TYMAN

TYMAN PLC

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Tyman plc (TYMN.L) announces results for the six months ended 30 June 2020.

Summary Group results

£m unless stated	H1 2020	H1 2019	Change	*LFL(1) (adj*)*
Revenue	**254.1**	301.9	**-16%**	*-17%*
Adjusted operating profit*	**31.3**	41.9	**-25%**	*-26%*
*Adjusted operating margin**	***12.3%***	*13.9%*	**-160bps**	
Operating profit	**21.0**	18.5	**+14%**	
Adjusted profit before taxation*	**24.7**	34.7	**-29%**	
Profit before taxation	**14.7**	11.0	**+34%**	
Adjusted EPS*	**9.9p**	13.1p	**-25%**	
Basic EPS	**6.4p**	4.1p	**+57%**	
Dividend per share	**-**	3.9p	**-100%**	
Leverage*(2)	**1.8x**	2.2x	**-0.4x**	
*Return on capital employed**	***10.8%***	*12.7%*	**-190bps**	

* *Alternative performance measures. These "Adjusted" metrics are before amortisation of acquired intangible assets, impairment of acquired intangible assets, impairment of goodwill, and exceptional items. These measures provide additional information to shareholders on the underlying performance of the business and are used consistently through the statement. Further details can be found on page 48*

(1) *LFL = constant currency like-for-Like (see APMs on page 48)*

(2) *Leverage is calculated in accordance with the debt covenant methodology*

Highlights:

- COVID-19 impact contained to 17% LFL revenue decline
    - Solid performance at start of 2020
    - Better than expected recovery since operations resumed; June recovered to 92% of prior year, with further momentum continuing into July
- LFL adjusted operating profit down 26% due to revenue shortfall largely mitigated by cost reduction resulting in only modest margin deterioration
- Decisive action taken to preserve cash leading to strong cash conversion of 106%
- Robust balance sheet with leverage of 1.8x and liquidity headroom of £159m; covenant relaxation agreed at Dec 2020 and Jun 2021
- Good progress on self-help measures:
    - Encouraging level of North American customer wins
    - Operational improvements at Statesville site
    - Successful execution of planned footprint realignments
- Reduction in safety incidents of 72% indicative of operational excellence progress

Jo Hallas, Chief Executive Officer, commented*:*

"COVID-19 had a significant impact on the Group in the period. I would like to thank our people who have done an exceptional job of managing through the intensity of the COVID-19 crisis, with diligent focus on safeguarding our colleagues and communities and servicing our customers. We have taken action to maintain a robust balance sheet and we believe that the crisis has demonstrated the resilience of the Tyman business model. I am encouraged by the better than expected recovery since the easing of restrictions, although much uncertainty remains.

"Despite the crisis, we have continued to strengthen our base and progress our strategic growth initiatives. Our demonstrated resilience and inherent strengths, including market-leading brands, innovation capabilities and deep customer relationships, continue to position the Group well to capitalise on opportunities arising as the global economy recovers and as we progressively emerge from a period of intense operational focus."

28 July 2020

Enquiries

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Analyst and investor presentation

Tyman will host an analyst and investor presentation at 9.30 a.m. today, Tuesday 28 July 2020, which will be webcast at:

https://webcasting.brrmedia.co.uk/broadcast/5f16bdc74c167c12157980b0

The audio conference call details are:

Number	+44 (0) 330 336 9126
Confirmation code	7997871

Notes to editors

Tyman (TYMN: LSE) is a leading international supplier of engineered fenestration components and access solutions to the construction industry. The company designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman's portfolio of leading brands serve their markets through three divisions: North America (AmesburyTruth), UK and Ireland (ERA) and International (SchlegelGiesse). Headquartered in London, the Group employs approximately 3,900 people with facilities in 18 countries worldwide. Further information is available at www.tymanplc.com.

OVERVIEW OF RESULTS

Performance in H1 2020

The Group's performance in H1 2020 was inevitably impacted by COVID-19. Revenue for the period was £254.1 million (H1 2019: £301.9 million), a decrease of 16% on a reported basis, and 17% on a LFL basis. Reported revenue benefitted from the relative weakness of Sterling compared with H1 2019.

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

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

As can be seen in the table below, April was the most severely impacted month, with LFL revenue 41% lower than 2019. Since operations began to resume from late April, trading has been better than expected and we have outperformed our base case scenario in each month. June recovered to 92% of 2019 and this recovery trend has continued into July, with average sales per day currently 3% ahead of 2019, although some of this improvement is likely to be driven by customer restocking and pent-up demand.

LFL revenue vs 2019	**Q1**	**April**	**May**	**June**	**H1 2020**	***July****
North America	+2%	-25%	-37%	-8%	**-12%**	*+4%*
UK & Ireland	-1%	-93%	-58%	-15%	**-28%**	*+8%*
International	-17%	-50%	-28%	-2%	**-22%**	*-8%*
Group	**-2%**	**-41%**	**-38%**	**-8%**	**-17%**	***+3%***

** Month to date average sales per day*

The swift cost management actions taken, as well as the self-help initiatives which were already in progress or completed in 2019, partially mitigated the impact of the sales shortfall and additional COVID-19 related bad debt charges of £0.5m, resulting in a decrease in LFL adjusted operating profit of 26% to £31.3 million. Reported adjusted operating profit decreased 25%, benefiting from the favourable impact of exchange. Adjusted operating margin fell from 13.9% to 12.3%, a credible performance in light of the impact of COVID-19.

Supporting our stakeholders through COVID-19

The Group's first priority has been ensuring the health and safety of our employees, their families and our communities. We acted quickly to implement enhanced hygiene and social distancing measures across the Group. Hygiene measures included reinforcing good personal hygiene practices; installing hand sanitiser dispensers; enhanced workplace cleaning regimes; and temperature monitoring for all people arriving to site. Where possible, infrastructure was put in place and employees were transitioned to remote homeworking. Social distancing measures included amending shift patterns as necessary and installing plastic screens or providing PPE where appropriate. Regular communications with all employees were established throughout the crisis, including reminding employees of mental wellbeing assistance available to them. In certain locations, the Group has provided or expanded company transportation to avoid employees being exposed to public transport and ensure social distancing.

An employee survey was conducted in early June to get feedback on the Company's handling of the pandemic. Two-thirds (over 2,500 employees) of the global workforce responded, and it was pleasing that over 80% of employees agreed that the Company has put in place the right safety protocols, cared about their well-being, kept employees informed, and that leaders have acted proactively and decisively during the crisis.

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

Even during the early part of the crisis in China, our supply chain has not been a constraint to the business. Close contact has been maintained with suppliers throughout to assist in managing demand. Initial relaxations of payment terms were agreed with some suppliers; however, all suppliers are now being paid in line with terms.

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

Decisive actions taken to reduce costs and preserve cash

Swift and decisive action was taken to put in place a broad range of measures with focus on optimisation of cashflow via cost savings, working capital reduction, tight management of capital expenditure and cancellation of the final 2019 dividend (worth £16.3 million).

The Group made use of available government employee job retention schemes in its countries of operation, with usage diminishing as operations resumed and demand returned. The total benefit received across all markets in the period was £3.3 million, of which £2.0 million was in the UK. Whilst there may be selective redundancies in areas where opportunities have been identified to improve efficiency, such as through greater use of technology, use of these schemes has allowed the Group to protect more jobs than would otherwise have been possible. The Group does not foresee further use of government job retention schemes beyond the end of July and does not expect to make use of the UK government's job retention bonus.

As part of the leadership's response, the Board and senior management elected to take a temporary base salary reduction of 25% and 20% respectively from 1 April. The 2020 management bonus scheme was also cancelled. Many of our employees also took temporary salary and benefit reductions, tapered according to seniority. The amount sacrificed through salary reductions was approximately £2.1 million, with further savings from reduced bonus accruals. The Board fully recognises the impact of these decisions and appreciates the support and dedication of our people in this difficult time. With employee salaries progressively reinstated across June and July, senior management and Board salaries will be reinstated at full pay from 1 August.

Balance sheet and funding

Net debt at the period end was £219.8 million (H1 2019: £289.8 million). Adjusted net debt, which excludes lease liabilities and unamortised finance arrangement fees was £160.5 million (H1 2019: £230.0 million). The Group had cash of £79.9 million and an undrawn RCF available of £78.6 million. In addition, the Group has potential access to an uncommitted accordion facility of £70 million and has obtained eligibility to draw up to £100 million under the Bank of England's Covid Corporate Financing Facility (CCFF). The Group does not currently intend to use this facility, but it provides further assurance in the event of a severe deterioration in market conditions. The Group generated £33.2 million of operational cash flow in the period and achieved operating cash conversion of 106%. The Group had significant headroom on its banking covenants at 30 June 2020, with leverage of 1.8x and interest cover of 8.4x.

The Group has conducted ongoing scenario planning as the COVID-19 situation has evolved. The Group has modelled a base case scenario and a severe but plausible downside scenario. In both scenarios modelled, the Group would retain significant liquidity headroom. Although covenant headroom would be maintained under the base case scenario, in order to provide increased headroom during the period of uncertainty, the Group has agreed a relaxation of the leverage covenant from 3.0x adjusted EBITDA to 3.5x at 31 December 2020 and 4.0x at 30 June 2021. The Group continues to monitor the evolution of the crisis and will adjust plans accordingly to maintain balance sheet strength.

Dividend

As significant uncertainty remains, the Board is adopting a prudent approach to shareholder distributions and is not declaring an interim dividend payment. The Board will determine the timing for the resumption of dividends once the ongoing impact of COVID-19 becomes clearer. Once dividend payments are restored, the Board intends to revert to a progressive dividend policy.

Chair search

As previously announced, progress is being made recruiting a new chair; this process was inevitably slowed by the UK social distancing measures but is well underway and we hope to appoint a successor in the coming months.

Strategic progress

Tyman's strategy of *focus*, *define*, *grow* will strengthen the Group and further enhance our portfolio of world class brands and differentiated products to deliver meaningful value to our customers and thereby create shareholder value. Although the primary focus since February has inevitably been intensive management of the COVID-19 crisis, good progress has also been made on these strategic priorities. The Group believes the strategy continues to be the right one in the context of COVID-19 and that there are opportunities to accelerate aspects of the strategy as we emerge from the crisis.

Focus

The activities to *focus* our operations through streamlining and strengthening the base for future growth have progressed as planned. The strengthening of operational and leadership resources and continuous improvement activities at the Statesville facility have delivered improvements in metrics compared to H1 2019, although the benefits have been masked by COVID-19 in the period. An accelerated rate of improvement for the second half is expected based on accomplishments in the first half and continued lean excellence work.

The various initiatives to streamline operations, including closure of the Fremont (Nebraska) and Singapore facilities, and ceasing of manufacturing in Australia and China, have been executed as planned with no customer disruption. Other continuous improvement activities have included inter-site line transfers as the North American manufacturing "centres of excellence" are further optimised.

Integration of acquisitions has also continued to progress. Product portfolio harmonisation across the Amesbury, Truth and Ashland brands is underway and Ashland is on track to deliver the $5 million annualised synergy target this year. Ashland and Zoo have both significantly exceeded the 14% return on acquisition target after two years of ownership.

Define

The *define* element of the strategy, which centres on building cultural cohesion across the Group to facilitate ongoing synergy extraction, has continued to gain momentum. A Group conference was held virtually in June for 85 senior managers, with a significant focus on building cohesion across the Group through a shared purpose, set of values and culture.

Safety excellence is our beachhead for driving culture change, supported by our 'safety is our first language' engagement programme. The Group-wide two-day safety leadership training programme launched in January, with 20% of people managers having completed this prior to lockdown and work underway to transition to a digital format to continue deployment. Pleasingly, the lost time incident frequency rate reduced by 72% to 1.5 incidents per million hours worked (H1 2019: 5.3), indicative of improved operational excellence and demonstrating the benefits of a Group-wide excellence system.

Lean excellence activity is also building across the Group, with several kaizens conducted in H1 at Statesville, value analysis and value engineering (VAVE) work undertaken in ERA and continued investment in Industry 4.0 process automation in Budrio. The Group seeks to embed lean excellence practices to develop 'best in class' operations and drive margin expansion through improved quality and productivity.

Grow

The *grow* element of the strategy will near-term have most impact from the divisional organic initiatives underway, including share gain through executing well in serving our customers, accelerating new product launches and expanding our existing channels to market. Despite COVID headwinds, the strengthened North American sales team has achieved net customer wins of c. $3 million annualised revenue in H1 2020, following net gains in H2 2019. In the UK and Ireland division, the partnering with online retailers has served the business well during the COVID crisis and developing e-commerce routes to market will continue to be a focus area, including leveraging the existing ERA Everywhere platform.

Innovations that create differentiated value for our customers have also progressed well in H1, including the smartware range which addresses the accelerating adoption of connected home products, a range of anti-microbial coated product to support the increased focus on surface hygiene, expansion of the minimalist product range to capitalise on this growing trend, and sustainability-enhancing products such as those with Cradle to Cradle Certification and a thermally broken smoke vent.

Cross-divisional teams have been established to investigate specific opportunities to better leverage the Group’s portfolio, brands and technologies across our markets. As an early win, the global seals excellence team have collaborated to create a further $4 million of door seals capacity, which will be used to both support current customers and win new business for high value, differentiated applications.

Mid-term, Tyman continues to be the natural consolidator in a fragmented market and we would intend to supplement our organic growth with acquisitions that either bring products and technologies of future strategic importance, or synergistically balance out our geographic strength across our core markets.

Outlook

Although the recovery has so far exceeded expectations, this has been driven in part by the abnormally low activity during lockdown leaving the underlying market trends less clear. Longer term, the outlook remains uncertain as the macro-economic impact of the crisis is masked by government support measures, heightened in the US by support for the economy in the run-up to the presidential election later this year. The ending of various employment support schemes is already having a significant impact on unemployment and accordingly household income levels and consumer confidence. There are also indications that this is leading to tightening of the mortgage market, impacting house moves which generally correlate to refurbishment projects.

On the other hand, structural industry growth drivers remain positive and emerging from the crisis there are several factors which could support the housing markets that the Group is exposed to worldwide. Lockdowns have been noted to increase savings levels, with consumer spending on travel and entertainment significantly reduced. This could benefit building products spend, especially large-ticket items such as windows and doors that tend to have lagged general RMI spend in recent years. Housing and other infrastructure construction is also likely to be a priority for fiscal stimulus, and this has been seen in China and the UK, with reductions to stamp duty and investment in ‘green’ schemes recently announced.

There are also several trends emerging, which the Group is well placed to capitalise on. The additional time spent at home and shift to work-from-home creates a likelihood that homeowners will prioritise investment in the home. A trend towards "urban flight" is also being noted, particularly in the US as people seek more space. This favours growth in single-family housing to which the Group is most exposed as well as generating additional repair and remodelling work.

Given there remains significant uncertainty over the ongoing impact that COVID-19 will have on the macro-economic environment, we are unable to resume guidance at this stage.

Summary

Whilst COVID-19 has had a significant impact on the Group's results in the period, the hard work of our employees in continuing to serve our customers under challenging circumstances has helped our performance consistently exceed our base case assumptions. The Group has also navigated the uncertainty by taking decisive action to reduce costs and preserve cash.

The crisis has emphasised the strength of the Tyman business model, with the diversification across geographies and markets providing resilience, our innovation capabilities allowing us to quickly adapt to changing trends, and the cash generative nature of the business supporting our balance sheet. Despite the impact of COVID-19, good progress has been made on self-help measures and strategic initiatives, with further improvements made at the Statesville facility, an encouraging level of new business wins generated in North America, and successful execution of footprint realignments in both the International and North American divisions.

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

Jo Hallas

Chief Executive Officer

North America (AmesburyTruth)

£m except where stated	**H1 2020**	H1 2019[1]	**Change**	*LFL*
Revenue	**168.2**	187.0	**-10%**	*-12%*
Adjusted operating profit	**24.8**	31.4	**-21%**	*-22%*
Adjusted operating margin	***14.7%***	*16.8%*	***-210bps***	

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 34 to 36.

	Q1	**April**	**May**	**June**	**H1 2020**	***July****
LFL revenue vs 2019	+2%	-25%	-37%	-8%	**-12%**	**+4%**

** Month to date average sales per day*

Markets

US residential and commercial markets started the year strongly, with growth until late March when COVID-19 started to take effect. Even though construction was classed as an essential industry in most of the United States, lockdown restrictions impacted demand. Since mid-May, the market has subsequently rebounded as restrictions were eased. Total housing starts grew +1% in H1 2020 compared to H1 2019, with single family starts, to which the division has proportionally higher exposure being down -1%, albeit with single family building permits being up +4% in H1 2020, giving some indication of likely future growth in housing starts. Conditions in the US residential repair and remodelling market have improved, with the NAHB RMI average index significantly higher at 73, having grown from 48 at the end of Q1 2020 (H1 2019: 55).

Commercial construction markets were significantly weaker in the period, with non-residential building starts down 22% compared to H1 2019.

In Canada, the construction industry was subject to restrictions in some provinces and accordingly housing starts were down 5.3% although single-family homes were up 1.3%.

Business performance and developments

The North America division had a strong start to the year, with LFL revenue to the end of March 2020 2% ahead of the equivalent period in 2019, despite the carry-over effect of the H1 2019 customer losses associated with the door seal product line and footprint-related issues. In April, there was a marked reduction in demand due to COVID-19, resulting in LFL sales for the month being 25% below 2019. With the exception of the facilities in Juarez, Mexico, which were closed for the majority of May, all facilities in North America remained open, albeit running at reduced capacity. Demand rebounded through May and June, with sales in June recovering to a level 8% below 2019. Overall for H1 2020, LFL revenue was 12% below H1 2019, reflecting the carry-over effect of the H1 2019 customer losses, partially offset by new business wins, and the impact of COVID-19. The favourable impact of exchange resulted in reported revenue of £168.2 million, which was 10% below H1 2019.

Swift action was taken to manage production levels and costs in line with demand, including temporary lay-offs, salary reductions and tight control of discretionary spend. However, additional costs of c.$1 million were incurred as a result of COVID-19. These costs included additional PPE, installation of protective screens, enhanced sanitation, employee transport costs, as well as costs of temporarily transferring production of certain products from Juarez to other facilities to ensure continued supply through the shutdown. In line with government requirements, in Mexico these costs also included the division continued paying salaries both for employees deemed vulnerable and unable to work through the crisis, and for all employees during the shutdown period. Overall, adjusted operating profit declined 22% on a LFL basis to £24.8 million.

Further progress has been made in resolving the operational inefficiencies at the Statesville facility. Operational and leadership resources have been further strengthened in the period and continuous improvement activities, including a series of kaizen events, have driven improvements in margin compared to H1 2019. However, the disruption arising from COVID-19 has meant that the benefits of the actions taken have not been realised at the expected levels to date. An accelerated rate of improvement for the second half is expected based on accomplishments in the first half.

The strengthening and refocussing of the sales team, as well as improvements in customer service levels has resulted in an encouraging level of new business wins. The momentum generated in late 2019 and early 2020 accelerated through the COVID crisis, in part due to the strength of service provided through the crisis relative to peers. This enabled the division to capture share, generating net wins of c. $3 million annualised revenue in H1 2020. In addition, capacity of urethane door seals was expanded by c. $4 million annualised revenue through incremental production as well as partnering with the Tyman International division. This is being used to both support current door seals customers and win new business for high value, differentiated applications.

Other self-help initiatives, including footprint realignments covering $20 million of revenue, were successfully executed with no customer disruption. This included the closure of the Fremont, Nebraska facility, through which c. $3m of low margin, non-fenestration business was also exited. In addition, planned transfers of manufacturing activities between four facilities were accelerated due to COVID-19, as the North American "centres of excellence" are further optimised. These initiatives will generate cost-savings in the second half of c. $1 million.

The division's access solutions business, Bilco, was more resilient in the period as commercial construction has largely continued through the COVID-19 crisis, although sales have been slightly impacted due to some destocking by our distributors. LFL revenue declined 9% in H1 2020.

New product development

The division continues to achieve success in bringing new products to market, with products launched in 2019 performing well, including the SafeGard™ child safety device, which has exceeded expected sales since launch. During H1 2020, two commercial access products were introduced, including an enhanced acoustical smoke vent, which has an industry-leading sound rating, and a new thermally broken smoke vent which is designed to comply with a new energy efficiency code. The Quad Roller product which provides easy and smooth gliding of large sliding doors was also brought to market. These products have been well-received and there is a healthy pipeline for further launches in the second half.

Good progress has also been made on the product rationalisation and repositioning initiative, particularly in the sash window hardware category which will be complete by the end of 2020.

Outlook

There is significant uncertainty over the ongoing impact COVID-19 and the resulting high unemployment rates will have on demand through the second half, albeit that this unemployment is disproportionately concentrated amongst house-renters rather than owners. The rebound in housing demand in May and June provides some optimism, with low interest rates and a long-term supply shortfall driving both new housing construction and repair and remodelling activity.

The US commercial construction market is expected to contract due to a slow-down in commercial building starts and planning activity, with the Dodge Momentum Index down 22% to 121.5 at 30 June 2020 compared to 31 December 2019.

With the market better supplied at the start of the crisis, the Canadian housing market is expected to recover slowly, with the CMHC predicting housing starts will only begin to recover towards the end of 2020.

The division’s main areas of focus in the second half will continue to be strengthening operational excellence to expand margin, re-building customer trust to drive share gain, and completion of the first phase of the product portfolio harmonisation initiative.

UK and Ireland (ERA)

£m except where stated	H1 2020	H1 2019[1]	Change	LFL
Revenue	**39.1**	54.0	**-28%**	*-28%*
Adjusted Operating Profit	**3.8**	7.0	**-46%**	*-46%*
Adjusted Operating Margin	***9.7%***	*13.0%*	***-330bps***	

1 Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 34 to 36.

	Q1	April	May	June	H1 2020	*July**
LFL revenue vs 2019	-1%	-93%	-58%	-15%	**-28%**	**+8%**

** Month to date average sales per day*

Markets

The UK market for doors and windows started the year positively, with the IHS Markit/CIPS UK Construction PMI rising to a reading of 53 in February 2020 and residential property transactions up 4% over the first two months of the year. The lockdown measures introduced in late March by the UK government in response to COVID-19 led to the temporary closure of the majority of construction sites and prevented all but essential repair RMI activity. In early May, construction activity began to resume with social-distancing measures in place, and good momentum built across June as pent-up demand from the lockdown period was released. Nevertheless, COVID-19 has led to a significant contraction in the UK and Ireland market in H1 2020 compared to H1 2019.

Business performance and developments

The UK and Ireland division had a strong start to the year, achieving LFL revenue growth of 8% to the end of February, with March also starting strongly. This reflected increased consumer confidence driving the Hardware business, as well as strong project activity in the Access 360 business. From late March, all sites were temporarily closed until early May. Activity gradually resumed throughout May and June as lockdown measures were eased. Consequently, LFL revenue declined 28% compared to H1 2019. Encouragingly, there has been a steady recovery in sales and orders since early May, with June sales for the division 15% below 2019.

In addition to the significant sales shortfall, profitability was impacted by additional bad debt charges of £0.5 million as a result of three customers falling into administration, as well as continued strategic investments in smartware. This was partially mitigated by tight cost control measures, including salary reductions, elimination of discretionary spend and use of the UK Government's Coronavirus Job Retention Scheme.

Despite the inevitable focus over the last few months being on managing through COVID-19, the division has continued to progress its strategic initiatives.

The stronger market in the first two months of the year resulted in growth in hardware sales into both the OEM and distribution channels. In particular, the division benefitted from exposure to trade distributors who have a strong online presence, given that lockdown has accelerated the trend to online sales. There was also benefit from the carry-over of the new product launches in 2019. Hardware sales in the first two months were

7% above 2019 and sales in both channels have recovered well, with June hardware sales being just 13% below 2019. Manufacturing of multi-point locks was transferred from the Far East to the UK in the period, with inventory benefits and cost-savings now being realised. Further opportunities to onshore manufacturing or assembly of certain products are being explored to reduce stock levels and ensure robustness of the supply chain.

Access 360, the division's commercial access portfolio, achieved strong revenue growth of 23% in the first two months of the year, reflecting the stronger projects pipeline and operational execution. Since construction activity recommenced in early May, sales have rebounded well, with sales in the month of June being slightly ahead of 2019. Progress has been made in resolving the operational bottlenecks which arose in Profab in H2 2019, with the management team strengthened, however this activity will continue in the second half of the year.

The smartware offering continues to gain momentum, with the ERA Protect™ range being selected by a key national distributor to replace an incumbent competitor range from Q3 2020. Encouraging early interest has also been received from other key account customers. Several extensions to the range originally planned for H1 2020 will now be launched in H2 2020 to benefit from the market momentum post-lockdown. This includes the WindowSense™ product which is targeted at the OEM market as a pre-installed product and therefore expected to create further traction for the rest of the integrated range, all of which can be controlled through a single smartphone app. The ERA website is in the process of being upgraded to support homeowners who are seeking the ease and reassurance of ERA's distinctive accredited installer network to source a leading home security solution at an affordable price point. The ERA Protect™ range remains the only home security portfolio to receive the BSI IoT Kitemark.

The division's sash window refurbishment business, Ventrolla, achieved encouraging growth in residential enquiries prior to the lockdown and generated several commercial project wins. Given the nature of its in-home installation, COVID-19 has had a more significant impact on Ventrolla, with the business only able to gradually recommence operations during June, albeit with enquiry levels in last two weeks of June back to long-term historic levels.

New product development

Several new products are due for launch in the second half of the year, including the Hydrogen spiral balance and the twin cam offset window lock. The Hydrogen balance has a lower operating force and makes opening and closing a sash window easier. The twin cam offset window lock enhances the speed and ease of installation for fabricators, while also providing improved security for the householder through the multiple locking points.

Outlook

Since lockdown measures were eased, demand in the residential RMI and new housing market has rebounded more quickly than expected as door and window fabricators and housebuilders have processed order backlogs. UK government measures to increase the stamp-duty threshold and incentivise "green homes" investment are expected to support both housing transactions and RMI spend. However, there remains significant uncertainty over the impact of COVID-19 on unemployment, consumer confidence and thereby the housing market.

In the commercial sector, the value of construction project awards and new project tender enquiries dropped significantly during the lockdown, and this could impact demand later in the year. However, this sector may benefit from government stimulus targeted at infrastructure projects.

The division’s focus in H2 2020 will continue to be driving momentum with new product launches, optimising the cost base through continued integration of recent acquisitions and adjusting the business model to reflect the realities post-COVID including driving online sales through the e-commerce platform.

International (SchlegelGiesse)

£m except where stated	H1 2020	H1 2019[1]	Change	LFL
Revenue	**46.8**	60.9	**-23%**	*-22%*
Adjusted Operating Profit	**4.6**	7.7	**-40%**	*-39%*
Adjusted Operating Margin	***9.8%***	*12.6%*	***-280bps***	

1. Prior year divisional figures have been amended for comparability to reflect a change to the presentation of inter-divisional sales in 2019. For further details, see segment note on pages 34 to 36.

	Q1	April	May	June	H1 2020	*July**
LFL revenue vs	-17%	-50%	-28%	-2%	**-22%**	**-8%**

** Month to date average sales per day*

Markets

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

Since restriction measures have been eased in most territories, there has been an encouraging improvement in demand. In China, which was the first market affected, government investment and growing confidence has already resulted in a strong market recovery particularly in the commercial sector. Momentum is building in the other core markets, with the IHS Markit Eurozone Construction PMI back up to 48 in June from its low of 15 in April.

Business performance and developments

LFL revenue for the international division declined 22% in H1 2020 compared to H1 2019, with slight foreign exchange headwinds resulting in reported revenue down 23%. The division had a challenging start to the year due to the weak market conditions. The division was significantly impacted by COVID-19, with the division's third largest market, China, being impacted in January, followed by most other core markets from mid-March. April was the worst-affected month, with sales being 50% below the prior year. Since lockdown measures have been eased in each territory, there has been a steady improvement in sales and order levels, with revenue in June recovering to just 2% below 2019.

A reduction in overheads, including savings from the reduction in personnel costs which took effect in the second half of 2019, combined with additional cost management actions taken and utilisation of available government schemes partially offset the impact of the sales shortfall on adjusted operating profit. LFL adjusted operating profit was 39% below H1 2019 and adjusted operating margin fell from 12.6% to 9.8%.

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

Self-help initiatives have progressed as planned. The restructuring programme to streamline operations in Australia, China and Singapore has largely been executed with no customer disruption. Manufacturing was ceased and the business transitioned to a distribution model in each of Australia and China in H1. As a result of COVID-19, the move of the China distribution operation to a new facility was delayed but is now planned for September. The ASEAN market was migrated to being served as an export territory during H1, with the lease for the Singapore facility due to be exited at the end of July. These restructuring activities have resulted in a reduced fixed cost-base, the avoidance of future significant capital expenditure and increased management bandwidth across the region.

The integration of Reguitti, which was acquired in August 2018, has further progressed, albeit at a slower rate than planned due to lockdown measures. Cross-selling activities have gained traction following integration of the sales force, with many customers now buying both product portfolios. A suite of value-engineered products was launched in the Italian market, with fully refreshed marketing materials and product repositioning to address the specific low-cost competition which arose in 2019. A new mid-price point brand for the German market is due for launch in H2 2020, which will provide a full good, better, best range to capture a growing segment of the market.

New product development

The division continues to focus on innovation, although there have been delays to the launch of certain products due to COVID-19. New products launched in the period include the new Brio Evo range of flat handles which provides fast and simple assembly for installers, a modern clean design, with an ergonomic handle for easier manoeuvring for the end user. Further innovative new solutions for doors and sliding windows are due for launch in the second half of the year, including a pull and slide door system, which combines minimalist profiles with high weathertight performance and ease of use. The value-engineered range of bespoke products for the Chinese RMI market is also due for launch in early 2021, which supports the division's focus on this growing channel and will ensure it is well-placed to capture share as this market recovers. In addition, there are a number of existing products expected to achieve the environmentally friendly Cradle to Cradle certification in H2 2020. The division continues to invest in developing and expanding its range of innovative products as a key driver of future growth.

Outlook

The recovery that has begun in core markets in Q2 is expected to continue in Q3, however the ongoing impact of COVID-19 and the wider macro-economic environment creates significant uncertainty.

The main priorities of the business in H2 2020 are to drive share gain in core markets by capitalising on the activities undertaken to integrate and extend the division's offer; and to continue to pursue operational efficiencies.

FINANCIAL REVIEW

Income statement

Revenue and profit

Reported revenue in the period decreased by 15.8% to £254.1 million (H1 2019: £301.9 million), largely reflecting a significant reduction in volume of £43.8 million driven by the impact of COVID-19, the drag-through effect of the 2019 North America footprint consolidation related customer losses of c. £6.8 million, and a reduction in US tariffs of £1.6 million, offset by favourable foreign exchange movements of £3.7 million. On a LFL basis, revenue declined 16.8% compared to the prior year.

Adjusted administrative expenses decreased to £48.6 million (H1 2019 restated: £61.4 million), due to the benefit of self-help measures implemented in the second half of 2019 as well as cost-management actions taken to mitigate the impact of COVID-19. This included significant curtailment of discretionary expenditure, salary reductions, cancellation of the senior management bonus scheme, as well as utilisation of available government job retention schemes in various territories. The Group received a total of £3.3 million in the period from government job retention schemes across various territories.

Adjusted operating profit decreased by 25.3% to £31.3 million (H1 2019: £41.9 million) and declined 26.0% on a like-for-like basis. This was negatively impacted by £17.7 million from the reduction in volumes driven by COVID-19 and by c. £2.5 million from the drag-through effect of the 2019 North America footprint consolidation related customer losses, offset by receipts from government job retention schemes of £3.3 million, a reduction of £5.2 million in input costs due to moderation of materials costs and cost-management actions, as well as productivity improvements of £1.6 million. The Group's adjusted operating margin decreased 160 bps to 12.3% (H1 2019: 13.9%).

Adjusted profit before taxation decreased by 28.8% to £24.7 million (H1 2019: £34.7 million) and declined 29.4% on a LFL basis. Reported profit before taxation increased by 33.6% to £14.7 million (H1 2019: £11.0 million), primarily due to a significant reduction in exceptional items from £9.9 million to £0.8 million.

Materials and input costs

£m except where stated	FY 2019 Materials(1)	Average(2)	Spot(3)
Aluminium	**23.2**	(8.4)%	(7.4)%
Polypropylene	**34.8**	(21.0)%	(36.6)%
Stainless steel	**52.8**	+1.2%	+4.9%
Zinc	**33.4**	(17.9)%	(15.9)%
Far East components(4)	**45.2**	(8.0)%	(5.4)%

(1) FY 2019 materials cost of sales for raw materials, components and hardware for overall category. Only major materials categories are presented

(2) Average H1 2020 tracker price compared with average H1 2019 tracker price

(3) Spot tracker price as at 30 June 2020 compared with spot tracker price at 30 June 2019

(4) Pricing on a representative basket of components sourced from the Far East by the UK & Ireland division

Raw material costs continued to moderate in H1 2020 with average prices across all commodity categories except stainless steel lower than H1 2019. Steel purchases in North America continue to be impacted by the direct and indirect effect of US tariffs and surcharges are in place to recover these costs.

Exceptional items

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

£m	**H1 2020**	H1 2019
Footprint restructuring - costs	**-**	(3.3)
Footprint restructuring - credits	**-**	0.6
Footprint restructuring - net	**-**	(2.7)
M&A and integration - costs	**(0.5)**	(1.9)
M&A and integration - net	**(0.5)**	(1.9)
Redundancy and restructuring	**(0.3)**	-
Impairment charges	**-**	(5.3)
	(0.8)	(9.9)

Footprint restructuring

The footprint restructuring costs in prior periods related to directly attributable costs incurred in the multi-year North American footprint consolidation project, which is now substantially complete, as well as provisions for costs associated with the closure of the Fremont, Nebraska facility and streamlining the international satellite operations which commenced in late 2019. This included the exit of manufacturing in Australia and China, with these markets transitioned to distribution centres and closure of our operations in Singapore with this region now served as an export market.

M&A and integration

M&A and integration costs of £0.5 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland.

Redundancy and restructuring

Redundancy and restructuring costs of £0.3 million relate primarily to costs associated with a workforce reduction.

Impairment charges

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

Finance costs

Net finance costs decreased to £6.3 million (H1 2019: £7.5 million).

Interest payable on bank loans, private placement notes and overdrafts decreased to £5.0 million (H1 2019: £5.6 million), predominantly reflecting lower interest rates following reductions in the US federal interest rate and UK official bank rate. Interest on lease liabilities of £1.5 was flat against the prior period (H1 2019: £1.5 million).

Non-cash movements charged to net finance costs in the period include amortisation of capitalised borrowing costs of £0.3 million (H1 2019: £0.3 million) and pension interest cost of £0.1 million (H1 2019: £0.1 million).

Taxation

The Group reported an income tax charge of £2.3 million (H1 2019: £3.1 million), comprising a current tax charge of £2.9 million (H1 2019: £3.3 million) and a deferred tax credit of £0.6 million (H1 2019: £0.2 million).

The adjusted tax charge was £5.4 million (H1 2019: £9.1 million) representing an effective adjusted tax rate of 21.7% (H1 2019: 26.2%). The reduction in the adjusted effective tax rate of 450bps reflects, the release of an excess provision and utilisation of available tax credits. This is the Group's current best estimate of the adjusted tax rate for the 2020 full year.

During the period, the Group paid corporation tax of £1.3 million (H1 2019: £7.1 million), with the reduction largely relating to payment deferrals granted by the US and Italian governments in light of the COVID-19 pandemic.

Earnings per share

Basic earnings per share increased by 56.6% to 6.4 pence (H1 2019: 4.1 pence). Adjusted earnings per share decreased to 9.9 pence (H1 2019: 13.1 pence).

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

Cash generation, funding and liquidity

Cash and cash conversion

£m	H1 2020	H1 2019 (restated[1])
Net cash generated from operations	**33.6**	16.3
Add: Pension contributions	**0.2**	0.5
Add: Income tax paid	**1.3**	7.1
Less: Purchases of property, plant and equipment	**(3.7)**	(5.5)
Less: Purchases of intangible assets	**(0.4)**	(0.4)
Add: Proceeds on disposal of PPE	**-**	1.2
Operational cash flow after exceptional cash costs	**31.0**	19.2
Exceptional cash costs	**2.2**	6.9
Operational cash flow	**33.2**	26.1
Less: Pension contributions	**(0.2)**	(0.5)
Less: Income tax paid	**(1.3)**	(7.1)
Less: Net interest paid[1]	**(6.6)**	(7.4)
Less: Exceptional cash costs	**(2.2)**	(6.9)
Free cash flow	**22.9**	4.2

[1] *Net interest paid in H1 2019 has been restated to include interest paid on lease liabilities to align with the current period calculation of free cash flow*

Operational cash flow in the period increased by 27.2% to £33.2 million, predominantly due to tight management of working capital and capital expenditure. This is after adding back £2.2 million (H1 2019: £6.9 million) of exceptional costs cash settled in the period, which related to settlement of costs associated with the footprint realignments provided for in 2019 and costs associated with the integration of Ashland. Operating cash conversion in H1 2020 was very strong at 106.0% (H1 2019: 62.3%).

Free cash flow in the period was significantly higher than H1 2019 at £22.9 million (H1 2019 restated: £4.2 million) as a result of the higher operational cash flow, lower levels of income tax payments on account, lower interest payments and lower levels of exceptional cash flows.

Debt facilities

Bank and US private placement facilities available to the Group, as at 30 June 2020, were as follows:

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

In addition to this, the Group has received eligibility to draw up to £100 million through the Bank of England CCFF.

Liquidity

At 30 June 2020 the Group had gross outstanding borrowings of £240.4 million (H1 2019: £279.6 million), cash balances of £79.9 million (H1 2019: £49.6 million) and committed but undrawn facilities of £78.6 million (H1 2019: £56.1 million). This provides immediately available liquidity of £158.5 million. The Group also has potential access to the uncommitted £70.0 million accordion facility and the £100 million CCFF facility, albeit the intention is not to draw down on this.

Net debt at the period end was £219.8 million (H1 2019: £289.8 million). Adjusted net debt, which excludes lease liabilities and unamortised finance arrangement fees was £160.5 million (H1 2019: £230.0 million), reflecting the strong operational cash generation and cancellation of the final 2019 dividend. There was also a benefit from deferred government payments of c. £4 million.

Covenant performance

At 30 June 2020	Test	Performance (1)	Headroom (2)	Headroom (2)
Leverage	< 3.0x	**1.8x**	36.4m	41.3%
Interest Cover	> 4.0x	**8.4x**	46.2m	52.3%

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

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

At the half year, the Group retained significant headroom on its banking covenants. Leverage at the period end was 1.8x (H1 2019: 2.2x), reflecting the lower level of net debt. Interest cover at the period end was 8.4x (H1 2019: 8.9x), reflecting the lower interest expense offset by a reduction in adjusted EBITDA.

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

Balance sheet – assets and liabilities

Working capital

£m	FY 2019	Mvt	FX	H1 2020
Inventories	88.6	2.0	4.5	**95.1**
Trade receivables	60.5	(0.8)	2.8	**62.5**
Trade payables	(46.6)	5.7	(2.3)	**(43.2)**
Trade working capital	102.5	6.9	5.0	**114.4**

Trade working capital at the half year, net of provisions, was £114.4 million (H1 2019: £148.1 million; FY 2019: £102.5 million). The trade working capital build to the half year at average exchange rates was £6.9 million (H1 2019: £23.2 million).

The inventory build to the half year at average exchange rates was £2.0 million (H1 2019: £10.2 million). The much lower than normal seasonal inventory build largely reflects tight management of inventory levels in light of the impact of COVID-19 on demand. Production levels began to ramp up in June as demand returned.

Trade receivables and trade payables reduced in the period due to lower levels of trading in the first half of 2020.

Of the year to date increase in trade working capital, £5.0 million related to exchange.

Capital expenditure

Gross capital expenditure decreased to £4.1 million (H1 2019: £5.9 million) or 0.6x depreciation (H1 2019: 0.8x), as a result of deferring most non-essential expenditure in light of COVID-19. Investment is planned to increase in the second half to support future growth.

Balance sheet - equity

Shares in issue

At 30 June 2020, the total number of shares in issue was 196.8 million (H1 2019: 196.8 million) of which 0.5 million shares were held in treasury (H1 2019: 0.5 million).

Employee Benefit Trust purchases

At 30 June 2020, the EBT held 1.1 million shares (H1 2019: 1.4 million). During the period, the EBT purchased 0.1 million shares in Tyman plc at a total cost of £0.3 million to satisfy vested share awards as well as future obligations under the Group's various share plans.

Other financial matters

Return on capital employed

ROCE fell by 190 bps to 10.8% (H1 2019: 12.7%) as a result of the reduction in LFL adjusted operating profit in light of COVID-19.

Returns on Acquisition Investment

	Acquisition Date	Original Acquisition Investment	ROAI at H1 2020(1)
Ashland(2)	March 2018	US$102.4m	**17.9%**
Zoo Hardware(2)	May 2018	£18.7m	**19.7%**
Profab	July 2018	£4.1m	**8.1%**
Reguitti	August 2018	€16.2m	**4.9%**

(1) See Alternative Performance Measures on page 48

(2) Ashland and Zoo Hardware reached the end of the two-year ROAI measurement period in March and May respectively. Ashland ROAI is measured over the last twelve months to the end of February 2020 and Zoo ROAI is measured over the last twelve months to the end of April 2020.

Ashland and Zoo Hardware have continued to perform well, with both exceeding the 14% minimum target return threshold after two years of ownership. Ashland exceeded the expected US$5m of annualised synergy benefits from 2020.

Profab suffered from operational bottlenecks in the second half of 2019, impacting productivity and was significantly impacted in H1 2020 by COVID-19 lockdown measures. The ROAI is therefore significantly below the target threshold. Improvements in productivity are being achieved and sales and orders have rebounded well since re-opening. The ROAI is therefore expected to improve in the second half.

The performance of Reguitti has been significantly impacted by COVID-19, as well as being impacted by some specific low-cost competition in Italy, resulting in an ROAI significantly below the target threshold. A suite of value-engineered products was launched in the Italian market, with a full marketing refresh and product repositioning to address the low-cost competition. The benefit of these measures and improving demand following easing of lockdown measures are expected to improve the ROAI in the second half.

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 2020, the Sterling was slightly weaker against the US dollar, essentially flat against the Euro and Canadian dollar, and stronger against the Australian Dollar when compared with the average exchange rates in H1 2019.

Translational exposure

Currency	US$	Euro	AUS$	CA$	Other	Total
% mvt in average rate	(2.6)%	(0.1)%	4.8%	(0.4)%		
£m Revenue impact	4.2	-	(0.2)	-	(1.1)	**3.0**
£m Profit impact (1)	1.4	-	-	-	(0.1)	**1.3**
1c decrease impact (2)	£173k	£24k	£2k	£5k		

(1) Adjusted Operating Profit impact

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

The net effect of currency translation caused revenue and adjusted operating profit from ongoing operations to increase by £3.0 million and £1.3 million respectively compared with H1 2019.

Transactional exposure

Foreign exchange hedges have resulted in a gain on revaluation in H1 2020 of £0.6 million (H1 2019: £nil).

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

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PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties, which could impact the Group for the remainder of the current financial year, are identified on pages 38 to 45 of the Group's Report and Accounts for the year ended 31 December 2019, which is available at the Group's website. These risks are as follows: market conditions, competitors, loss of major customers, financial risks, liquidity and credit risks, information security, raw material costs and supply chain failures, footprint rationalisation and key executives and personnel.

The Directors have reviewed these principal risks and uncertainties and have made the following amendments for the period ended 30 June 2020:

Major pandemic

COVID-19 was identified as an emerging risk in the 2019 annual report and the main threat was seen to be to our supply chain in China. Since then COVID-19 has evolved rapidly into a global crisis and has resulted in heightened risk to the health, safety and wellbeing of our employees as well as reduced demand for our products, particularly during the second quarter of 2020. The Group was able to respond rapidly to safeguard our employees, protect our operations, reduce costs and preserve cash. The Group has further expanded its liquidity headroom by establishing eligibility for the Bank of England Covid Corporate Financing Facility ("CCFF"). Further details of the impact of this and the mitigation actions taken are set out within the overview of results on pages 3 to 8.

Major pandemic is now recognised as a principal risk and uncertainty for the Group and is expected to remain so for the remainder of 2020 and for 2021, due to the potential for further waves of the pandemic and need for additional lockdowns.

Markets

COVID-19 has had a serious impact on demand in our markets in 2020. Current recovery trends are encouraging but risk remains as to the size and length of this recovery and the danger of further waves of infection. This, combined with the end of the Brexit transition deal with the EU and the potential for a no deal scenario at the end of 2020, has heightened the risk in respect of the UK market. The risk trend since December 2019 is seen as increasing.

Information security

Information security remains an increasing risk for the Group. Cyber threats have an increased potency when combined with the disruptions of remote working in a COVID-19 environment. Remote working practices have been reviewed to ensure internal controls have not been compromised and phishing testing and awareness training has been increased.

Risk watchlist

Climate change and sustainability remains on our risk watchlist as an emerging source of risk as well as opportunity in the future. Work continues to better understand the likely scale, impact and velocity of this area of risk.

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 2019 Report and Accounts, together with the risk associated with the impact of COVID-19 and the increased unmitigated risk level associated with information security.

28 July 2020

Tyman plc

Condensed consolidated income statement

	Note	**Six months ended 30 June 2020 (unaudited) £m**	Six months ended 30 June 2019 (unaudited) (Restated[2]) £m	Year ended 31 December 2019 (audited) £m
Revenue	3	**254.1**	301.9	613.7
Cost of sales		**(174.2)**	(198.6)	(408.1)
Gross profit		**79.9**	103.3	205.6
Administrative expenses		**(58.9)**	(84.8)	(165.1)
Operating profit		**21.0**	18.5	40.5
Analysed as:				
Adjusted[1] operating profit	3	**31.3**	41.9	85.4
Exceptional items	4	**(0.8)**	(9.9)	(18.9)
Amortisation of acquired intangible assets	9	**(9.5)**	(13.5)	(23.5)
Impairment of acquired goodwill	9	**-**	-	(2.5)
Operating profit		**21.0**	18.5	40.5
Finance income	5	**0.6**	-	-
Finance costs	5	**(6.9)**	(7.5)	(15.7)
Net finance costs	5	**(6.3)**	(7.5)	(15.7)
Profit before taxation		**14.7**	11.0	24.8
Income tax charge	6	**(2.3)**	(3.1)	(7.1)
Profit for the period		**12.4**	7.9	17.7
Basic earnings per share	7	**6.36p**	4.06p	9.08p
Diluted earnings per share	7	**6.35p**	4.04p	9.05p
Non-GAAP alternative performance measures[1]				
Adjusted[1] operating profit		**31.3**	41.9	85.4
Adjusted[1] profit before taxation		**24.7**	34.7	71.0
Basic Adjusted earnings per share	7	**9.91p**	13.14p	27.46p
Diluted Adjusted earnings per share	7	**9.89p**	13.10p	27.35p

(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 48 for non-GAAP alternative performance measures.*

(2) *Depreciation on manufacturing assets was reclassified from administrative expenses to cost of sales for year end 2019 to better reflect the nature of this charge. For comparability, the comparatives for the six months ended 30 June 2019 have been amended to reflect the new classification. See note 2.2.3.*

Tyman plc

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2020 (unaudited) £m	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Profit for the period	**12.4**	7.9	17.7
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**(0.8)**	(0.4)	(1.0)
Total items that will not be reclassified to profit or loss	**(0.8)**	(0.4)	(1.0)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**19.9**	1.0	(11.9)
Effective portion of changes in value of cash flow hedges	**0.2**	0.2	-
Total items that may be reclassified to profit or loss	**20.1**	1.2	(11.9)
Other comprehensive income for the period	**19.3**	0.8	(12.9)
Total comprehensive income for the period	**31.7**	8.7	4.8

Tyman plc

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Treasury reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 January 2019 (audited)	9.8	132.2	(4.9)	(0.3)	71.4	225.5	433.7
Change in accounting policy[1]	-	-	-	-	-	2.4	2.4
At 1 January 2019 (audited)	9.8	132.2	(4.9)	(0.3)	71.4	227.9	436.1
Total comprehensive income/(expense)	-	-	-	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[2]	-	-	-	-	-	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
Total comprehensive income	-	-	-	(0.2)	(12.9)	9.2	(3.9)
Profit for the period	-	-	-	-	-	9.8	9.8
Other comprehensive (expense)	-	-	-	(0.2)	(12.9)	(0.6)	(13.7)
Transactions with owners	-	-	-	-	-	(7.1)	(7.1)
Share-based payments[2]	-	-	-	-	-	0.4	0.4
Dividends paid	-	-	-	-	-	(7.5)	(7.5)
At 31 December 2019 (audited)	9.8	-	(4.3)	(0.3)	59.5	351.6	416.3
Total comprehensive income	-	-	-	0.2	19.9	11.6	31.7
Profit for the period	-	-	-	-	-	12.4	12.4
Other comprehensive income/(expense)	-	-	-	0.2	19.9	(0.8)	19.3
Transactions with owners	-	-	0.8	-	-	(0.7)	0.1
Share-based payments[2]	-	-	-	-	-	0.4	0.4
Issue of own shares from EBT	-	-	1.1	-	-	(1.1)	-
Purchase of own shares for EBT	-	-	(0.3)	-	-	-	(0.3)
At 30 June 2020 (unaudited)	**9.8**	**-**	**(3.5)**	**(0.1)**	**79.4**	**362.5**	**448.1**

(1) The change in accounting policy at 1 January 2019 related to adoption of new accounting standard IFRS 16.

(2) Share-based payments include a tax debit of £Nil (six months ended 30 June 2019: £Nil; year ended 31 December 2019: £0.1 million)

Tyman plc

Condensed consolidated balance sheet

	Note	**30 June 2020 (unaudited) £m**	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
TOTAL ASSETS				
Non-current assets				
Goodwill	8	**393.2**	385.9	371.3
Intangible assets	9	**100.4**	123.4	104.0
Property, plant and equipment	10	**66.4**	70.3	65.8
Right of use assets		**59.5**	62.0	59.4
Financial assets at fair value through profit or loss	13	**1.1**	1.2	1.1
Deferred tax assets		**17.2**	17.1	17.2
		637.8	659.9	618.8
Current assets				
Inventories		**95.1**	116.1	88.6
Trade and other receivables		**79.0**	100.8	76.3
Cash and cash equivalents		**79.9**	49.6	49.0
Derivative financial instruments	13	**0.1**	0.4	-
		254.1	266.9	213.9
TOTAL ASSETS		**891.9**	926.8	832.7
LIABILITIES				
Current liabilities				
Trade and other payables		**(81.4)**	(91.2)	(84.9)
Derivative financial instruments	13	**-**	-	(0.7)
Borrowings	11	**-**	-	(0.3)
Lease liabilities		**(6.3)**	(5.9)	(6.0)
Current tax liabilities		**(8.3)**	(4.0)	(6.5)
Provisions		**(1.3)**	(2.4)	(2.5)
		(97.3)	(103.5)	(100.9)
Non-current liabilities				
Borrowings	11	**(238.9)**	(277.6)	(211.5)
Lease liabilities		**(54.5)**	(55.9)	(54.0)
Derivative financial instruments	13	**-**	(0.1)	-
Deferred tax liabilities		**(31.6)**	(38.6)	(31.3)
Retirement benefit obligations		**(12.9)**	(11.1)	(11.2)
Provisions		**(8.1)**	(8.1)	(7.1)
Other payables		**(0.5)**	(4.6)	(0.4)
		(346.5)	(396.0)	(315.5)
TOTAL LIABILITIES		**(443.8)**	(499.5)	(416.4)
NET ASSETS		**448.1**	427.3	416.3
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital	12	**9.8**	9.8	9.8
Treasury reserve		**(3.5)**	(4.3)	(4.3)
Hedging reserve		**(0.1)**	(0.1)	(0.3)
Translation reserve		**79.4**	72.4	59.5
Retained earnings		**362.5**	349.5	351.6
TOTAL EQUITY		**448.1**	427.3	416.3

Tyman plc

Condensed consolidated cash flow statement

	Note	**Six months ended 30 June 2020 (unaudited) £m**	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Cash flow from operating activities				
Profit before taxation	3	**14.7**	11.0	24.8
Adjustments	14	**27.9**	36.4	71.9
Changes in working capital(1):				
Inventories		**(2.0)**	(10.2)	13.7
Trade and other receivables		**(0.5)**	(13.3)	7.7
Trade and other payables		**(4.8)**	4.7	0.7
Provisions utilised		**(0.2)**	(4.7)	(6.5)
Pension contributions		**(0.2)**	(0.5)	(1.0)
Income tax paid		**(1.3)**	(7.1)	(14.2)
Net cash generated from operations		**33.6**	16.3	97.1
Cash flow from investing activities				
Purchases of property, plant and equipment	10	**(3.7)**	(5.5)	(10.7)
Purchases of intangible assets	9	**(0.4)**	(0.4)	(0.8)
Proceeds on disposal of PPE		**-**	1.2	0.8
Acquisitions of subsidiary undertakings(2)		**(1.5)**	(0.8)	(0.9)
Net cash used in investing activities		**(5.6)**	(5.5)	(11.6)
Cash flow from financing activities				
Interest paid		**(6.6)**	(7.4)	(15.0)
Dividends paid		**-**	(16.1)	(23.6)
Purchase of own shares for EBT		**(0.3)**	(2.0)	(2.0)
Refinancing costs paid		**-**	(0.3)	(0.3)
Drawdown of revolving credit facility		**83.4**	25.4	33.5
Repayments of revolving credit facility		**(71.6)**	(8.7)	(73.4)
Principal element of lease payments		**(3.3)**	(3.2)	(5.6)
Net cash generated from/(used in) financing activities		**1.6**	(12.3)	(86.4)
Net increase/(decrease) in cash and cash equivalents		**29.6**	(1.5)	(0.9)
Exchange gains/(losses) on cash		**1.3**	(0.8)	(2.0)
Cash and cash equivalents at start of period		**49.0**	51.9	51.9
Cash and cash equivalents at the end of period		**79.9**	49.6	49.0

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

Tyman 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 28 July 2020 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 2019 were approved by the Board of Directors on 3 March 2020 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 2019 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 2019, 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

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

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.

2.2.3 Other changes to accounting policies

In 2019, depreciation on assets used in the manufacturing process was reclassified from administrative expenses to cost of sales to better reflect the nature of this charge. For comparability, the H1 2019 comparatives were amended to reflect the new classification. The effect of this was to increase cost of sales by £6.9 million and reduce administrative expenses by £6.9 million. There is no net effect on profit and no impact on the statement of financial position.

In addition, following changes to the information reported to the Chief Operating Decision Maker in the second half of 2019, an amendment has been made to the presentation of segment information. The H1 2019 comparatives have been restated the reflect the new basis. See note 3 for further information.

The group has utilised available government job retention schemes across various territories. The amount received in government support across the Group in the period is £3.3 million, and this has been accounted for as a government grant under IAS 20. As the grant has been intended to cover employee costs, this has been recognised in the profit or loss within administrative expenses, offsetting the related expense.

2.3 Going concern

The Group's business activities, financial performance and position, together with factors likely to affect its future development and performance including the impact of COVID-19, are described in the overview of results on pages 3 to 8. Changes to principal risks and uncertainties are described on pages 25 to 26.

As at 30 June 2020, the Group had cash and cash equivalents of £79.9 million and an undrawn RCF available of £78.6 million, giving liquidity headroom of £158.5 million. The Group also has potential access to an uncommitted accordion facility of £70 million and has obtained eligibility to draw up to £100 million under the Bank of England's Covid Corporate Financing Facility (CCFF).

The Group is subject to leverage and interest cover covenants tested in June and December and had significant headroom on both covenants at 30 June 2020. In order to provide increased headroom during the period of uncertainty, the Group has agreed a relaxation of the leverage covenant from 3.0x adjusted EBITDA to 3.5x at 31 December 2020 and 4.0x at 30 June 2021.

The Group has conducted ongoing scenario planning as the COVID-19 situation has evolved and has taken a number of actions to reduce costs and preserve cash as described on pages 4 to 5. Taking into account actual sales and order levels through the periods of lockdown, recovery patterns since restrictions were eased, and various industry and economic forecasts, the Group has modelled a cautious base case scenario which assumes a continued gradual improvement in sales through the second half of 2020 and the course of 2021, with both years being below the actual 2019 trading performance.

A severe but plausible downside scenario has also been modelled, which assumes a deterioration from current trading levels through the second half of 2020, resulting in revenue for 2020 being 20% below 2019. This scenario also assumes a deeper and more prolonged recession lasts throughout 2021, with revenue for 2021 being 17% below 2019. This scenario could arise if further significant lockdown measures are introduced in key markets or the global economy enters a prolonged period of deep recession. This scenario includes additional cost reduction actions available, mainly in relation to further reductions in discretionary spend. There are further cost mitigating actions that could be taken by management in the event this became necessary. In addition to this downside scenario, the Group has modelled the impact of a second lockdown within the next 12 months, commensurate with actual performance experienced during the initial lockdown period in April and May 2020.

In all scenarios modelled, the Group would retain significant liquidity and covenant headroom throughout the going concern period.

Reverse stress-testing has also been performed to model a scenario which would result in elimination of covenant headroom within the going concern assessment period. This scenario was considered highly unlikely.

Having reviewed the various scenario models, availably liquidity and taking into account current trading, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the consolidated financial information has been prepared on a going concern basis.

2.4 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year. 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 2019, with the addition of going concern as described in note 2.3.

3. Segment reporting

Change to segment reporting

In the second half of 2019, an amendment was made to the method of eliminating inter-segment revenue as well as the allocation of share-based payment charges in the internal reporting provided to the Chief Operating Decision Maker. Consequently, for comparability the H1 2019 comparatives have been restated to reflect the new method of presentation. The changes were not material and there is no effect on the total Group. Inter-segment revenue has been disclosed separately to provide additional information.

Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions: North America (AmesburyTruth), UK & Ireland (ERA) and International (SchlegelGiesse).

North America (AmesburyTruth) comprises all the Group's operations within the US, Canada and Mexico. UK & Ireland (ERA) comprises the Group's UK and Ireland hardware business, together with Access 360, Ventrolla, and Tyman Sourcing Asia. International (SchlegelGiesse) comprises the Group's remaining businesses outside the US, Canada, Mexico and the UK (although includes the two UK seal manufacturing plants). Centrally incurred functional costs that are directly attributable to a Division are allocated or recharged to the Division. All other centrally incurred costs and eliminations are disclosed as a separate line item in the segment analysis.

Each reporting segment broadly represents the Group's geographical focus, being the North American, UK and international operations respectively. In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically defined segments to be reportable. For completeness, the Group discloses certain financial data for business carried on in the UK that is not accounted for in ERA in 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 2020 (unaudited) £'m			Six months ended 30 June 2019 (unaudited) £'m		
	Segment revenue	**Inter-segment revenue**	**External revenue**	Segment revenue	Inter-segment revenue	External revenue
North America	**169.4**	**(1.2)**	**168.2**	188.3	(1.3)	187.0
UK & Ireland	**39.4**	**(0.3)**	**39.1**	54.1	(0.1)	54.0
International	**47.9**	**(1.1)**	**46.8**	62.1	(1.2)	60.9
Total revenue	**256.7**	**(2.6)**	**254.1**	304.5	(2.6)	301.9

	Year ended 31 December 2019 (audited) £'m		
	Segment revenue	Inter-segment revenue	External revenue
North America	388.3	(2.3)	386.0
UK & Ireland	107.5	(0.3)	107.2
International	122.8	(2.3)	120.5
Total revenue	618.6	(4.9)	613.7

Included within the International segment is revenue attributable to the UK of £7.5 million (six months ended 30 June 2019: £10.2 million; year ended 31 December 2019: £19.4 million).

3.2 Profit before taxation

	Note	**Six months ended 30 June 2020 (unaudited) £m**	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
North America		**24.8**	31.4	64.5
UK & Ireland		**3.8**	7.0	13.8
International		**4.6**	7.7	14.8
Operating segment result		**33.2**	46.1	93.1
Centrally incurred costs		**(1.9)**	(4.2)	(7.7)
Adjusted operating profit		**31.3**	41.9	85.4
Exceptional items	4	**(0.8)**	(9.9)	(18.9)
Amortisation of acquired intangible assets	9	**(9.5)**	(13.5)	(23.5)
Impairment of acquired intangibles	9	**-**	-	(2.5)
Operating profit		**21.0**	18.5	40.5
Net finance costs	5	**(6.3)**	(7.5)	(15.7)
Profit before taxation		**14.7**	11.0	24.8

4. Exceptional items

	Six months ended 30 June 2020 (unaudited) £'m	Six months ended 30 June 2019 (unaudited) £'m	Year ended 31 December 2019 (audited) £'m
Footprint restructuring - costs	**-**	(3.3)	(7.1)
Footprint restructuring - credits	**-**	0.6	0.6
Footprint restructuring - net	**-**	(2.7)	(6.5)
M&A and integration - costs	**(0.5)**	(1.9)	(5.3)
M&A and integration - credits	**-**	-	-
M&A and integration - net	**(0.5)**	(1.9)	(5.3)
Redundancy and restructuring	**(0.3)**	-	-
Loss on disposal of business	**-**	-	(1.7)
Impairment charges	**-**	(5.3)	(5.4)
	(0.8)	(9.9)	(18.9)

Footprint restructuring

The footprint restructuring costs in prior periods related to directly attributable costs incurred in the multi-year North American footprint consolidation project, which is now substantially complete, as well as provisions for costs associated with the closure of the Fremont, Nebraska facility and streamlining the international satellite operations which commenced in late 2019. This included the exit of manufacturing in Australia and China, with these markets transitioned to distribution centres and closure of the distribution facility in Singapore with this region now served as an export market.

M&A and integration

M&A and integration costs of £0.5 million relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland.

Redundancy and restructuring

Redundancy and restructuring costs of £0.3 million relate primarily to costs associated with a workforce reduction.

Impairment charges

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

5. Finance income and costs

	Six months ended 30 June 2020 (unaudited) £m	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Finance income			
Gain on revaluation of fair value hedge	**0.6**	-	-
	0.6	-	-
Finance costs			
Interest payable on bank loans, private placement notes and overdrafts	**(5.0)**	(5.6)	(11.1)
Interest on lease liabilities	**(1.5)**	(1.5)	(3.0)
Amortisation of borrowing costs	**(0.3)**	(0.3)	(0.5)
Pension interest cost	**(0.1)**	(0.1)	(0.3)
Loss on revaluation of fair value hedge	**-**	-	(0.8)
	(6.9)	(7.5)	(15.7)
Net finance costs	**(6.3)**	(7.5)	(15.7)

6. Taxation

	Six months ended 30 June 2020 (unaudited) £m	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Current taxation			
Current tax on profit for the period	**(4.4)**	(3.5)	(15.0)
Prior year adjustments	**1.5**	0.2	1.6
Total current taxation	**(2.9)**	(3.3)	(13.4)
Deferred taxation			
Origination and reversal of temporary differences	**0.6**	0.2	6.8
US Federal tax rate change adjustment	**-**	-	(0.1)
Prior year adjustments	**-**	-	(0.4)
Total deferred taxation	**0.6**	0.2	6.3
Income tax charge in the income statement	**(2.3)**	(3.1)	(7.1)
Income tax credit in the statement of other comprehensive income	**-**	-	0.7
Total current taxation	**(2.9)**	(3.3)	(13.2)
Total deferred taxation	**0.6**	0.2	6.8
Total taxation	**(2.3)**	(3.1)	(6.4)

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 2020.

7. Earnings per share

7.1 Basic and diluted earnings per share

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
Basic earnings per share	**6.36p**	4.06p	9.08p
Diluted earnings per share	**6.35p**	4.04p	9.05p

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 2020 (unaudited) m	Six months ended 30 June 2019 (unaudited) m	Year ended 31 December 2019 (audited) m
Weighted average number of shares (1)	**196.8**	196.8	196.8
Treasury and Employee Benefit Trust shares	**(1.8)**	(1.9)	(1.9)
Weighted average number of shares - basic	**195.0**	194.9	194.9
Effect of dilutive potential ordinary shares (2)	**0.4**	0.6	0.8
Weighted average number of shares - diluted	**195.4**	195.5	195.7

(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 48.

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
Basic adjusted earnings per share	**9.91p**	13.14p	27.46p
Diluted adjusted earnings per share	**9.89p**	13.10p	27.35p

8. Goodwill

	30 June 2020 (unaudited) £m	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Net book amount at the beginning of the period	**371.3**	382.1	382.1
Acquisitions of subsidiaries	**-**	2.3	0.9
Exchange difference	**21.9**	1.5	(11.7)
Net book amount at the end of the period	**393.2**	385.9	371.3

Goodwill resulting from the acquisitions of subsidiaries in 2019 relates to the acquisition of Y-cam in February 2019.

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

	30 June 2020 (unaudited) £m	31 December 2019 (audited) £m
North America	**296.4**	275.7
ERA	**60.2**	60.2
International	**36.6**	35.4
Net book amount at the end of the period	**393.2**	371.3

Impairment assessment

Intangible assets are tested annually for impairment or whenever events or circumstances indicate that the carrying amount may not be recoverable. In light of the significant impact COVID-19 has had on performance in the period and forecast financial information, a full impairment assessment using a value in use calculation has been performed for each CGU at 30 June 2020.

As at 30 June 2020, the Group had goodwill of £393.2 million with intangible assets amounting in total to £100.4 million. There is significant judgement involved in determining the appropriate assumptions to use in the calculations, including the forecasted cash flows of each CGU and appropriate discount rates relative to the Company’s cost of capital.

The Group’s CGUs have been defined as each of the Group’s three operating divisions. In the opinion of the Directors, the divisions represent the smallest groups of assets that independently generate cash flows for the Group. This conclusion is consistent with the approach adopted in previous years. The recoverable amounts of CGUs are determined from VIU calculations. VIU is determined by discounting the future pre-tax cash flows generated from the continuing use of the CGU, using a pre-tax discount rate.

Cash flows used in the impairment test for 2020 and 2021 are based on the base case scenario model presented to the Board in June 2020. This reflects the Group's current best estimate taking into account the expected impact of COVID-19 which has been discussed further in the overview of results from page 3. Cash flows from 2022 to 2024 have been estimated by taking into account the expected medium-term recovery trajectory and strategic initiatives. The five-year cash flows were extrapolated using a long term growth rate of 1.5% in order to calculate the terminal recoverable amount.

Discount rates are estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk profiles of the CGUs.

The key assumptions used in the VIU calculations in each of the Group's CGUs at 30 June 2020 are as follows:

	Average pre-tax discount rate		**Average EBITDA margin: years one to five**	
	H1 2020	FY 2019	**H1 2020**	FY 2019
North America	**12.6%**	12.0%	**21.6%**	22.3%
UK & Ireland	**12.4%**	11.9%	**15.0%**	15.5%
International	**14.7%**	12.8%	**19.2%**	19.6%

The impairment review did not result in any impairment losses being recognised in the period. The assumptions have been subjected to sensitivity analyses, including sensitising revenue, gross margin, and the discount rate. Results are summarised as follows:

- UK & Ireland: Revenue would need to decline by almost 4% on average in each of the five years from 2020 to 2024 to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 15.0% to 12.6%, to reduce VIU headroom to zero. This scenario is considered unlikely to occur given historic rates and strategic initiatives in progress.
- North America: Revenue would need to decline by almost 7% on average in each of the five years from 2020 to 2024 to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 21.6% to 17.7%, to reduce VIU headroom to zero. Given that the EBITDA margin achieved in 2019 was 20.5% and considering the margin uplift potential of operational improvement at the Statesville facility and the full benefit of synergies from the Ashland acquisition, this scenario is felt unlikely to occur.
- International: Revenue would need to decline by almost 7% on average in each of the five years from 2020 to 2024 to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from to 19.2% to 16.5%, to reduce the VIU headroom to zero. Given the expected benefits from the streamlining of International operations and growth from new product introductions, this is felt unlikely to occur.

9. Intangible assets

	Note	**30 June 2020 (unaudited) £m**	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Net book amount at the beginning of the period		**104.0**	134.8	134.8
Additions		**0.4**	0.4	0.8
Acquisitions of subsidiaries		**-**	2.5	0.6
Disposals		**-**	-	(1.3)
Amortisation charge for the period		**(10.2)**	(14.2)	(25.0)
Software impairment charge		**-**	-	(2.5)
Transfers to property, plant and equipment		**-**	-	0.3
Exchange difference		**6.2**	(0.1)	(3.7)
Net book amount at the end of the period		**100.4**	123.4	104.0

The amortisation charge for the period includes £9.5 million relating to amortisation of acquired intangible assets (six months ended 30 June 2019: £13.5 million; year ended 31 December 2019: £23.5 million) and £0.7 million relating to amortisation of other intangible assets (six months ended 30 June 2019: £0.7 million; year ended 31 December 2019: £1.5 million). The amortisation charge for the period is included in administrative expenses in the income statement.

10. Property, plant and equipment

	Note	**30 June 2020 (unaudited) £m**	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Net book amount at the beginning of the period		**65.8**	77.0	77.0
Change in accounting policy		**-**	(0.8)	(0.8)
Restated amount at the beginning of the period		**65.8**	76.2	76.1
Additions		**3.7**	5.5	10.7
Acquisitions of subsidiaries		**-**	(0.1)	-
Disposals		**-**	(1.1)	(1.0)
Depreciation charge for the period		**(6.6)**	(6.4)	(13.1)
Impairment charge for the period		**(0.2)**	(3.9)	(4.3)
Transfers from intangible assets		**-**	-	(0.3)
Exchange difference		**3.7**	0.1	(2.4)
Net book amount at the end of the period		**66.4**	70.3	65.8

The change in accounting policy in 2019 of £0.8 million related to the reclassification of dilapidation assets on adoption of IFRS 16 'leases'. The £0.1 million relating to acquisition of subsidiaries relates to the Y-cam acquisition in 2019.

The depreciation charge for the period is included in administrative expenses in the income statement.

11. Interest-bearing loans and borrowings

	30 June 2020 (unaudited) £m	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Current	**-**	-	(0.3)
Non-current	**(238.9)**	(277.6)	(211.5)
	(238.9)	(277.6)	(211.8)

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

	Note	**30 June 2020 (unaudited) £m**	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Balance at the beginning of the period		**(211.8)**	(260.7)	(260.5)
Change in accounting policy		**-**	0.2	-
Restated balance at the beginning of the period		**(211.8)**	(260.5)	(260.5)
Refinancing costs paid		**-**	0.3	-
Drawdown of revolving credit facility		**(83.4)**	(25.4)	(33.5)
Repayment of revolving credit facility		**71.6**	8.7	73.4
Amortisation of borrowing costs		**(0.3)**	(0.3)	(0.5)
Exchange difference		**(15.0)**	(0.4)	9.3
Balance at the end of the period		**(238.9)**	(277.6)	(211.8)

There were no defaults in interest payments in the period under the terms of existing loan agreements. Subsequent to the period end, in order to provide additional headroom during the period of uncertainty caused by COVID-19, the Group agreed a temporary relaxation of the leverage covenant with its lenders from 3.0x adjusted EBITDA to 3.5x at December 2020 and 4.0x at 30 June 2021.

The Group has the following undrawn committed multi-currency revolving credit facility:

	30 June 2020 (unaudited) £m	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Floating rate			
Expiry beyond 12 months	**(81.1)**	(56.1)	(102.8)

The Group also has access to the uncommitted £70.0 million accordion facility and at 30 June 2020 held aggregate cash balances of £79.9 million (30 June 2019: £49.6 million; 31 December 2019: £49.0 million).

The group has also obtained eligibility to draw up to £100 million under the Bank of England Covid Corporate Financing Facility, none of which has been drawn.

12. Share capital

	Number of shares '000	**Ordinary shares £m**	**Share premium £m**
At 1 January 2019	196.8	9.8	132.2
Capital reduction	-	-	(132.2)
At 30 June 2019, 31 December 2019 and 30 June 2020	**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 2019.

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 2020 (unaudited) £m	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Level 2			
Derivative financial assets	**0.1**	0.4	-
Derivative financial liabilities	**-**	(0.1)	(0.7)
Level 3			
Financial assets at fair value through profit or loss	**1.1**	1.2	1.1

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

The fair values of borrowings are as follows:

	30 June 2020 (unaudited) £m	30 June 2019 (unaudited) £m	31 December 2019 (audited) £m
Non-current	**-**	-	(6.2)
Current	**(238.2)**	(276.8)	(265.4)
	(238.2)	(276.8)	(271.6)

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

14. 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 2020 (unaudited) £m**	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Net finance costs	5	**6.3**	7.5	15.7
Depreciation of PPE	10	**6.6**	6.4	13.1
Depreciation of right of use assets		**3.9**	3.5	7.5
Amortisation of intangible assets	9	**10.2**	14.2	25.0
Impairment of intangible assets	9	**-**	-	2.5
Impairment of PPE	10	**0.2**	3.9	4.3
Profit on disposal of PPE		**-**	(0.1)	1.4
Pension service costs and expected administration costs		**0.2**	0.2	0.3
Non-cash provision movements		**0.1**	0.2	1.1
Share-based payments		**0.4**	0.6	1.0
		27.9	36.4	71.9

15. Capital commitments

At 30 June 2020 the Group has capital commitments of £0.2 million for the purchase of property, plant and equipment (30 June 2019: £1.0 million; 31 December 2019: £0.2 million).

16. 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 2020.

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 2019.

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

By order of the Board

Jo Hallas
Chief Executive Officer

Jason Ashton
Chief Financial Officer

28 July 2020

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 6 months period ended 30 June 2020. 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 2020;
- 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 Notes to the condensed consolidated 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

28 July 2020

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 27.

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

Definition

The comparison of revenue or operating profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period. For disposals, 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.

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 2020 (unaudited) £'m	Six months ended 30 June 2019 (unaudited) £'m
Reported revenue	**254.1**	301.9
Effect of exchange rates	**-**	3.7
Like-for-like revenue	**254.1**	305.6
Adjusted operating profit	**31.3**	41.9
Effect of exchange rates	**-**	0.4
Like-for-like adjusted operating profit	**31.3**	42.3

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 2020 (unaudited) £m	Six months ended 30 June 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Profit before taxation	**14.7**	11.0	24.8
Exceptional items	**0.8**	9.9	18.9
(Gain)/Loss on revaluation of fair value hedge	**(0.6)**	-	0.8
Amortisation of borrowing costs	**0.3**	0.3	0.5
Amortisation of acquired intangible assets	**9.5**	13.5	23.5
Impairment of acquired intangible assets	**-**	-	2.5
Adjusted profit before taxation	**24.7**	34.7	71.0
Income tax charge	**(2.3)**	(3.1)	(7.1)
Add back: Adjusted tax effect[1]	**(3.1)**	(6.0)	(10.4)
Adjusted profit after taxation	**19.3**	25.6	53.5

[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 2020 (unaudited) £'m	Six months ended 30 June 2019 (unaudited) £'m
Adjusted Net Debt (at average exchange rate)	155.6	225.6
Adjusted EBITDA	88.3	102.3
Leverage	**1.8x**	2.2x

Net debt and adjusted net debt

Definition

Interest-bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.

Purpose

This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs.

Reconciliation/calculation

	6 months ended 30 June 2020 (unaudited) £'m	6 months ended 30 June 2019 (unaudited) £'m
Borrowings	(301.2)	(341.3)
Cash	79.9	49.6
Unamortised borrowing costs	1.5	1.9
Net debt	(219.8)	(289.8)
Lease liabilities	60.8	61.7
Unamortised borrowing costs	(1.5)	(1.9)
Adjusted net debt	(160.5)	(230.0)

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

	12 months ended 30 June 2020 (unaudited) £'m	12 months ended 30 June 2019 (unaudited) £'m
LTM adjusted Operating Profit	74.8	87.3
LTM average capital employed	694.8	688.3
ROCE	10.8%	12.7%

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

	Ashland $m	Zoo £m	Profab £m	Reguitti €m
Adjusted operating profit	18.8	3.6	0.3	0.9
Gross cost of investment	106.7	19.1	4.4	16.6
Change in controllable capital employed	(1.9)	(0.8)	(0.3)	2.3
	104.8	18.2	4.1	18.8
ROAI	**17.9%**	**19.7%**	**8.1%**	**4.9%**

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 20.

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
CIPS	Chartered Institute of Purchasing and Supply
CMHC	Canada Mortgage and Housing Corporation
Dodge Momentum Index	Monthly measure of the initial report for non-residential building projects in planning
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EBT	Employee Benefit Trust
EPS	Earnings per Share
IASB	International Accounting Standards Board
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
IoT	Internet of Things
LTM	Last twelve months
M&A	Mergers and acquisitions
NAHB	The National Association of Home Builders
NPD	New product development
OEM	Original equipment manufacturer
PMI	Purchasing Managers' Index
PPE	Personal protective 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
USPP	US private placement
Y-cam	Y-cam Solutions Limited acquired by ERA on 18 February 2019
Zoo or Zoo Hardware	Zoo Hardware Limited acquired by ERA on 10 May 2018

EXCHANGE RATES

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

Closing Rates:	H1 2020	H1 2019	FY 2019
US Dollars	**1.2327**	1.2697	1.3186
Euros	**1.0978**	1.1167	1.1757
Australian Dollars	**1.7925**	1.8082	1.8801
Canadian Dollars	**1.6817**	1.6622	1.7164
Brazilian Real	**6.6954**	4.8865	5.3005

Average Rates:	H1 2020	H1 2019	FY 2019
US Dollars	**1.2607**	1.2938	1.2770
Euros	**1.1441**	1.1453	1.1406
Australian Dollars	**1.9192**	1.8319	1.8365
Canadian Dollars	**1.7189**	1.7255	1.6943
Brazilian Real	**6.1795**	4.9757	5.0371

ROUNDINGS

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