and a deferred tax credit of £0.2 million (H1 2018: £1.1 million).

The adjusted tax charge was £9.1 million (H1 2018: £8.7 million) representing an effective adjusted tax rate of 26.2% (H1 2018: 26.1%). This is the Group’s current best estimate of the adjusted tax rate for the 2019 full year.

During the period, the Group paid corporation tax of £7.1 million (H1 2018: £5.1 million), with the increase reflecting that a refund of £1.2m was received in H1 2018, as well as timing of payments on account.

Earnings per share

Basic earnings per share decreased by 24.2% to 4.06 pence (H1 2018: 5.35 pence). Adjusted earnings per share was in line with H1 2018 at 13.14 pence (H1 2018: 13.11 pence). Excluding the impact of IFRS16, basic earnings per share decreased 17.2% and adjusted earnings per share increased by 3.1%.

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

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Cash generation, funding and liquidity

Cash and cash conversion

£m	H1 2019	H1 2018
Net cash generated from operations	**16.3**	17.0
Add: Pension contributions	**0.5**	0.4
Add: Income tax paid	**7.1**	5.1
Less: Purchases of property, plant and equipment	**(5.5)**	(6.9)
Less: Purchases of intangible assets	**(0.4)**	(0.5)
Add: Proceeds on disposal of PPE	**1.2**	2.5
Operational Cash Flow after exceptional cash costs	**19.2**	17.6
Exceptional cash costs	**6.9**	3.2
Operational Cash Flow	**26.1**	20.8
Less: Impact of IFRS 16	**(4.7)**	-
Adjusted Operational Cash Flow	**21.4**	20.8
Less: Pension contributions	**(0.5)**	(0.4)
Less: Income tax paid	**(7.1)**	(5.1)
Less: Net interest paid (excluding IFRS 16)	**(6.0)**	(3.6)
Less: Exceptional cash costs	**(6.9)**	(3.2)
Free Cash Flow	**0.9**	8.5

Operational cash flow in the period increased by 25.5% to £26.1 million, primarily as a result of applying IFRS 16 and the reduction in capital expenditure, offset by the impact of a higher working capital build. 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. Adjusted operational cash flow excluding the impact of IFRS 16 increased by 3.5% to £21.4 million (H1 2018: £20.8 million). This is after adding back £6.9 million (H1 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 significantly lower than H1 2018 at £0.9 million (H1 2018: £8.5 million) and was impacted by the exceptional cash outflows, increased interest payments, and higher levels of income tax payments on account.

Operating cash conversion in H1 2019 was 62.3% (H1 2018: 54.2%). Adjusted operating cash conversion, excluding the impact of IFRS 16, was lower at 52.1%, impacted by the higher working capital build.

Bank facilities and US private placement notes

Total facilities available to the Group, as at 30 June 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	€	£1.0m	-

Liquidity

At 30 June 2019 the Group had gross outstanding borrowings of £279.6 million (H1 2018: £265.8 million), cash balances of £49.6 million (H1 2018: £45.7 million) and committed but undrawn facilities of £56.1 million (H1 2018: £53.2 million) as well as potential access to the uncommitted £70.0 million accordion facility. Following the adoption of IFRS 16, the Group has also recorded £61.8 million of lease liabilities on the balance sheet at 30 June 2019 (see note 17).

Adjusted net debt at the period end was £230.0 million (H1 2018: £220.1million) reflecting the extra debt taken on by the Group to fund the acquisitions of Profab and Reguitti made in H2 2018. Under IFRS, which reduces gross debt by the unamortised portion of finance arrangement fees, net debt at 30 June 2019 was £228.0 million (H1 2018: £218.0 million).

Covenant performance

At 30 June 2019	Test	Performance (1)	Headroom (2)	Headroom (2)
Leverage	< 3.00x	**2.21x**	27.0m	26.4%
Interest Cover	> 4.00x	**8.88x**	56.0m	55.0%

(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 the half year, the Group retained significant headroom on its banking covenants. Leverage at the period end was 2.21x (H1 2018: 2.11x) reflecting the extra debt taken on by the Group to fund the H2 2018 acquisitions. Leverage is projected to reduce over the second half of the year to below 2.00x at the year end.

Interest cover at the period end was 8.88x (H1 2018: 10.54x), reflecting the increased interest expense on higher drawdowns and the increase in interest rates.

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Balance sheet – assets and liabilities

Working capital

£m	FY 2018	Mvt	Acqns [1]	FX	H1 2019
Inventories	105.3	10.2	-	0.4	**115.9**
Trade receivables	71.6	10.7	0.1	0.2	**82.6**
Trade payables	(52.6)	2.3	(0.1)	-	**(50.4)**
Trade working capital	124.3	23.2	-	0.6	**148.1**

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

Trade working capital at the half year, net of provisions, was £148.1 million (H1 2018: £133.8 million; FY 2018: £124.3 million). The trade working capital build to the half year at average exchange rates was £23.2 million (H1 2018: £19.3 million). The trade working capital unwind in H2 is expected to be £25 million to £30 million.

The inventory build to the half year at average exchange rates was £10.2 million (H1 2018: £9.6 million). The increased inventory build is driven by holding additional stocks to minimise disruption in North America as part of the footprint project and holding excess stock as a result of Brexit planning in the UK and Europe.

Trade receivables increased broadly in line with trading.

Of the year to date increase in trade working capital, £0.6 million related to exchange.

Capital expenditure

Gross capital expenditure decreased to £5.9 million (H1 2018: £7.4 million) or 0.83x depreciation (H1 2018: 1.13x), as a result of a reduction in capital investment projects following completion of the significant site moves as part of the footprint project. The expected capital expenditure level for the full year has been reduced to between £12 million and £15 million.

Balance sheet - equity

Shares in issue

At 30 June 2019, the total number of shares in issue was 196.8 million (H1 2018: 196.8 million) of which 0.5 million shares were held in treasury (H1 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 30 June 2019 to £378.7 million.

Employee Benefit Trust purchases

At 30 June 2019, the EBT held 1.4 million shares (H1 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.

Other financial matters

Return on capital employed

ROCE fell by 122 bps to 12.7% (H1 2018: 13.9%) as a result of the adoption of IFRS 16 as well as the reduction in like-for-like adjusted operating profit and higher working capital build. Excluding the impact of IFRS 16, ROCE was 13.1%.

Returns on Acquisition Investment

	Acquisition Date	Original Acquisition Investment	ROAI at H1 2019[1]
Howe Green	March 2017	£6.2m	**17.0%**
Ashland	March 2018	US$102.4m	**14.0%**
Zoo Hardware	May 2018	£18.7m	**19.8%**
Profab	July 2018	£4.1m	**18.4%**
Reguitti	August 2018	€16.2m	**9.9%**

(1) See Alternative Performance Measures on page 47

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 of 15%.

Ashland, Zoo Hardware, and Profab have continued to perform well since acquisition and are on track to exceed the minimum target return threshold. Ashland is expected to generate US$5m of annual synergy benefits from 2020.

Reguitti synergies have been slower than expected to come through. Integration of the sales force has now been completed and cross-selling benefits are beginning to be realised.

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 H1 2019, the Sterling was weaker against each of these currencies, other than the Euro and Australian Dollar when compared with the prevailing average exchange rates in H1 2018.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Other	Total
% mvt in average rate	(6)%	0.8%	2.7%	(1.8)%		
£m Revenue impact	10.9	(0.3)	(0.1)	0.1	(1.4)	**9.2**
£m Profit impact (1)	3.5	-	-	-	(0.2)	**3.3**
1c decrease impact (2)	£210k	£38k	£1k	£2k		

(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 £9.2 million and £3.3 million respectively compared with H1 2018.

Transactional exposure

Foreign exchange hedges against the US Dollar and Renminbi resulted in a small benefit to the operating profit of ERA in H1 2019 compared to H1 2018.

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

New accounting standards

IFRS 16 – Leases

The Group has applied IFRS 16 for the first time in the period ended 30 June 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 £62.0 million and a financial liability to pay rentals of £61.8 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 £3.5 million has been recognised on the right to use asset, and a finance charge of £1.5 million recognised on the lease liability.

This has increased adjusted operating profit by £0.8 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 £0.7 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 £4.7 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 17.

Principal risks and uncertainties

The Group's principal risks and uncertainties are identified on pages 41 to 44 of the Group's Report and Accounts for the year ended 31 December 2018, which is available at the Group's website.

The Directors have reviewed the principal risks and uncertainties facing Tyman, including those that would threaten its business model, future performance, solvency or liquidity. The following amendments have been made to the principal risks and uncertainties for the period ended 30 June 2019:

Footprint rationalisation and loss of major customers

The risks associated with the footprint rationalisation and loss of major customers were assessed as medium as at 31 December 2018. In light of the operational disruption and customer losses in North America in the period, the Directors have reassessed these principal risks and have amended the risk rating to high. Mitigation of this risk is the highest priority for the Board and the Group is working to resolve the operational issues, improve service levels, and reinstate supply of the legacy door seals product.

Risks and uncertainties facing the Group

In the opinion of the Directors, the principal risks and uncertainties as at the date of this report, consist of the principal risks and uncertainties set out in the 2018 Report and Accounts, with risk associated with footprint rationalisation and loss of major customers now being considered a high level of risk.

25 July 2019

TYMAN PLC

Tyman plc

Condensed consolidated income statement

	Note	**Six months ended 30 June 2019 (unaudited) £m**	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Revenue	3	**301.9**	274.9	591.5
Cost of sales		**(191.7)**	(175.1)	(383.3)
Gross profit		**110.2**	99.8	208.2
Administrative expenses		**(91.7)**	(79.9)	(157.7)
Operating profit		**18.5**	19.9	50.5
Analysed as:				
Adjusted[1] operating profit	3	**41.9**	38.2	83.6
Exceptional items	4	**(9.9)**	(5.5)	(7.3)
Amortisation of acquired intangible assets	9	**(13.5)**	(12.8)	(25.8)
Operating profit		**18.5**	19.9	50.5
Finance income	5	**-**	0.2	0.4
Finance costs	5	**(7.5)**	(5.6)	(12.0)
Net finance costs	5	**(7.5)**	(5.4)	(11.6)
Profit before taxation		**11.0**	14.5	38.9
Income tax charge	6	**(3.1)**	(4.5)	(12.6)
Profit for the period		**7.9**	10.0	26.3
Basic earnings per share	7	**4.06p**	5.35p	13.76p
Diluted earnings per share	7	**4.04p**	5.31p	13.66p
Non-GAAP alternative performance measures[1]				
Adjusted[1] operating profit		**41.9**	38.2	83.6
Adjusted[1] profit before taxation		**34.7**	33.3	72.7
Basic Adjusted earnings per share	7	**13.14p**	13.11p	27.68p
Diluted Adjusted earnings per share	7	**13.10p**	13.01p	27.47p

(1) *Before amortisation of acquired intangible assets, deferred taxation on amortisation 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 the associated tax effect. See definitions on page 44 for non-GAAP alternative performance measures.*

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Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2019 (unaudited) £m	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Profit for the period	**7.9**	10.0	26.3
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**(0.4)**	-	0.9
Total items that will not be reclassified to profit or loss	**(0.4)**	-	0.9
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**1.0**	4.9	15.3
Effective portion of changes in value of cash flow hedges	**0.2**	(0.1)	-
Total items that may be reclassified to profit or loss	**1.2**	4.8	15.3
Other comprehensive income for the period, net of tax	**0.8**	4.8	16.2
Total comprehensive income for the period	**8.7**	14.8	42.5

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

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Condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Other reserve[1] £m	Treasury reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 January 2018 (audited)	8.9	81.4	8.9	(2.8)	(0.3)	56.2	212.2	364.5
Change in accounting policy[2]	-	-	-	-	-	-	(0.7)	(0.7)
At 1 January 2018 (audited)	8.9	81.4	8.9	(2.8)	(0.3)	56.2	211.5	363.8
Total comprehensive income/(expense)	-	-	-	-	(0.1)	4.9	10.0	14.8
Profit for the period	-	-	-	-	-	-	10.0	10.0
Other comprehensive income/(expense)	-	-	-	-	(0.1)	4.9	-	4.8
Transactions with owners	0.9	50.8	-	(2.1)	-	-	(15.5)	34.1
Share-based payments[3]	-	-	-	-	-	-	0.7	0.7
Dividends paid	-	-	-	-	-	-	(15.1)	(15.1)
Issue of shares	0.9	50.8	-	-	-	-	-	51.7
Issue of own shares from EBT	-	-	-	1.1	-	-	(1.1)	-
Purchase of own shares for EBT	-	-	-	(3.2)	-	-	-	(3.2)
At 30 June 2018 (unaudited)	9.8	132.2	8.9	(4.9)	(0.4)	61.1	206.0	412.7
Total comprehensive income	-	-	-	-	0.1	10.3	17.2	27.6
Profit for the period	-	-	-	-	-	-	16.3	16.3
Other comprehensive income	-	-	-	-	0.1	10.3	0.9	11.3
Transactions with owners	-	-	(8.9)	-	-	-	2.3	(6.6)
Share-based payments[3]	-	-	-	-	-	-	0.6	0.6
Dividends paid	-	-	-	-	-	-	(7.3)	(7.3)
Transfer of merger reserve[1]	-	-	(8.9)	-	-	-	8.9	-
Issue of own shares from EBT	-	-	-	-	-	-	0.1	0.1
At 31 December 2018 (audited)	9.8	132.2	-	(4.9)	(0.3)	71.4	225.5	433.7
Change in accounting policy[4]	-	-	-	-	-	-	2.4	2.4
At 1 January 2019 (unaudited)	9.8	132.2	-	(4.9)	(0.3)	71.4	227.9	436.1
Total comprehensive income	-	-	-	-	0.2	1.0	7.5	8.7
Profit for the period	-	-	-	-	-	-	7.9	7.9
Other comprehensive income/(expense)	-	-	-	-	0.2	1.0	(0.4)	0.8
Transactions with owners	-	(132.2)	-	0.6	-	-	114.1	(17.5)
Share-based payments[3]	-	-	-	-	-	-	0.6	0.6
Dividends paid	-	-	-	-	-	-	(16.1)	(16.1)
Capital reduction	-	(132.2)	-	-	-	-	132.2	-
Issue of own shares from EBT	-	-	-	2.6	-	-	(2.6)	-
Purchase of own shares for EBT	-	-	-	(2.0)	-	-	-	(2.0)
At 30 June 2019 (unaudited)	**9.8**	**-**	**-**	**(4.3)**	**(0.1)**	**72.4**	**349.5**	**427.3**

(1) The other reserve related to a merger reserve which arose on the acquisition of a business which was subsequently disposed. The reserve was transferred to retained earnings on the basis that it is 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 debit of £Nil (six months ended 30 June 2018: £Nil; year ended 31 December 2018: £0.1 million)

(4) The change in accounting policy at 1 January 2019 relates to adoption of new accounting standard IFRS 16. See note 17.

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Condensed consolidated balance sheet

	Note	**30 June 2019 (unaudited) £m**	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
TOTAL ASSETS				
Non-current assets				
Goodwill	8	**385.9**	364.0	382.1
Intangible assets	9	**123.4**	134.1	134.8
Property, plant and equipment	10	**70.3**	74.6	77.0
Right of use assets	17	**62.0**	-	-
Financial assets at fair value through profit or loss	13	**1.2**	1.1	1.2
Deferred tax assets	6	**17.1**	14.0	17.4
		659.9	587.8	612.5
Current assets				
Inventories		**116.1**	103.5	105.3
Trade and other receivables		**100.8**	91.9	87.3
Cash and cash equivalents		**49.6**	45.7	51.9
Derivative financial instruments	13	**0.4**	0.3	0.3
		266.9	241.4	244.8
TOTAL ASSETS		**926.8**	829.2	857.3
LIABILITIES				
Current liabilities				
Trade and other payables		**(91.2)**	(84.0)	(87.0)
Derivative financial instruments	13	**-**	(0.1)	-
Borrowings	11	**-**	(2.3)	(1.5)
Lease liabilities	17	**(5.9)**	-	-
Current tax liabilities		**(4.0)**	(4.0)	(7.4)
Provisions		**(2.4)**	(5.6)	(7.0)
		(103.5)	(96.0)	(102.9)
Non-current liabilities				
Borrowings	11	**(277.6)**	(261.5)	(259.2)
Lease liabilities	17	**(55.9)**	-	-
Derivative financial instruments	13	**(0.1)**	(0.4)	(0.3)
Deferred tax liabilities		**(38.6)**	(34.3)	(38.2)
Retirement benefit obligations		**(11.1)**	(10.9)	(10.8)
Provisions		**(8.1)**	(10.6)	(8.2)
Other payables		**(4.6)**	(2.8)	(4.0)
		(396.0)	(320.5)	(320.7)
TOTAL LIABILITIES		**(499.5)**	(416.5)	(423.6)
NET ASSETS		**427.3**	412.7	433.7
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital	12	**9.8**	9.8	9.8
Share premium	12	**-**	132.2	132.2
Other reserves		**-**	8.9	-
Treasury reserve		**(4.3)**	(4.9)	(4.9)
Hedging reserve		**(0.1)**	(0.4)	(0.3)
Translation reserve		**72.4**	61.1	71.4
Retained earnings		**349.5**	206.0	225.5
TOTAL EQUITY		**427.3**	412.7	433.7

Tyman plc

Condensed consolidated cash flow statement

	Note	**Six months ended 30 June 2019 (unaudited) £m**	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Cash flow from operating activities				
Profit before taxation	3	**11.0**	14.5	38.9
Adjustments	15	**36.4**	27.5	53.6
Changes in working capital[1]:				
Inventories		**(10.2)**	(9.5)	(4.5)
Trade and other receivables		**(13.3)**	(14.3)	(2.8)
Trade and other payables		**4.7**	5.9	3.3
Provisions utilised		**(4.7)**	(1.6)	(2.5)
Pension contributions		**(0.5)**	(0.4)	(1.1)
Income tax paid		**(7.1)**	(5.1)	(12.3)
Net cash generated from operations		**16.3**	17.0	72.6
Cash flow from investing activities				
Purchases of property, plant and equipment	10	**(5.5)**	(6.9)	(15.7)
Purchases of intangible assets	9	**(0.4)**	(0.5)	(1.6)
Proceeds on disposal of PPE		**1.2**	2.5	5.3
Acquisitions of subsidiary undertakings[2]	14	**(0.8)**	(87.1)	(106.4)
Interest received		**-**	-	0.1
Net cash used in investing activities		**(5.5)**	(92.0)	(118.3)
Cash flow from financing activities				
Interest paid		**(7.4)**	(3.6)	(9.1)
Dividends paid		**(16.1)**	(15.0)	(22.4)
Net proceeds on issue of shares	12	**-**	50.3	50.4
Purchase of own shares for EBT		**(2.0)**	(3.2)	(3.2)
Refinancing costs paid		**(0.3)**	(2.0)	(2.0)
Drawdown of revolving credit facility		**25.4**	243.0	272.7
Repayments of revolving credit facility		**(8.7)**	(190.4)	(229.6)
Principal element of lease payments		**(3.2)**	-	-
Net cash generated (used in)/from financing activities		**(12.3)**	79.1	56.8
Net (decrease)/increase in cash and cash equivalents		**(1.5)**	4.1	11.1
Exchange losses on cash		**(0.8)**	(1.0)	(1.8)
Cash and cash equivalents at start of period		**51.9**	42.6	42.6
Cash and cash equivalents at the end of period		**49.6**	45.7	51.9

(1) Excluding the effects of acquisition and exchange differences on consolidation.
(2) Net of cash acquired.

Tyman plc

Notes to the condensed consolidated financial statements

1. General information

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

Tyman 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.

These Interim Financial Statements were approved for issue on 25 July 2019 and have been reviewed, not audited, by PwC, the Group's auditors.

These Interim Financial Statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 5 March 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information for the year ended 31 December 2018 is extracted from the Group's consolidated financial statements for that year.

2. Accounting policies and basis of preparation

2.1 Basis of preparation

The Interim Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2 Changes in accounting policies and disclosures

2.2.1 New accounting standards effective in period

Certain new or amended standards became applicable for the current reporting period 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 17.

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

2. Accounting policies and basis of preparation (continued)

2.2.2 New, revised and amended accounting standards not yet effective

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.

2.3 Going concern

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

2.4 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the changes made on adoption of IFRS 16. The changes to accounting policies are described in note 17. Taxes on income in the interim periods are accrued using tax rates that would be applicable to expected total annual profit or loss.

2.5 Accounting judgements and estimates

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018, with the exception of judgements made in applying IFRS 16. See note 17 for further details.

3. Segment reporting

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 Ventrolla, Tyman Sourcing Asia, Howe Green, Bilco UK, and Profab. During the period, ERA acquired Y-cam and this business is now included in the ERA reporting segment. SchlegelGiesse comprises all the Group's other businesses outside of the US, Canada and Mexico as well as 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 the ERA Division in note 3.1.

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.

3.1 Revenue

	Six months ended 30 June 2019 (unaudited) £m	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
AmesburyTruth	**187.4**	176.6	378.6
ERA	**53.0**	42.8	95.7
SchlegelGiesse	**61.5**	55.5	117.2
Total revenue	**301.9**	274.9	591.5

Included within the SchlegelGiesse segment is revenue attributable to the UK of £10.2 million (six months ended 30 June 2018: £9.5 million; year ended 31 December 2018: £18.2 million).

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3. Segment reporting (continued)

3.2 Profit before taxation

	Note	**Six months ended 30 June 2019 (unaudited) £m**	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
AmesburyTruth		**31.2**	**30.0**	62.3
ERA		**6.9**	**4.8**	12.5
SchlegelGiesse		**7.6**	**6.8**	15.0
Operating segment result		**45.7**	**41.6**	89.8
Centrally incurred costs		**(3.8)**	**(3.4)**	(6.2)
Adjusted operating profit		**41.9**	**38.2**	83.6
Exceptional items	4	**(9.9)**	**(5.5)**	(7.3)
Amortisation of acquired intangible assets	9	**(13.5)**	**(12.8)**	(25.8)
Operating profit		**18.5**	**19.9**	50.5
Net finance costs	5	**(7.5)**	**(5.4)**	(11.6)
Profit before taxation		**11.0**	**14.5**	38.9

4. Exceptional items

	Six months ended 30 June 2019 (unaudited) £'m	Six months ended 30 June 2018 (unaudited) £'m	Year ended 31 December 2018 (audited) £'m
Footprint restructuring - costs	**(3.3)**	(2.5)	(4.8)
Footprint restructuring - credits	**0.6**	0.2	0.9
Footprint restructuring - net	**(2.7)**	(2.3)	(3.9)
M&A and integration - costs	**(1.9)**	(1.4)	(1.7)
M&A and integration - credits	**-**	-	-
M&A and integration - net	**(1.9)**	(1.4)	(1.7)
Write-off of inventory fair value adjustments	**-**	(2.4)	(2.5)
Loss on disposal of business	**-**	-	(0.1)
Impairment charges	**(5.3)**	-	-
Other	**-**	0.6	0.9
	(9.9)	(5.5)	(7.3)

Footprint restructuring

As announced in March 2015 and reported in previous periods, footprint restructuring principally relates to directly attributable costs incurred in the ongoing North American footprint project. Costs attributable to footprint restructuring in the period amounted to £3.3 million, with credits of £0.6 million related to gains on the disposal of assets. The North American footprint project is expected to conclude by 2020.

4. Exceptional items (continued)

M&A and integration

M&A and integration costs of £1.9 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland, Zoo, and Reguitti.

Write-off of inventory fair value adjustments

The write-off of inventory fair value adjustments in 2018 of £2.4 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 underlying trading result of acquisitions in the period and was therefore classified as exceptional.

Impairment charges

Impairment charges relate to the write down of assets and inventory associated with the slower than expected uptake of the new door seal product in North America. 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. As a result of the magnitude and one off nature of this write down, it is considered appropriate to draw this out as exceptional so that the underlying performance of the business can be understood.

Other

In the year ended 31 December 2018, other includes the release of excess legal provisions in connection with IP litigation and receipt of settlement monies from a longstanding raw material class action.

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

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5. Finance income and costs

	Six months ended 30 June 2019 (unaudited) £m	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Finance income			
Interest income from short term bank deposits	**-**	-	0.1
Gain on revaluation of fair value hedge	**-**	0.2	0.3
	-	0.2	0.4
Finance costs			
Interest payable on bank loans, private placement notes and overdrafts	**(5.6)**	(4.8)	(10.7)
Interest on lease liabilities	**(1.5)**	-	-
Amortisation of borrowing costs	**(0.3)**	(0.7)	(1.0)
Pension interest cost	**(0.1)**	(0.1)	(0.3)
	(7.5)	(5.6)	(12.0)
Net finance costs	**(7.5)**	(5.4)	(11.6)

6. Taxation

	Six months ended 30 June 2019 (unaudited) £m	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Current taxation			
Current tax on profit for the period	**(3.5)**	(5.0)	(15.6)
Prior year adjustments	**0.2**	(0.6)	0.2
Total current taxation	**(3.3)**	(5.6)	(15.4)
Deferred taxation			
Origination and reversal of temporary differences	**0.2**	1.1	4.0
US Federal tax rate change adjustment	**-**	-	1.0
Prior year adjustments	**-**	-	(2.2)
Total deferred taxation	**0.2**	1.1	2.8
Income tax charge in the income statement	**(3.1)**	(4.5)	(12.6)
Total credit/(charge) relating to components of other comprehensive income			
Current tax on translation	**-**	-	(0.4)
Deferred tax on actuarial gains and losses	**-**	-	(0.3)
Deferred tax on share-based payments	**-**	-	(0.1)
Deferred tax on translation	**-**	-	(0.3)
Income tax credit in the statement of other comprehensive income	**-**	-	(1.1)
Total current taxation	**(3.3)**	(5.6)	(15.8)
Total deferred taxation	**0.2**	1.1	2.1
Total taxation	**(3.1)**	(4.5)	(13.7)

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 30 June 2019.

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7. Earnings per share

7.1 Basic and diluted earnings per share

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Year ended 31 December 2018 (audited)
Basic earnings per share	**4.06p**	5.35p	13.76p
Diluted earnings per share	**4.04p**	5.31p	13.66p

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

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 period plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

7.2 Weighted average number of shares

	Six months ended 30 June 2019 (unaudited) m	Six months ended 30 June 2018 (unaudited) m	Year ended 31 December 2018 (audited) m
Weighted average number of shares (1)	**196.8**	189.5	193.2
Treasury and Employee Benefit Trust shares	**(1.9)**	(1.6)	(1.8)
Weighted average number of shares - basic	**194.9**	187.9	191.4
Effect of dilutive potential ordinary shares (2)	**0.6**	1.4	1.5
Weighted average number of shares - diluted	**195.5**	189.3	192.9

(1) Including treasury shares
(2) LTIP awards and options

7.3 Non-GAAP alternative performance measure: Adjusted earnings per share

The Group presents an adjusted earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets and certain non-recurring items. Adjusted earnings per share has been calculated using the Adjusted profit before taxation and using the same weighted average number of shares in issue as the earnings per share calculation. See Alternative Performance Measures on page 44.

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Year ended 31 December 2018 (audited)
Basic adjusted earnings per share	**13.14p**	13.11p	27.68p
Diluted adjusted earnings per share	**13.10p**	13.01p	27.47p

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8. Goodwill

		30 June 2019 (unaudited) £m	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Net book amount at the beginning of the period		**382.1**	323.8	323.8
Acquisitions of subsidiaries	14	**2.3**	33.7	40.8
Exchange difference		**1.5**	6.5	17.5
Net book amount at the end of the period		**385.9**	364.0	382.1

Taking into account current trading conditions and future projections, the Board believes that the carrying amount of goodwill and intangible assets in each of the Group's CGUs remains appropriate at the half year.

9. Intangible assets

	Note	**30 June 2019 (unaudited) £m**	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Net book amount at the beginning of the period		**134.8**	103.4	103.4
Additions		**0.4**	0.5	1.7
Acquisitions of subsidiaries	14	**2.5**	41.0	50.4
Amortisation charge for the period		**(14.2)**	(13.4)	(27.3)
Software impairment charge		**-**	(0.1)	(0.1)
Transfers to property, plant and equipment		**-**	-	(0.1)
Exchange difference		**(0.1)**	2.7	6.8
Net book amount at the end of the period		**123.4**	134.1	134.8

The amortisation charge for the period includes £13.5 million relating to amortisation of acquired intangible assets (six months ended 30 June 2018: £12.8 million; year ended 31 December 2018: £25.8 million) and £0.7 million relating to amortisation of other intangible assets (six months ended 30 June 2018: £0.6 million; year ended 31 December 2018: £1.4 million). The amortisation charge for the period is included in administrative expenses in the income statement.

10. Property, plant and equipment

	Note	**30 June 2019 (unaudited) £m**	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Net book amount at the beginning of the period		**77.0**	68.4	68.4
Change in accounting policy	17	**(0.8)**	-	-
Restated amount at the beginning of the period		**76.2**	68.4	68.4
Additions		**5.5**	6.9	15.7
Acquisitions of subsidiaries	14	**(0.1)**	5.4	6.3
Disposals		**(1.1)**	(1.3)	(4.0)
Depreciation charge for the period		**(6.4)**	(5.9)	(12.5)
Impairment charge for the period	15	**(3.9)**	-	-
Transfers from intangible assets		**-**	-	0.1
Exchange difference		**0.1**	1.1	3.0
Net book amount at the end of the period		**70.3**	74.6	77.0

The depreciation charge for the period is included in administrative expenses in the income statement. The impairment charge is included in exceptional items (note 4).

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11. Interest-bearing loans and borrowings

	30 June 2019 (unaudited) £m	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Current	**-**	(2.3)	(1.5)
Non-current	**(277.6)**	(261.5)	(259.2)
	(277.6)	(263.8)	(260.7)

Movements in interest-bearing loans and borrowings are analysed as follows:

	Note	**30 June 2019 (unaudited) £m**	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Balance at the beginning of the period		**(260.7)**	(205.4)	(205.4)
Change in accounting policy	17	**0.2**	-	-
Restated balance at the beginning of the period		**(260.5)**	(205.4)	(205.4)
Acquisitions of subsidiaries	14	**-**	(1.8)	(2.6)
Refinancing costs paid		**0.3**	2.0	2.0
Drawdown of revolving credit facility		**(25.4)**	(243.0)	(272.7)
Repayment of revolving credit facility		**8.7**	190.4	229.6
Amortisation of borrowing costs		**(0.3)**	(0.7)	(1.0)
Exchange difference		**(0.4)**	(5.3)	(10.6)
Balance at the end of the period		**(277.6)**	(263.8)	(260.7)

There were no defaults in interest payments in the period under the terms of existing loan agreements. The Group has the following undrawn committed multi-currency revolving credit facility:

	30 June 2019 (unaudited) £m	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Floating rate			
Expiry beyond 12 months	**(56.1)**	(53.2)	(58.5)

The Group also has access to the uncommitted £70.0 million accordion facility and at 30 June 2019 held aggregate cash balances of £49.6 million (30 June 2018: £45.7 million; 31 December 2018: £51.9 million).

12. Share capital

	Number of shares '000	**Ordinary shares £m**	**Share premium £m**
At 1 January 2018	178.6	8.9	81.4
Shares issued	18.2	0.9	50.8
At 30 June 2018 and 31 December 2018	196.8	9.8	132.2
Capital reduction	-	-	(132.2)
At 30 June 2019	**196.8**	**9.8**	**-**

13. Financial risk management and financial instruments

13.1 Financial risk factors and fair value estimation

The Group is exposed to risks arising from the international nature of its operations and the financial instruments which fund them, in particular to foreign currency, interest rate and liquidity risks. Full details of the Group's policies for managing these risks are disclosed in the Group's annual financial statements for the year ended 31 December 2018.

Since the date of that report there have been no significant changes in:

- the nature of the financial risks to which the Group is exposed;
- the nature of the financial instruments which the Group uses;
- the Group's contractual cash outflows and the committed facilities available to fund them; or
- difference between book value and fair value of any financial instruments.

During the period the Group held no level 1 financial instruments, there were no transfers between levels and no changes were made to valuation techniques.

Derivatives shown at fair value in the Group's balance sheet comprise level 2 interest rate swaps fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

The Group's other financial instruments are measured on bases other than fair value.

13.2 Level 2 and level 3 fair values

The Group has the following financial assets and liabilities categorised at levels 2 and 3:

	30 June 2019 (unaudited) £m	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Level 2			
Derivative financial assets	**0.4**	0.3	0.3
Derivative financial liabilities	**(0.1)**	(0.4)	(0.3)
Level 3			
Financial assets at fair value through profit or loss	**1.2**	1.1	1.2

13.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	30 June 2019 (unaudited) £m	30 June 2018 (unaudited) £m	31 December 2018 (audited) £m
Non-current	**-**	(2.3)	(1.4)
Current	**(276.8)**	(263.1)	(258.0)
	(276.8)	(265.4)	(259.4)

The fair values of trade and other receivables, cash and cash equivalents, and trade and other payables approximate their carrying amounts.

14. Business combinations

	Note	Y-cam £m	Changes to 2018 acquisition fair values £m	Total £m
Intangible assets	9	2.5	-	2.5
Property, plant and equipment	10	-	(0.1)	(0.1)
Inventories		0.1	0.1	0.2
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		(0.1)	(0.3)	(0.4)
Deferred tax liabilities		(0.4)	-	(0.4)
Total identifiable net assets		2.0	(0.3)	1.7
Goodwill arising on acquisition	8	2.0	0.3	2.3
Total consideration		**4.0**	**-**	**4.0**
Satisfied by:				
Cash		1.0	-	1.0
Deferred consideration		3.0	-	3.0
Total consideration		**4.0**	**-**	**4.0**
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**

14.1 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.

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.

14.2 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 period without restating prior periods.

15. 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	**Six months ended 30 June 2019 (unaudited) £m**	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Net finance costs	5	**7.5**	5.4	11.6
Depreciation of PPE	10	**6.4**	5.9	12.5
Depreciation of right of use assets	17	**3.5**	-	-
Amortisation of intangible assets	9	**14.2**	13.4	27.3
Impairment of computer software	9	-	0.1	0.1
Impairment of PPE	10	**3.9**	-	-
Profit on disposal of PPE		**(0.1)**	0.1	-
Write-off of inventory fair value adjustments	4	**-**	2.4	2.5
Pension costs		**0.2**	0.3	0.6
Non-cash provision movements		**0.1**	(0.8)	(2.0)
Share-based payments		**0.7**	0.7	1.0
		36.4	27.5	53.6

16. Capital commitments

At 30 June 2019 the Group has capital commitments of £1.0 million for the purchase of property, plant and equipment (30 June 2018: £2.5 million; 31 December 2018: £0.2 million).

17. 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 period, 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.

17.1 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)
Borrowings	Decrease	0.2
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.

17. Changes in accounting policies (continued)

17.1 Impact on the balance sheet (continued)

a) Lease liabilities

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

The lease liabilities at 30 June 2019 and 1 January 2019 were as follows:

	30 June 2019 (unaudited) £m	**1 January 2019 (unaudited) £m**
Current liabilities	**(5.9)**	(5.5)
Non-current liabilities	**(55.9)**	(58.2)
	(61.8)	(63.7)

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

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

b) Right of use assets

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

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

	30 June 2019 (unaudited) £m	**1 January 2019 (unaudited) £m**
Properties	**59.8**	62.8
Plant and equipment	**1.2**	1.1
Vehicles	**0.9**	1.0
Other	**0.1**	0.1
Total	**62.0**	65.0

17. Changes in accounting policies (continued)

17.2 Impact on the income statement and earnings per share

For the six-months ended 30 June 2019, Adjusted Operating Profit was £0.8 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 £0.7 million lower due to interest expenses being higher at the beginning of the lease term. This also reduced Earnings Per Share by 0.37p.

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

	£m
AmesburyTruth	0.6
ERA	0.1
SchlegelGiesse	0.1
Total	**0.8**

17.3 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 £4.7 million.

17.4 Judgements and estimates

Critical judgements in determining the lease term

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential gross future cash outflows of £64.5 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current period, there were no leases where this assessment was changed.

The revised leases accounting policy will be disclosed in the 2019 annual report.

17. Changes in accounting policies (continued)

17.4 Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

18. Related party transactions

There were no material related party transactions requiring disclosure, other than compensation of key management personnel which will be disclosed in the Group's Annual Report and Accounts for the year ending 31 December 2019.

Statement of Directors' responsibilities

Each of the Directors of Tyman plc confirms, to the best of his or her knowledge, that:

- the Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the IASB and endorsed and adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit and loss of Tyman plc;
- the interim report includes a fair review of the information required by:
    - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Tyman plc are listed in the Group's Annual Report and Accounts for the year ending 31 December 2018, with the exception of the following changes in the Board:

- Jo Hallas joined the Board as Chief Executive Officer and Jason Ashton joined the Board as Chief Financial Officer; and
- Louis Eperjesi and James Brotherton stepped down from the Board.

A list of the current Directors is maintained at the Tyman website: www.tymanplc.com.

By order of the Board

Jo Hallas	**Jason Ashton**
Chief Executive Officer	Chief Financial Officer

25 July 2019

Independent review report to Tyman plc

Report on the Interim Financial Statements

Our conclusion

We have reviewed Tyman plc's Interim Financial Statements (the "interim financial statements") in the Interim Report of Tyman plc for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2019;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated cash flow statement for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2019

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 table 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 on the Group's website. 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 21.

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

	Six months ended 30 June 2019 (unaudited) £'m	Six months ended 30 June 2018 (unaudited) £'m
Reported revenue	**301.9**	274.9
Equivalent period for prior year acquisitions	**(22.2)**	-
Disposals	**-**	(3.0)
Effect of exchange rates	**-**	9.8
Like-for-like revenue	**279.7**	281.7
Adjusted operating profit	**41.9**	38.2
Operating profit for equivalent period from entities acquired in prior year	**(3.3)**	-
Impact of IFRS 16	**(0.8)**	-
Disposals	**-**	(0.7)
Effect of exchange rates	**-**	1.7
Like-for-like adjusted operating profit	**37.8**	**39.2**

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

	Six months ended 30 June 2019 (unaudited) £m	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2018 (audited) £m
Profit before taxation	**11.0**	14.5	38.9
Exceptional items	**9.9**	5.5	7.3
(Loss) on revaluation of fair value hedge	**-**	(0.2)	(0.3)
Amortisation of borrowing costs	**0.3**	0.7	1.0
Amortisation of acquired intangible assets	**13.5**	12.8	25.8
Adjusted profit before taxation	**34.7**	33.3	72.7
Income tax charge	**(3.1)**	(4.5)	(12.6)
Add back: Adjusted tax effect[1]	**(6.0)**	(4.2)	(7.1)
Adjusted profit after taxation	**25.6**	24.6	53.0

[1] Tax effect of exceptional items, amortisation of borrowing costs, amortisation of acquired intangible assets, and gain or loss on revaluation of fair value hedge.

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

Adjusted profit after tax is reconciled above and the number of shares can be found in note 7.

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.

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

	Six months ended 30 June 2019 (unaudited) £'m	Six months ended 30 June 2018 (unaudited) £'m
Adjusted Net Debt (at average exchange rate)	**225.6**	216.2
Adjusted EBITDA	**102.3**	102.7
Leverage	**2.21x**	2.11x

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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

	12cmonths ended 30 June 2019 (unaudited) £'m	12 months ended 30 June 2018 (unaudited) £'m
LTM adjusted Operating Profit	**87.3**	79.5
LTM average capital employed	**688.3**	573.2
ROCE	**12.7%**	13.9%

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	14.9	3.9	0.7	1.6
Gross cost of investment	6.4	104.4	19.1	4.2	16.4
Change in controllable capital employed	0.6	1.9	0.5	(0.4)	(0.2)
	7.0	106.3	19.6	3.8	16.2
ROAI	**17.0%**	**14.0%**	**19.8%**	**18.4%**	**9.9%**

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 15.

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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
Interim Financial Statements	The condensed consolidated interim financial statements of Tyman plc for the six months ended 30 June 2019
Interim Report	The interim report of Tyman plc for the six months ended 30 June 2019
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

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EXCHANGE RATES

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

Closing Rates:	**H1 2019**	H1 2018	FY 2018
US Dollars	**1.2697**	1.3207	1.2736
Euros	**1.1167**	1.1305	1.1128
Australian Dollars	**1.8082**	1.7831	1.8055
Canadian Dollars	**1.6622**	1.7348	1.7360
Brazilian Real	**4.8865**	5.1215	4.9410

Average Rates:	**H1 2019**	H1 2018	FY 2018
US Dollars	**1.2938**	1.3760	1.3350
Euros	**1.1453**	1.1366	1.1302
Australian Dollars	**1.8319**	1.7841	1.7862
Canadian Dollars	**1.7255**	1.7577	1.7293
Brazilian Real	**4.9757**	4.7067	4.8643

ROUNDINGS

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