The Alumasc Group plc
Report and Accounts 2017

Premium building products, systems and solutions

Welcome to Alumasc

Alumasc's strategy is to build specialised positions in premium building product markets that are capable of growing faster than the overall UK construction market. Around 90% of group revenues relate to the following strategic growth drivers:

Welcome

Alumasc Everywhere

A selection of Alumasc projects in Central and West London

Green roof and waterproofing at Battersea*

blackdown greenroofs

Solar shading at Chiswick Park

LEVOLUX DESIGNED TO CONTROL

SML drainage at Neo Bankside

HARMER® BUILDING DRAINAGE

Architectural screening at Elephant and Castle

LEVOLUX DESIGNED TO CONTROL

Green roof and waterproofing at One Tower Bridge

ALUMASC ROOFING SYSTEMS

Solar shading at More London Riverside

LEVOLUX DESIGNED TO CONTROL

Building products supplied to merchants and distributors across the South East area

timloc building products

* Image courtesy of The Vauxhall Partnership.

Disclaimer:
Whilst every care has been taken to place location markers as accurately as possible given the scope of the skyline, the intent of the picture is for illustrative purposes only.


Green roof at no. 1 Poultry
ALUMASC
ROOFING SYSTEMS
Green roof at Fenchurch Street
blackdown
greenroofs
Solar Shading at Blackfriars Station
LEVOLUX
DESIGNED TO CONTROL
Roof screening at the Walbrook Building
LEVOLUX
DESIGNED TO CONTROL
Internal blinds at New Court, St Swithins Lane
LEVOLUX
DESIGNED TO CONTROL
Harmer roof outlets at Tower Bridge
HARMER
BUILDING DRAINAGE
Slotdrain at London City Hall
GATIC
CIVIL DRAINAGE

Financial Highlights 2016/17

This was Alumasc's sixth successive year of earnings growth, with record revenues generated by our building products businesses.

Group Revenues
(£m)

£104.8m
(2016: £92.2m)

Underlying Earnings per Share
(pence)

20.1p
(2016: 18.4p)

Basic Earnings per Share
from continuing operations
(pence)

18.3p
(2016: 14.5p)

Our Business Segments

SOLAR SHADING & ARCHITECTURAL SCREENING
see page 06

ROOFING & WALLING
see page 08

WATER MANAGEMENT
see page 10

HOUSEBUILDING & ANCILLARY PRODUCTS
see page 12

Forward-looking statements
This report includes forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These risks and uncertainties include international, national and local economic and market conditions, as well as competition. The group undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Inside your Report & Accounts

Strategic Report

Governance

Financial Statements & Company Information

The latest online...

Certain information and topics may be covered in greater detail online. The arrow below indicates where further detail may be found.

Other information is outside the scope of this report, but may be found on or accessed through the Alumasc website.

www.alumasc.co.uk

Strategic Report

Chairman's Statement

"We aim to grow revenues faster than the markets in which we operate and to grow profits at a faster rate than revenues, thereby generating superior financial returns to our shareholders."

John McCall
Chairman

Key Metrics:

Underlying Profit Before Tax

£9.0m +9%

Statutory Profit Before Tax
from continuing operations

£8.1m +20%

Dividends per Share

7.15p +10%

Summary

Against a background of major political events and accompanying near-term uncertainty, it is encouraging that our principal market – UK construction – continued to grow during the past year and that we succeeded in growing our business considerably in excess of our principal market.

Group Earnings advanced for the sixth year, with underlying profit before tax increasing from £8.3 million to £9.0 million (+9%) in the 2016/17 financial year. Statutory profit before tax from continuing operations advanced from £6.8 million to £8.1 million (+20%). Revenues were 14% ahead in total, reflecting a doubling of export sales and further growth in the UK.

The combination of weaker Sterling and a recovery in certain commodity prices raised costs for many of our products, with a consequential impact on margins, particularly for work already in the pipeline. While able to respond to these cost increases to various degrees, particularly with regard to future work, there was an inevitable squeeze on margins in the earlier part of the year.

While we remain alert to further changes in the external environment, we believe that the inherent strength of our brands and products, when coupled with other management initiatives, will enable us to grow operating margins over time, as evidenced by some recovery in the second half year.

Our balance sheet remains strong, with net cash balances of £6.1 million at the year end.

The Board is recommending a final dividend of 4.3 pence per share (2016: 3.8 pence), making a total for the year of 7.15 pence per share (2016: 6.5 pence), an increase of 10%.

Progress against strategy

The year under review represents the first in Alumasc's 70 year history when its operations have been focused on the single market sector of building products. Our strategy is to build specialised positions in building products markets where specifiers and customers recognise the value added by our premium products and systems.

Through continuous market, product and brand development, we aim to grow revenues faster than the markets in which we operate and to grow profits at a faster rate than revenues, thereby generating superior financial returns to our shareholders.

The charts set out on this page illustrate progress since the dark days of recession which followed the financial crisis of 2008/09. During this period of seven years, a pattern can be seen of revenue growth above industry background and of profit growth in excess of revenue growth. The drivers behind this are discussed in detail in the Strategic Report which follows this statement and, following some head winds during the past year, our challenge is to repeat the patterns over the coming seven years.

Talented people are fundamental to both past and future success and, throughout this period, our businesses have made and continue to make significant investment in talent (see the chart on page 5) as the foundation for the future. I wish to express the Board's gratitude, on your behalf, to all our employees for their dedication and contribution towards our progress. The patient development of our teams and markets gives your Board confidence in our ability to progress further in the years ahead.

In parallel with the above, and in support of the growth being achieved in our business, we are investing to raise operational capacity and efficiency. A new factory for Timloc, to complete later this year, to be followed by new facilities for Alumasc Water Management Solutions, are prime examples of this.

Corporate events

Following its review of strategy during the year, the Board concluded that our Scaffolding Products business no longer fitted the group's future plans. Accordingly, the business, which had revenues of £4.2 million and traded at break-even levels in the 2016/17 financial year, was sold for £1.0 million on 31 July 2017.

Prospects

Independent forecasts for construction activity in the coming year indicate further modest growth. Once again, therefore, our task is to grow our business ahead of its principal market against this background through continued product and market development.

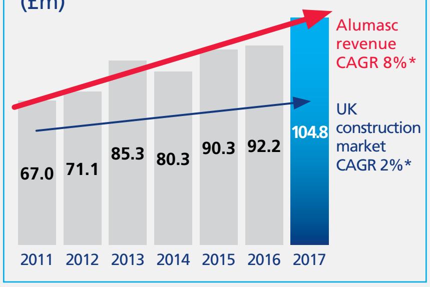
Our investment over a number of years in people and product innovation is being rewarded by the continued strength of our order books and activity still at the enquiry and specification stage.

Given these two factors, it is the Board's belief that further progress should be achieved in the new financial year and beyond.

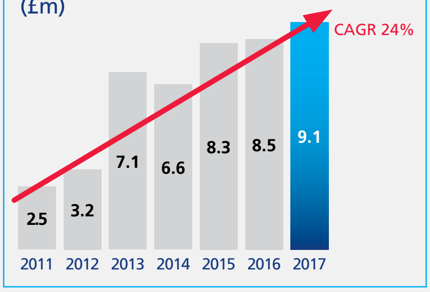
John McCall
Chairman

Seven Year Performance Overview

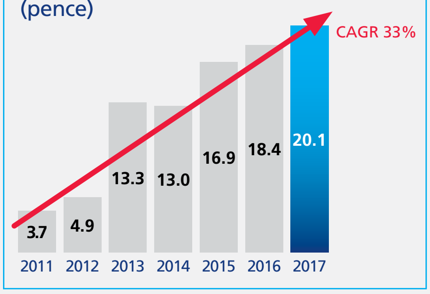
Revenue
(£m)



Underlying Operating Profit
(£m)



Underlying EPS
(pence)



* Alumasc CAGR (compound annual growth rate) is calculated in nominal terms, UK Construction growth data is stated in real terms (Source: Experian).

Adjusting for inflation, Alumasc estimates it has outperformed the UK construction market by 2-3% p.a.

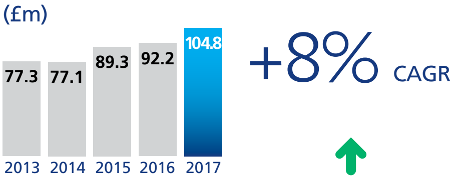
Strategic Report

Our Strategy and Business Model

Our Strategic Objectives

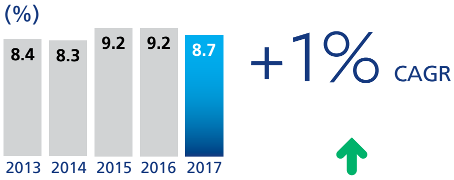
How Strategy is Driving Performance

Group Revenue*
(£m)



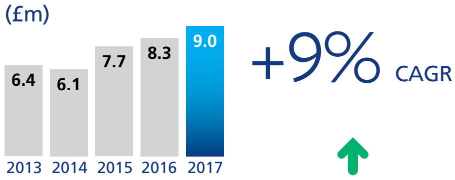
Alumasc's revenues are growing on average 2-3% a year faster than the UK construction market, adjusted for inflation. We are augmenting this by growing export sales.

Return on Sales
(%)



We are targeting operating margin improvements. Currency exchange headwinds impacted progress in 2016/17.

Underlying Profit Before Tax
(£m)



Underlying profit before tax has grown by more than 40% over the last five years.

Our Business Model

Build specialised positions in growth markets

Strategic focus on one or more of the following long-term growth drivers in each group business, which are closely aligned with the requirements of specifying architects and engineers and supported by building regulations:

- Energy Management
- Water Management
- Bespoke Architectural Solutions
- Ease of Construction

+

Manage these to optimise opportunities

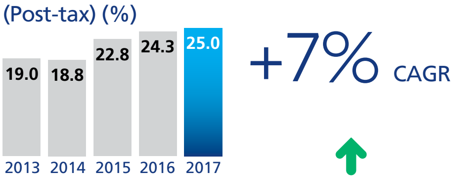
- Empower talented people
- Leverage strong brands
- Continuous innovation & development
- Maximise the commercial opportunity
- Invest in strategic priorities

=

Success

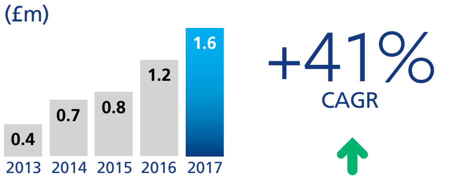
- Satisfied customers
- Sustainable growth
- Superior financial returns
- Long term value creation

Return on Investment
(Post-tax) (%)



Post-tax return on investment of over 20% is significantly higher than cost of capital.

Investment in People to Support Growth
(£m)



We continually invest in new people to support growth in the business. This investment now consistently exceeds £1 million p.a. and is charged to operating profit as incurred.

* Excluding revenues from the exceptionally large Kitimat project in prior years to normalise the growth trend.

Strategic Report

Our Business Segments

Solar Shading & Architectural Screening

BRAND

LEVOLUX
DESIGNED TO CONTROL

2016/17 performance highlights

- Revenue grew by 41% to £24.4m and profit doubled to £2.0m.
- Strong export growth driven by North American market penetration and a large $5m power station screening project.
- First significant contribution from the embryonic balcony and balustrading business.
- Strong order book and pipeline into 2017/18 and beyond.

2016/17 investment in people

£0.7m

Nature of business
- Design and supply of custom solar shading and architectural screening solutions mainly to commercial and public buildings in the UK and North America. Solutions in the UK are also installed.
- Design, supply and installation of bespoke balcony and balustrading solutions to high value residential properties in the UK.

Growth drivers
- Architectural specification.
- Customer demand for unique solutions.
- UK building regulations (Part L) relating to energy management.

Opportunities and potential
- Potential for significant increase in revenues over the medium term through growth in core UK solar shading solutions, greater penetration of the North American market and development of the embryonic balcony and balustrading business.
- Further growth in operating margins through operational efficiencies and gearing.

Stage of construction cycle
- Mid to late cycle.

Routes to market
- Architect specification led.
- Sell direct to main building contractors in the UK and installing sub-contractors in North America.

Market position
- UK no. 1 in solar shading and screening.
- Recent entry to North American architectural screening/shading market and to the UK balconies and balustrading market with significant potential for development in both.

Operations and supply chain
- Mostly outsourced to a range of mainly UK and European suppliers.
- Relatively small manufacturing operation in the UK, mostly fabrication, finishing and painting operations.

LEVOLUX DESIGNED TO CONTROL

Solar Shading & Architectural Screening

400 South Record Street, Dallas, USA

Key Features

Practical yet stylish

Two large horizontal projections were designed and manufactured by Levolux, not only to shield the building from the sun, resulting in a naturally cool and comfortable environment for occupants, but to create an interesting architectural feature, transforming this 17-storey office building as part of a comprehensive refurbishment.

Design led solutions, custom made systems

A canopy of fins extends around the building at ground floor level, to shade glazed areas. As a special feature, the fins above the building's main entrance are twisted, allowing them to continue at high level into the reception area. Up at roof level, a second canopy of fins provides shade for a new 'Sky Garden'. The entire system and solution was designed, manufactured and supplied by Levolux.

Strategic Report

Our Business Segments
continued

Roofing & Walling

BRANDS

2016/17 performance highlights

- Divisional revenues up 4% to £41.5m, operating profit down 18% to £3.3m.
- Record year for Alumasc Roofing.
- More challenging year for Alumasc Façades following public sector funding cuts.
- A low capital intensity, high ROI business. Higher imported material costs impacted margins during the year. These are now being recovered.
- Sale of the non-core Scaffolding Products business (2016/17: £4.2m revenue, operating profit break-even) on 31 July 2017 for £1.0m.

2016/17 investment in people

£0.4m

Nature of business
- Premium waterproofing solutions for flat roofs – including green roofs, blu-roofs and roofing support services.
- Exterior wall insulation ("EWI") systems.

Growth drivers
- Architectural specification.
- Building regulations.

Roofing:
- Increasing demand for full roofing system specifications and water management.

Walling:
- Improving insulation standards in hard to heat homes, reducing CO_2 emissions.

Opportunities and potential
Roofing:
- Outperformance of the UK construction market through continued market share gain and introduction of new products and systems (including Alumasc's "Rain to Drain" strategy).

Walling:
- Recovery in demand and specification of high quality EWI systems.
- Targeting divisional operating margin improvement through growth, new product development, increased specification sales and operational gearing.

Stage of construction cycle
- Mid-cycle.

Routes to market
Roofing:
- Architectural specification, sales to main contractors via a network of registered installing sub-contractors.

Walling:
- Some architectural specification in new build, sales via installing sub-contractors.

Market position
Roofing:
- UK no. 2.

Walling:
- UK no. 3.

Operations and supply chain
Roofing:
- Mainly outsourced to suppliers in Europe and North America.

Walling:
- One third in-house manufacture (renders), balance of material bought in from UK and European suppliers.

ALUMASC ROOFING SYSTEMS

Green Roof and Waterproofing

Banbridge Community Care and Treatment Centre, Northern Ireland

Key Features

Alumasc Derbigum roofing system
A fully built up membrane warm roof system designed and supplied through the Derbigum range of products.

Alumasc Hydrotech Hot Melt waterproofing system
The world's best known failure free seamless hot melt membrane system supplied from Alumasc Hydrotech.

Alumasc Blackdown Green Roof
Blackdown supplied and installed extensive and intensive green roofs, incorporating sedum mat and plants grown from our own fields in the UK.

Strategic Report

Our Business Segments
continued

Water Management

BRANDS

ALUMASC WATER MANAGEMENT SOLUTIONS

GATIC CIVIL DRAINAGE · SKYLINE FASCIA SOFFIT COPINGS · ALUMASC RAINWATER GUTTERS AND DOWNPIPES · HARMER BUILDING DRAINAGE · GATIC ENGINEERED ACCESS COVERS

2016/17 performance highlights

- Revenue up 11% to £30.5m, operating profit up 4% to £3.6m.
- Record year for Alumasc Water Management Solutions.
- Record revenues for Gatic, but margins impacted by increased steel costs.
- Record export revenues for Gatic (£7m), benefitting from a number of large projects.
- "Rain to drain" solutions and new products gaining traction.

2016/17 investment in growth

People: £0.2m

Capital: £0.3m

Nature of business
- Solutions that manage and attenuate water originating inside and outside buildings.
- Integrated "Rain to Drain" solutions in the built environment.

Growth drivers
- Building regulations and legislation aimed at conservation, attenuation and control of water.
- Architectural and structural engineering specifications.
- International expansion for Gatic systems supplied into infrastructure markets.

Opportunities and potential
- Increase UK revenues ahead of growth in the construction sector.
- Increase divisional export sales with focus on Gatic products.
- Grow operating margins through new product introductions, operational efficiency and gearing.
- Additional growth and efficiency potential will be unlocked by new AWMS factory in 2019.

Stage of construction cycle
- Mid-cycle.

Routes to market
- Around 50% specification sold via civil drainage contractors.
- Around 50% via building distribution.

Market position
- Alumasc Rainwater:
  No. 1 in UK aluminium rainwater, no. 2 in cast iron.
- Gatic:
  No. 1 in UK engineered access covers, no. 2 in line drainage.

Operations and supply chain
- Around 50% manufacture.
- Around 50% outsourced, mainly to Far East and Europe.

Bespoke Fascia and Soffit System

Guardian Site, Jersey

Key Features

Alumasc Skyline fascia and soffit system
Top of the range roof edge details to suit all designs and budgets, manufactured from high quality, BBA certified polyester powder coated aluminium, available in four bold generic shapes with bespoke designs available to order.

Bespoke
The Skyline extensive range and bespoke options means we can be flexible to the specific design requirements of any project. Alumasc Skyline designed, manufactured and supplied bespoke soffits and fascia for the balconies, and a complex fascia/coping system.

From design to delivery
Including site visits and design of a comprehensive fascia and soffit system to the customer's requirements. The engineering of a bespoke system that met the wider specification as well as the functional and aesthetic requirements.

Strategic Report

Our Business Segments
continued

Housebuilding & Ancillary Products

BRAND

timloc building products

2016/17 performance highlights

- Revenue up 12% to £9.6m, operating profit up 11% to £1.6m.
- Another record year.
- Cost pressures largely offset by growth and operational efficiency.
- Successful "Above the Roofline" new product range launch.
- Excellent record of customer service "on time in full".

2016/17 investment in growth

People: £0.3m

Capital: £0.5m

Nature of business
- Supply of premium housebuilding products and ancillary items (see examples of products opposite).
- High customer service focus – next day delivery.

Growth drivers
- Legislation and building regulations.
- Growth in UK housebuilding demand and current under-supply of houses.
- New products (e.g. "Above the Roofline" range).

Opportunities and potential
- Outperformance relative to the UK construction market through continued range and geographical expansion.
- Leverage strong sales channels though building distribution.
- Margin improvement through operational efficiency and new factory being commissioned in early 2018.

Stage of construction cycle
- Early-mid cycle.

Routes to market
- Building distribution.
- Some house builder specification.

Market position
- Unique position in terms of product range.

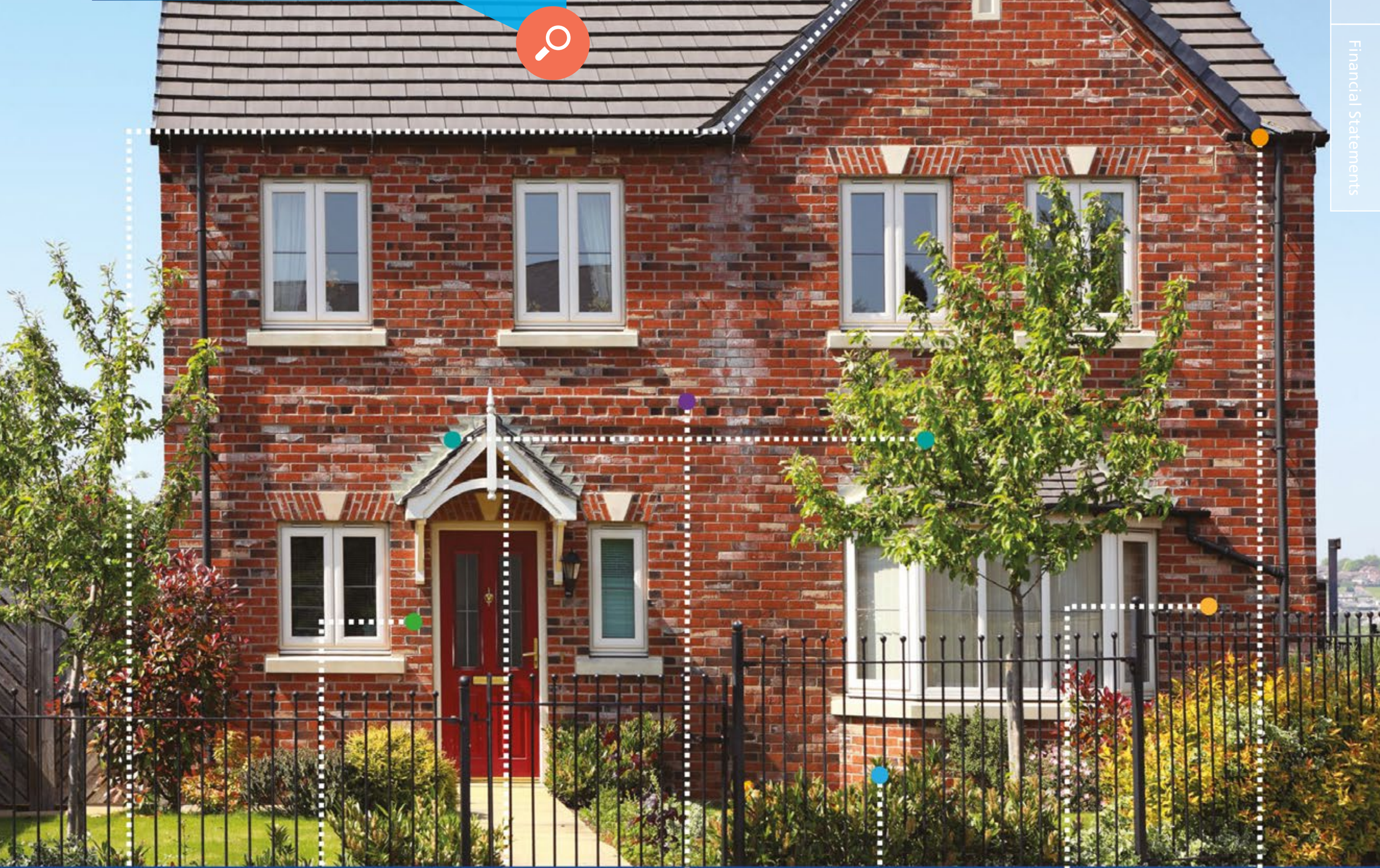
Operations and supply chain
- Mostly in-house manufacture.

Housebuilding & Ancillary Products

Timloc Products on a New House

For over 40 years, Timloc has gained a wealth of experience, that few if any can rival, in designing, manufacturing and supplying cost effective and quality new build residential and RMI building product solutions, from below ground level up to the roof ridge.

Whatever the project – from a simple extension to a major residential development – Timloc is tried, tested and trusted by today's specifiers, housebuilders, installers and merchants. And with next working day service, low carriage paid order values and expert technical support, Timloc makes it easy to get the job done.



- Roofline and above
- Cavity closures
- Cavity trays
- Air leakage solutions
- Underfloor and through ventilation
- Access panels
- Loft doors

Strategic Report

Chief Executive's Review

"Alumasc's chosen businesses have strong strategic positions in specialised market segments capable of growing faster than the overall construction market. We are augmenting UK revenue growth through development of selected export markets."

G. Paul Hooper

Paul Hooper
Chief Executive

Our Performance:

Revenue

£104.8m

Underlying Operating Profit

£9.1m

Underlying Profit Before Tax

£9.0m

Profit Before Tax

£8.1m

Strategy

Alumasc's strategy is to build strong specialised positions in premium building product markets, where specifiers and customers recognise the value added by our products, systems and solutions. Our objectives are to:

1. Grow UK revenues on average at a faster rate than the overall UK construction market;
2. Augment UK revenue growth through the development of selected export markets;
3. Grow profit at a faster rate than revenue, by improving operating margins through innovation, new product development, increasing sales of systems and solutions and operational gearing; and
4. Generate consistently superior financial returns to shareholders, underpinned by growing operating margins and strong returns on investment.

Alumasc's chosen businesses have strong strategic positions in specialised market segments capable of growing faster than the overall construction market. Each of our businesses is well positioned to benefit from one or more of the following long-term market growth drivers, which are closely aligned with the requirements of specifying architects and engineers and supported by building regulations:

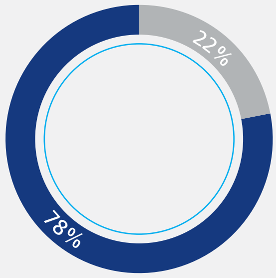
1. Reducing energy use in the built environment;
2. Managing and controlling the flow of water and reducing water use in the built environment;
3. The provision of bespoke architectural systems and solutions, typically involving significant design input and technical expertise; and/or
4. Providing systems and solutions that improve the efficiency, quality and cost effectiveness of the construction process for both installers and customers.

Alumasc leverages this strong strategic positioning through:

- The recruitment and development of talented people;
- Fostering an innovative and entrepreneurial culture;
- Dedicated management and sales focus for each market segment, to provide agility as markets evolve and to deliver superior customer service;
- Building strong customer relationships and the continuous development of well established routes to market;
- Developing synergies within the group, both through cross-selling and cost reduction;
- The promotion and development of recognised and trusted brands;
- The design and development of innovative products; and
- An ongoing programme of prioritised investment in both human and capital resources to support further growth in the business over the medium to longer term.

Organic growth will be supplemented by complementary acquisitions should the right opportunities arise at the right price. Further detail of our business model and an analysis of our track record of success in the execution of our strategy is provided on pages 4 and 5.

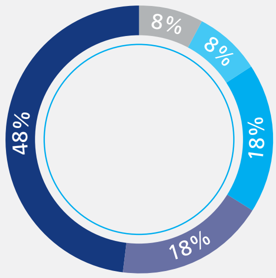
Specification and Regulation Driven Sales



Almost 80% of group revenues are specification or regulation driven.

- Specification Sales
- Other

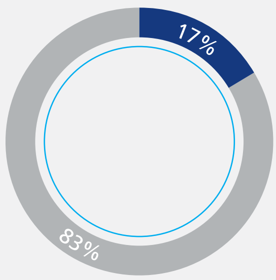
Strategic Growth Drivers



Over 90% of group revenues relate to long term strategic growth drivers:

- Water Management
- Energy Management
- Bespoke Architectural Solutions
- Ease of Construction
- Other

Export Sales



Export sales doubled in 2016/17 to 17% of group revenues

- UK Sales
- Export Sales

Strategic Report

Chief Executive's Review
continued

Overview of Underlying and Statutory Profit

£m	**2016/17** Underlying	**2016/17** Non-underlying	**2016/17** Statutory	2015/16 Underlying	2015/16 Non-underlying	2015/16 Statutory
Revenue	**104.8**	**–**	**104.8**	92.2	–	92.2
Operating profit[1]	**9.1**	**(0.3)**	**8.9**	8.5	(0.8)	7.7
Profit before tax[2]	**9.0**	**(0.9)**	**8.1**	8.3	(1.5)	6.8

1 Non-underlying costs included in operating profit comprise brand amortisation of £0.3 million (2015/16: £0.3 million) and pension administration costs of £0.5 million in 2015/16 (see note 5 to the financial statements).
2 Non-underlying costs included in profit before tax include the costs charged to operating profit (see note 1 above) and IAS 19 pension scheme finance costs of £0.6 million (2015/16: £0.7 million) (see note 5 to the financial statements).

Overview of performance

2016/17 was Alumasc's first year as a focused building products business. This business generated record revenues, enabling Alumasc to deliver its sixth year of earnings growth.

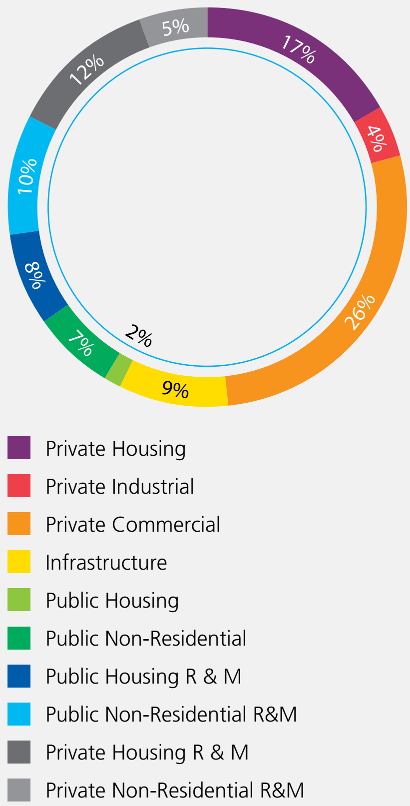
- Group revenues increased by 14% to £104.8 million (2015/16: £92.2 million).
- UK revenues grew by 4%. This compared with UK construction market growth of 1.8%.
- Export sales increased to £17.4 million, representing 17% of group sales (2015/16: £8.0 million and 9%, respectively). This reflected increasing North American market penetration by Levolux, record Gatic export sales and a higher than usual concentration of large projects.
- Underlying operating profit increased by 8% to £9.1 million (2015/16: £8.5 million), with results from three of our four business segments ahead of the prior year, led by particularly strong growth at Levolux, our solar shading and architectural screening business. Further detail is given in the operational review below.
- The growth in underlying operating profit was achieved after absorbing over £1 million of additional materials costs, for the most part arising from the depreciation of Sterling over the last year. This impacted operating margins, which reduced from 9.2% last year to 8.7% this year. Margins recovered, as expected, back to 9.2% in the second half of the financial year as we began to offset increased costs through selling price increases and operational efficiencies. Further details are given in the financial review.
- We invested an incremental £1.6 million in new people during the year, in both sales and operational resources to support the continued growth in the business in both 2016/17 and beyond. The costs of this were all charged to operating profit during the year.
- Underlying profit before tax grew by 9% to £9.0 million (2015/16: £8.3 million), benefiting both from the increase in operating profit and lower net financing costs.
- Underlying earnings per share grew by 9% to 20.1 pence (2015/16: 18.4 pence), in line with the growth in underlying profit before tax.
- Statutory profit before tax from continuing operations rose by 20% to £8.1 million (2015/16: £6.8 million), benefiting from higher underlying profits and lower IAS 19 pension costs.
- Basic earnings per share were 1% ahead of the prior year at 18.3 pence (2015/16: 18.2 pence), with the better results from continuing operations largely offset by the non-recurring prior year post-tax gain arising from the sale of discontinued engineering operations.

Operational review

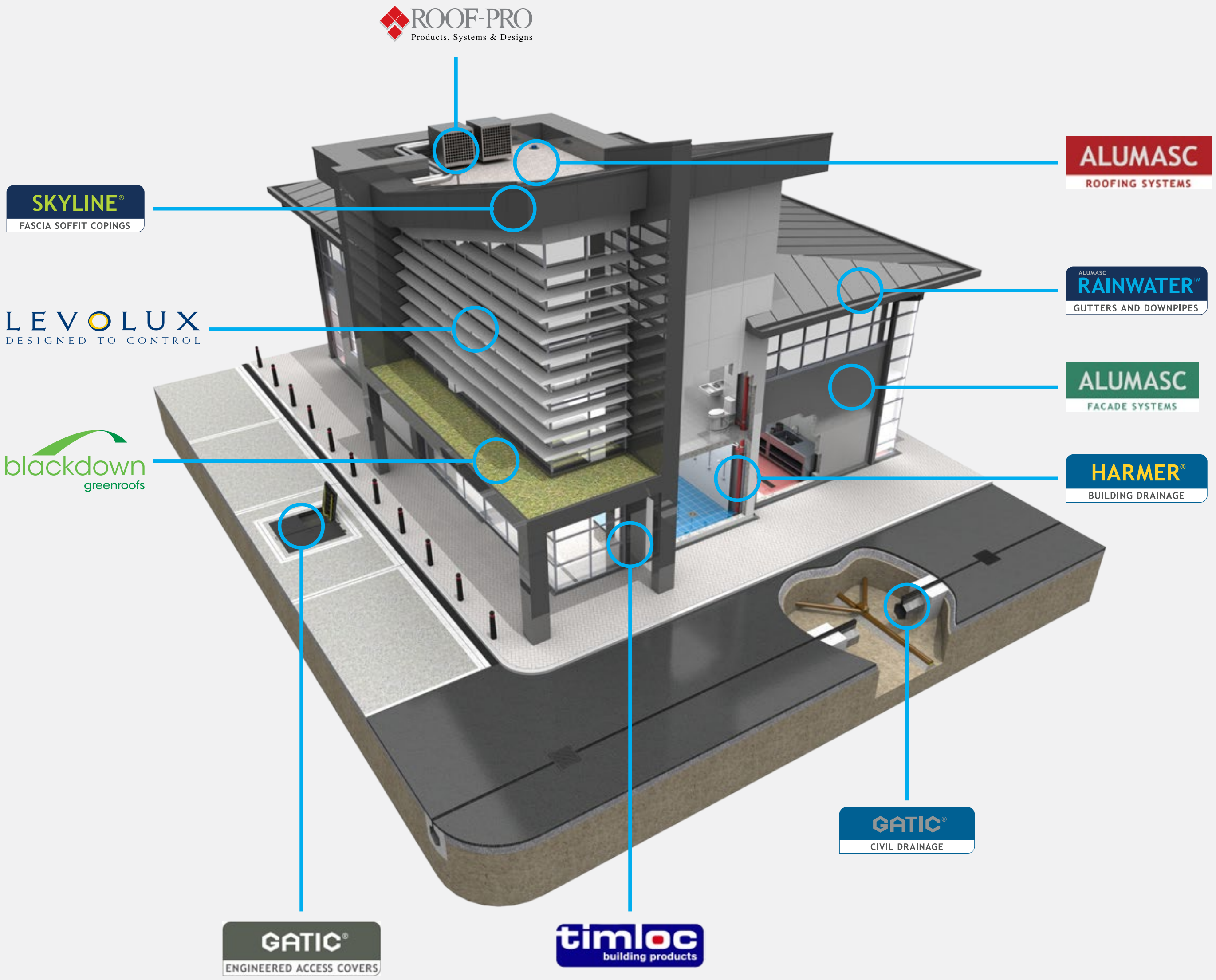
Health & safety

Alumasc's priority is to provide a safe place for our employees to work. Within a broader trend of a significant improvement in health & safety performance across the group over recent years, 11 lost time incidents were recorded across the group in 2016/17, resulting in the group's third best overall safety performance. Details are given in the Corporate & Social Responsibility report on page 29.

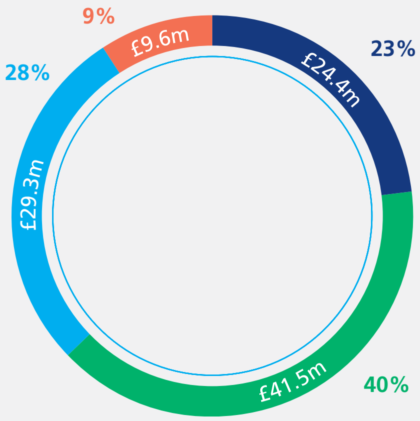
End User Market Analysis – Building Products 2016/17



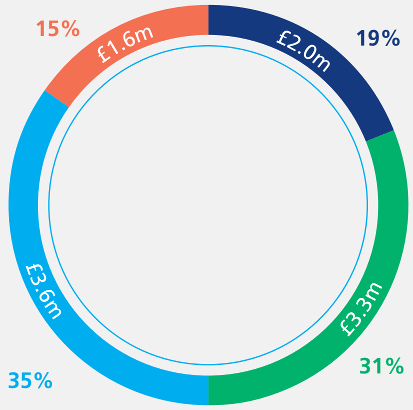
The Alumasc Commercial Building



Revenue by Business Segment



Underlying Operating Profit by Business Segment



- Solar Shading & Architectural Screening
- Roofing & Walling
- Water Management
- Housebuilding & Ancillary Products

Strategic Report

Chief Executive's Review
continued

Solar Shading & Architectural Screening
- Revenue: £24.4 million (2015/16: £17.4 million), up 41%
- Underlying operating profit: £2.0 million (2015/16: £1.0 million), up 100%
- Underlying operating margin: 8.2% (2015/16: 5.5%)
- Post-tax return on investment: 10.8% (2015/16: 6.3%)

Levolux performed very strongly during the year, benefiting from:

- A significant growth in North American export sales to £7.9 million, including a large $5 million contract to screen a power station in the USA. Levolux's reputation and brand recognition is growing amongst specifying architects and building contractors, assisted by better sales coverage across the continent following recent investment;
- The first significant contribution from the embryonic balcony and balustrading business in the UK, with healthy demand from developers of prestige residential apartments; and
- Continuing strong demand for solar shading and architectural screening solutions in the core UK market.

We estimate the size of the potential markets that Levolux is now serving, including the relatively new North American and balconies lines of business, to be approximately £250 million, over four times the size of Levolux's original UK solar shading market. Therefore, the Board believes that the opportunities for Levolux's future development are significant.

We invested £0.7 million in new people to support Levolux's continuing growth during the year, including two vice presidents of sales to double our representation in North America, and additional resources to manage and support the growth of the business more generally including designers, estimators, project managers, operational and supply chain resources.


De Montfort University, Leicester

Levolux is a low capital intensity business, with a relatively small fabrication and warehousing facility in Gloucester. Most of the manufacturing and logistics activity is outsourced to a broad supply chain based mainly in the UK and Europe. This provides us with access to a wide range of materials and system components, together with significant operational flexibility and capacity.

We install our bespoke architectural solar shading and balcony solutions in the UK, and supply to approved installers in North America.

Levolux's order books remain strong at £18.4 million at 30 June 2017. The pre-order specification and quotation pipeline across all lines of business is at record levels. However, in view of the completion in June 2017 of the large $5 million power station project in the USA, we believe Levolux's overall revenue and export sales growth rates in the 2016/17 financial year were above trend. Therefore we expect 2017/18 revenues to be broadly similar to the year under review, as continued growth in the underlying business is mitigated by normalisation of the influence of larger projects.

The order book for projects we expect to be on site in the next (2018/19) financial year is already over £3 million. This is very promising, as it gives us a record level of order visibility at this stage of the year for the following financial year.

In view of the above, 2017/18 should provide us the opportunity to consolidate and benefit fully from improvements in operational and supply chain performance already being delivered by our strengthened operational team following the recent investment. We expect this, and the benefit of more favourable hedged exchange rates from US Dollar income, to assist us in further growing operating margins.

Roofing & Walling

- Revenue: £41.5 million (2015/16: £40.1 million), up 4%
- Underlying operating profit: £3.3 million (2015/16: £4.0 million), down 18%
- Underlying operating margin: 7.9% (2015/16: 9.9%)
- Post-tax return on investment: 36% (2015/16: 47%)

The headline divisional numbers mask another year of record revenues and profits for Alumasc Roofing, despite currency-led cost pressures on imported materials which impacted margins more significantly in this business than elsewhere in the group.

Alumasc Roofing is a specification sales-led business that has continued to gain market share in the UK. This has been through continued investment in the development of an increasingly wide range of high-performing flat roofing solutions that meet client needs in both new build and refurbishment markets. This is combined with a strong service offering and The Alumasc Promise, aimed at lowering the overall life cycle cost of the roof for clients, delivered together with Alumasc trained, but independent, registered contractors.

2016/17 was a particularly strong year for new build sales, with a number of significant projects completed successfully, particularly in London and the South-East. We continue to work on a number of high profile buildings and projects in the Battersea area of London and in London Docklands. Blackdown Greenroofs and Roof-Pro's roofing support systems played an important part in the overall success and growth of the roofing business during the year.

Some £0.4 million was invested in new people in 2016/17, mainly additional technical sales resources to support the medium-term growth potential of Alumasc Roofing. We expect further growth from this business in 2017/18, albeit the further recent depreciation of Sterling means there is likely to be continued pressure on operating margins.

Celtic Court, Bridgend

Alumasc Facades had a challenging year. This business principally supplies exterior wall insulation ("EWI") systems, mainly to the public sector refurbishment market. These systems reduce energy use, thereby lowering CO_2 emissions in hard to heat older properties. Alumasc manufactures mineral renders in-house and buys in other system components, including insulation, from reputable suppliers.

The business has a strong presence in Scotland where government funding continues to be available, albeit now at reduced levels. However, the significant reduction in government funding in England and Wales following the end of the Green Deal programme in 2015 combined with substantial cuts to the Eco programme have led to industry over-capacity, pressure on margins and a significant reduction in our revenue and profit. Therefore, in July 2017 we reduced overhead costs in this business by £0.3 million per annum.

Alumasc does not supply cladding systems of the type that we understand were used on the Grenfell Tower in London. Alumasc's EWI systems typically comprise an insulation layer and a fire retardant mineral render that is fixed to the original external wall of the building.

Of the smaller businesses in the division:

- Scaffold & Construction Products ("SCP") had a difficult year, impacted by a combination of strong price competition and the increased cost of imported materials. This business sold a relatively commoditised product range and had the lowest margins in the group. It achieved a break-even performance for the year from revenues of £4.2 million. The Board took the decision that SCP was no longer sufficiently aligned with group strategy, and therefore we sold this business for book value of £1.0 million on 31 July 2017. A £0.2 million cost was incurred on sale, taken in the 2017/18 financial year, relating to early exit from a warehouse contract.
- Rainclear had its fourth full consecutive year of record revenues and profits following its acquisition in 2012/13. This business has continued to expand its product range within its specialist niche of metal rainwater systems. Rainclear also manages the group's small but relatively high growth e-commerce activities, and has now taken over the running of Building Products Online, formerly managed by SCP.

Strategic Report

Chief Executive's Review
continued

Water Management
- Revenue: £30.5 million (2015/16: £27.6 million), up 11%
- Operating profit: £3.6 million (2015/16: £3.5 million), up 4%
- Operating margin: 11.9% (2015/16: 12.7%)
- Post-tax return on investment: 43% (2015/16: 47%)

Alumasc's Water Management division experienced strong revenue growth led by record export sales of Gatic systems arising from a number of relatively large projects in Europe, the Middle East and the Far East. The bias toward export sales impacted margin mix in the year and this was exacerbated by a circa 70% increase in steel costs as global prices recovered, which could not be fully offset by selling price increases and internal efficiencies.

Alumasc Water Management Solutions ("AWMS") had a record year, albeit experiencing more modest revenue growth mainly driven by sales to UK domestic markets. AWMS manufactures approximately half its output in-house and margins on these products benefited from operational efficiencies. However, this was largely offset by currency led import cost inflation on materials sourced from both the Euro-zone and the Far East.

New drainage products introduced in the prior year continued to gain traction, including the new generation Gatic Slotdrain range, Gatic Filcoten and the Harmer SML below ground range.

In co-operation with Gatic and Alumasc Roofing, AWMS further developed its range of comprehensive "Rain to Drain" solutions to manage, attenuate and conserve water in the built environment, and continues actively to work with specifiers, industry bodies and regulators to meet growing demand in this area.

Alumasc sees great potential to develop the Gatic business, including internationally, and is increasing the level of investment in UK and export sales resources together with new operational leadership in 2017/18 to accelerate both revenue growth and margin improvement.

Skyline – Bartley Wood, Hampshire

In late August 2017 the EU announced it was imposing a 33% duty on certain iron castings imported from China. This will impact Gatic's UK access covers business. The additional cost will be recovered through selling price increases and internal efficiencies, where possible.

It remains the intention to relocate AWMS to a new facility in the Kettering area in the next two to three years as this business approaches physical capacity. A number of options are under consideration and evaluation, including greenfield and existing industrial sites. Pending the move, the business will incur £0.3 million of additional property lease costs at its existing site effective from July 2017. The shorter term strategic focus for AWMS is to improve margin through internal operational efficiencies. Capital investment in new machinery, tooling and technology is planned to support this.

Housebuilding & Ancillary Products
- Revenue: £9.6 million (2015/16: £8.6 million), up 12%
- Operating profit: £1.6 million (2015/16: £1.4 million), up 11%
- Operating margin: 16.5% (2015/16: 16.6%)
- Post-tax return on investment: 25% (2015/16: 28%)

Eaves vent pack

Timloc's revenue growth continued to significantly out-perform the expanding UK market for new houses through:

- Further consolidating the reputation of the business for excellent customer service, including on time in full next day delivery;
- The addition of new products to the range; and
- Expansion of geographical reach within the UK.

Once again, this business reported record revenues and profits for the year.

The 'Above the Roofline' range launched last year exceeded expectations and we expect this new line of business to continue to grow, with new products still to be added, now that it has become established.

Investment of £0.3 million was made in additional sales and operational resources during the year and this helped drive and support the strong revenue growth. Most of the raw material inflation and adverse foreign exchange impacts on margin were offset by manufacturing efficiency gains.

The next milestone in Timloc's development will be the commissioning of its new leased factory, expected in early 2018. The factory will bring much needed additional capacity to meet further anticipated growth in demand, and will also provide additional operational flexibility. We anticipate that incremental property costs of £0.2 million in the 2017/18 financial year will be recovered through sales volume growth and margin improvement. Non-recurring move and factory commissioning costs are expected to be around £0.3 million in 2017/18.

Outlook

External forecasts anticipate continued UK construction market growth of 1.2% in our 2017/18 financial year.

We anticipate further underlying growth in export sales in 2017/18, and this is expected to largely mitigate a high concentration of large export projects in 2016/17.

Alumasc's order books and the level of specifications and enquiries in the pre-order pipeline remain strong across the group.

Therefore, the Board believes Alumasc can continue to grow like-for-like revenues in its 2017/18 financial year, after adjusting for the divestment in July 2017 of SCP which had revenues of £4.2 million in 2016/17.

We are targeting an improvement in financial year-on-year operating margins, assisted by new products and systems, the annualised impact of selling price rises, the divestment of SCP and further operational gearing.

We plan to invest at least another £1 million in people resources during the 2017/18 financial year to assist us in realising the group's medium to longer term growth potential.

The Board is conscious of the wider economic and political uncertainties at the current time and is monitoring developments carefully, retaining flexibility to adapt to events as necessary.

Nonetheless, in view of the strategic positioning of our building products businesses in specialised growth markets and the significant further opportunities for international development at Levolux and Gatic, the Board believes Alumasc can continue to perform well in 2017/18 and beyond.

Dividends

The Board is recommending a final dividend of 4.3 pence per share (2015/16: 3.8 pence), taking the total dividend for the year to 7.15 pence (2015/16: 6.5 pence), an increase of 10%.

The final dividend will be paid on 31 October 2017 to shareholders on the register on 6 October, subject to shareholder approval at the AGM to be held on 26 October.

Paul Hooper
Chief Executive

Strategic Report

Financial Review

"Post-tax return on investment of 25% reflects the high value added by Alumasc from a modest capital base."

Andrew Magson
Group Finance Director

Our Performance:

EBITDA increased 8% to

£10.5m

Shareholders' Funds rose by 23% to

£20.4m

Post-tax ROI grew from 24.3% to 25%

25.0%

Financial KPIs:

The group's financial KPIs are summarised below.
Most show positive development compared with the prior financial year.

Year-end Group Order Book (£m)

£28.6m
(2016: £26.6m)

Comment/explanation
Continuing growth in specifications and orders across the group.

Average Trade Working Capital (as a percentage of sales)

11.3%
(2016: 11.3%)

Comment/explanation
The group maintains strong control over working capital.

Group Revenues (£m)

£104.8m
(2016: £92.2m)

Comment/explanation
Continued growth ahead of the UK construction market augmented by significantly increased export sales.

Net Cash (£m)

£6.1m
(2016: £8.6m)

Comment/explanation
Cash balances reduced as we invested to fund the growth of the business.

Underlying Operating Margin (%)

8.7%
(2016: 9.2%)

Comment/explanation
Margins were impacted by currency headwinds on imported materials. The additional costs are now being recovered.

Pension Deficit (IAS 19) (£m)

£20.6m
(2016: £22.7m)

Comment/explanation
The deficit reduced mainly due to cash contributions made by the group.

Underlying Profit Before Tax (£m)

£9.0m
(2016: £8.3m)

Comment/explanation
Increase driven by the growth in revenues.

Year-end Shareholders' Funds (£m)

£20.4m
(2016: £16.6m)

Comment/explanation
Increased mainly due to retained profits after tax and dividends.

Underlying Earnings per Share (pence)

20.1p
(2016: 18.4p)

Comment/explanation
Growth in underlying profit before tax, at a lower underlying group tax rate.

Return on Investment (post-tax) (%)

25.0%
(2016: 24.3%)

Comment/explanation
Post-tax operating profit grew faster than the average capital base of the businesses.

Strategic Report

Financial Review
continued

Reconciliation of underlying to statutory profit before tax

A reconciliation of underlying to statutory profit before tax from continuing operations is shown in the table opposite. The reduction in IAS 19 pension costs in 2016/17 relates to pension scheme administration costs now being paid directly by the pension schemes rather than being reimbursed by the company.

Analysis of first and second half year operating performance and margin in 2016/17

The table opposite shows that underlying operating profit generation was, as is usual, weighted in the approximate ratio 45%/55% towards the second half of the financial year. Underlying operating margins recovered, as anticipated, in the second half year as we began to recover imported input cost inflation through selling price increases and internal efficiencies.

Taxation

The group's underlying tax rate reduced from 20.8% in 2015/16 to 20.6% in 2016/17, broadly in line with the reduction in the UK statutory rate. The group's overall tax rate increased from 15.6% in 2015/16 to 19.5% in 2016/17 mainly due to the one-off benefit of non-taxable profits from business and related property disposals in the prior year. We expect the group's underlying tax rate to be 19.7% in the 2017/18 financial year.

Foreign currency

The group imports approximately 40% of its total purchases of materials and these transactions are mostly settled in Euros or US Dollars. The group's net annual requirement for purchases in Euros is circa £6 million. US Dollar income is largely offset by US Dollar purchases and therefore the impact across the group as a whole of changes in the US Dollar exchange rates are not as material as is the case for Euros. The depreciation of Sterling against the Euro and US Dollar since June 2016 has cost the group over £1 million. The group has hedged approximately 75% of its currency requirements for the 2017/18 financial year at average rates of €/£: 1.13 and US$/£: 1.31. We continue to seek to recover as much of this currency exchange cost as possible through selling price increases and internal savings and efficiencies.

Reconciliation of Underlying Profit Before Tax to Profit Before Tax*

	2016/17 £m	2015/16 £m
Underlying profit before tax	**9.0**	8.3
IAS 19 pension costs	**(0.6)**	(1.2)
Brand amortisation	**(0.3)**	(0.3)
Profit before tax	**8.1**	6.8

* Continuing operations.

First and Second Half Year Operating Performance

	H1	H2	Full Year
Revenue (£m)	50.8	54.0	104.8
H1/H2 %	48%	52%	
Underlying operating profit (£m)	4.1	5.0	9.1
H1/H1 %	45%	55%	
Underlying operating margin	8.2%	9.2%	8.7%

Pensions

The 31 March 2016 triennial valuation of Alumasc's legacy defined benefit pension liabilities was agreed with the Pension Trustees in the early part of the 2016/17 financial year. The combined pension deficit of our two pension schemes, both of which have been closed to future accrual since 2010, was valued at £33 million. This represented a funding level of 73% of scheme liabilities, reflecting a market environment where gilt yields used to discount future pension liabilities to present values were at close to record lows.

We agreed a plan with the Trustees to recover this deficit over a ten-year period, with the group making annual cash contributions of £3.2 million pa (previously £3.0 million pa) including scheme running expenses. The valuation of the schemes and associated recovery plan is next scheduled to be formally re-assessed in 2019.

The valuation of Alumasc's pension deficit for accounting purposes at 30 June 2017, using IAS 19 valuation conventions, was £20.6 million, an improvement on the previous financial year end valuation of £22.7 million, largely reflecting the benefit of deficit recovery payments made by the group during the year, described above.

Cash flow and year end net cash position

The group's cash flow performance for the year is summarised opposite. The key points are:

- EBITDA was £10.5 million, an 8% increase on last year, driven mainly by the increase in operating profit.
- The timing of cash receipts from customers on large construction contracts, which benefited the prior financial year, had a negative turnaround effect on working capital of £1.7 million in the 2016/17 financial year. Receipts from customers, which had been in advance of work completed a year ago, reversed during the 2016/17 financial year, and were in arrears by 30 June 2017. We expect this to recover back to a broadly neutral position in the current financial year, benefiting cash flow by circa £0.7 million in 2017/18.

- Other working capital outflows to support the 14% increase in group revenues during the 2016/17 financial year were £3.7 million. The group continues to control working capital tightly and the rolling average ratio of trade working capital as a percentage of sales remained unchanged on a year ago at 11.3%. Cash flow prior to the financial year end was impacted by high group revenues in May and June, the cash proceeds from which were not collected until just after the year end.
- Capital investment of £1.1 million was broadly in line with depreciation and non-brand amortisation charges for the year. The group plans to invest more in capital projects in 2017/18 to support the continued growth in the business, currently estimated to be in the range £3.5 to £4.0 million, including the new Timloc factory fit out and commissioning costs of circa £1.8 million.
- Cash contributions to legacy defined benefit pension schemes were £3.3 million, £0.4 million higher than the prior year following agreement of the 2016 triennial valuation of pension liabilities, see below, and the settlement of prior year end expense accruals.
- Interest and tax payments were together £0.9 million (2015/16: £1.2 million).
- Dividend payments to shareholders were £2.4 million (2015/16: £2.2 million).

In total, the net cash outflow for the year was £2.5 million. Alumasc's net cash resources on the balance sheet therefore reduced by £2.5 million from £8.6 million at 30 June 2016 to £6.1 million at 30 June 2017.

Balance sheet, capital structure and return on investment

The group's net assets and shareholders' funds increased from £16.6 million at the beginning of the financial year to £20.4 million at 30 June 2017, mainly as a result of retained profits for the year after dividend payments.

The group defines its capital invested as the sum of shareholders' funds, plus the pension deficit (net of tax), less net cash resources. On this basis, capital invested increased from £26.5 million at the end of the prior year to £31.5 million at 30 June 2017, largely reflecting the investment made in working capital during the year to support the continued growth of the business and work in progress on construction contracts.

Summarised Cash Flow Statement

	2016/17 £m	2015/16 £m
EBITDA*	**10.5**	9.7
Short term changes in working capital on large construction contracts	**(1.7)**	1.8
Underlying change in working capital	**(3.7)**	(0.3)
Operating cash flow from continuing operations	**5.1**	11.2
Capital expenditure	**(1.1)**	(1.1)
Pension deficit & scheme expenses funding	**(3.3)**	(2.9)
Interest	**(0.1)**	(0.2)
Tax	**(0.8)**	(1.0)
Dividends	**(2.4)**	(2.2)
Share schemes and other	**0.1**	(0.6)
Net cash flow from continuing operations	**(2.5)**	3.2
Net sales proceeds from disposal of Dyson Diecastings in 2015/16	**–**	4.5
Net cash flow	**(2.5)**	7.7
Net cash on balance sheet at 30 June	**6.1**	8.6

* EBITDA: Underlying earnings before interest, tax, depreciation and amortisation in 2015/16.

Post tax return on investment advanced to 25.0% in the year to 30 June 2017 from 24.3% in the prior year as the growth in operating profit exceeded the growth in average capital invested during the year. The group's strong post-tax return on investment, substantially above the group's cost of capital, demonstrates the significant economic value added by the group based on the combination of:

- The supply of premium building products, systems and solutions from strong, specialised market positions in growth markets; and
- The group's relatively low capital intensity internal manufacturing operations and outsourced supply chains.

Overall, Alumasc has a strong balance sheet. This will be used (together with the bank facilities described below, as needed) to finance the anticipated further organic growth of the group and complementary acquisitions should the right opportunities arise at the right price.

Banking facilities

Alumasc's banking facilities comprise:

- An unsecured committed five-year revolving credit facility of £12.5 million, expiring in August 2020.
- The ability to extend this facility to £30 million, subject to further credit approval by relationship banks.
- Overdraft facilities, repayable on demand, of £2 million.

Going concern and viability

Having made due enquiry, and based on the information available at the date of this report, the Board believes that Alumasc will remain a going concern and financially viable on the basis of the assumptions and relevant time horizons set out in the going concern assessment on page 70 and viability statement on page 28.

Andrew Magson
Group Finance Director

Strategic Report

Principal Risks and Uncertainties

Risks and uncertainties	Mitigating actions taken
Economic, construction market and foreign exchange risks *Comment* *Alumasc is a UK-based group of businesses. The majority of group sales are made to the construction sector in the UK. This market can be cyclical in nature.* *The depreciation of Sterling during the year impacted material costs.* *There is relatively high economic and political uncertainty at the current time.*	• Strategic positioning in markets/sectors anticipated to grow faster than the UK construction market. • Selected development of export sales opportunities, especially for Levolux and Gatic (particularly in North America, Europe, the Middle East and Far East). • Revenues are derived from a variety of end use construction markets (see page 16). • Development of added value systems and solutions that are either required by legislation, building regulation and/or specified by architects and engineers. • Continuous development and introduction of innovative products, systems, solutions and services that are market leading and differentiated against the competition. • The group has exposure to currency risk, particularly the Euro and US Dollar. Sterling has depreciated against these currencies since June 2016. The impact is being mitigated by selling price increases, purchasing savings, operational efficiencies and forward currency hedging.
Loss of key employees *Comment* *Generally staff turnover is low.*	• Market competitive remuneration/incentive arrangements. • Employee numbers and changes monitored in monthly subsidiary board meetings. • Key, high performing and high potential employees identified and monitored. • Training and development programmes. • Exit interviews held with learning points shared.
Product/service differentiation relative to competition not developed or maintained *Comment* *Innovation and an entrepreneurial spirit is encouraged in all group companies. Over 10% of group sales relate to products launched in the last three years.*	• A devolved operating model with both group and local management responsible for developing a deep knowledge of our specialist markets and identifying opportunities and emerging market trends. • Innovation best practice days held annually at group level and more regularly in each business. • Annual group strategic planning meetings encourage innovation and 'blue sky' thinking. • New product introduction/development KPIs used to monitor progress. • Monitor the market for potentially new and/or disruptive technologies.
Loss of key customers *Comment* *Generally the group has a good track record of customer retention. The group has a diversified customer base with the largest customer representing only circa 3% of group revenues.*	• Develop and maintain strong customer relationships. • Product, system and service differentiation. • Good project tracking and enquiry/quote conversion rate tracking. • Increasing use of, and investment in, customer relationship management (CRM) software. • Organisational and cultural flexibility to adapt to changing and emerging customer needs.
Funding legacy pension obligations *Comment* *Alumasc's pension obligations are material relative to its market capitalisation and net asset value.*	• Continue to grow the business so the relative affordability of pension contributions is improved over time. • Maintain constructive relationship with Pension Trustees. • Meet agreed pension funding commitments. • Regular review at group Board level. • Use of specialist advisors. • Investment performance and risk/return balance overseen by an Investment Committee. • Monitor and seek opportunities to reduce gross pension liabilities. • Use of derivatives to partly hedge inflation and interest rate risk.
Product warranty/recall risks *Comment* *The group has a good track record with regard to the management of these risks and does not have a history of any significant claims.*	• Robust internal quality systems; compliance with relevant legislation, building regulations and industry standards (e.g. ISO, BBA etc), and product testing, as appropriate. • Group insurance programme to cover larger potential risks. • Back to back warranties obtained from suppliers where possible. • Specific local risk management procedures in group brands that also install (as well as supply) building products (i.e. Levolux and Blackdown). • Internal reviews of quality and supply chain and design procedures targeted at higher risk areas, particularly Solar Shading & Architectural Screening, Roofing & Walling.

Risks and uncertainties	Mitigating actions taken
Supply chain risks **Comment** *Whilst the group does not have undue concentration on any single or small group of suppliers, certain Alumasc businesses do have key strategic suppliers, some of whom are located in the Far East.* *In August 2017 the EU imposed a 33% customs duty on certain iron castings imported from China.*	• Annual strategic reviews, including supplier concentration, quality, reliability and sustainability. • Regular key supplier visits, good relationships maintained including quality control reviews and training. • Regular reviews as to whether work should be brought back to the UK (or elsewhere) as economic conditions evolve, including the impact of foreign exchange rates. • Alumasc will seek to recover increased EU customs duties through selling price increases, supply chain and operational efficiencies.
Business continuity risks **Comment** *The group has not previously experienced any significant loss of operational capability causing business continuity issues.* *Cyber security risks are increasing globally.*	• Business continuity plans prepared at each business. • IT disaster recovery plans are in place, with close to real time back up arrangements. • Awareness training and management briefings held on cyber security risks and actions taken on preventative measures. • Regular reviews of cyber security, including external penetration testing. • Energy supply and contingency arrangements reviewed periodically, with back up supplies in place as needed. • Critical plant and equipment is identified, with associated breakdown/recovery plans, including assessment of engineering spares held on site.
Strategic development risks and change projects **Comment** *There are execution risks around a number of current strategic change projects, including new product launches,the relocation of Timloc to a new factory in 2018 and various ERP and CRM system implementations.*	• Key strategic change projects are governed by Steering Committees supported by independent specialist consultants where necessary, for example IT and property. • Project risk reviews conducted and updated regularly. • Project plans established and monitored monthly. • Use of proven, reliable software solutions and avoidance of bespoking wherever possible. • Careful documentation and challenge of legacy business processes prior to implementation of new systems. Pre-implementation testing, training and communication, with go-live delayed if implementation risk is judged to be too high.
Health and safety risks **Comment** *The group has a strong overall track record of health & safety performance, with the number of lost time accidents significantly reduced over the last 10 years.*	• Health and safety is the number one priority of management and the first Board agenda item. • Risk assessments are carried out and safe systems of work documented and communicated. • All safety incidents and significant near misses reported to Board level monthly. Appropriate remedial action taken. • Group health & safety best practice days are held twice a year, chaired by the Chief Executive. • Annual audit of health and safety in all group businesses by independent consultants. • Specific focus on improving safety of higher risk operations.
Credit risk **Comment** *The group has a generally good record in managing credit risks. Risks can be higher amongst smaller building contractor customers, who are often installers of the group's products.*	• Most credit risks are insured. • Large export contracts are backed by letters of credit, performance bonds, guarantees or similar. • Any risks taken above insured limits are subject to strict delegated authority limit sign offs. • Credit checks when accepting new customers/new work. • The group employs experienced credit controllers, and aged debt reports are reviewed in monthly Board meetings.

Strategic Report

Viability Statement

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the group over a three-year period, consistent with Alumasc's formal three-year financial planning process.

The three-year financial plan comprises the group's expected income statement and cash flow performance; its maximum expected and period end net cash/debt positions relative to committed financing facilities; its forecast financial position; and other key financial ratios.

The Board has performed a robust assessment including sensitivity analyses on the base case plan by flexing a number of the main assumptions including those set out below, both individually and in combination, to illustrate the impact of potential downside risks that could affect the financial viability of the group. The more significant sensitivities include:

- The group's ability to adapt to changes in revenue expectations caused by cyclical or adverse changes in the macroeconomic and construction market environments in which it operates; and
- A material erosion of operating margins.

In making this statement, the Directors have also given specific consideration to the principal risks faced by the group as described on pages 26 and 27.

Whilst this review does not consider all of the risks that the group may face and it is recognised that the level of uncertainty with regard to a three-year planning horizon increases over time, the Directors consider that their assessment of the group's prospects is reasonable in current circumstances, having regard to the level of inherent uncertainty involved.

Based on the analysis performed for the three-year review period, the group's net cash position of £6.1 million at 30 June 2017 and the group's committed financing facilities of £12.5 million which do not expire until August 2020, the Directors confirm that they have a reasonable expectation that the group will be able to continue in operation and be able to meet its liabilities as they fall due over the period to 30 June 2020.

Bainbridge Museum of Art, Washington

Corporate and Social Responsibility

Committed to Sustainability

Many of our building products businesses are strongly focused on providing effective solutions to enhance sustainability in the built environment. The group has established leading positions in energy and water management, through brands such as Alumasc, Levolux, Harmer, Gatic and Blackdown.

Health & safety

Alumasc places the highest priority on health and safety matters and seeks to achieve high standards for the well-being of its employees. There is a clear group policy to this effect and it remains the first agenda item for all subsidiary and group board meetings. Achieving an embedded health and safety culture and the reduction of accident risk is the responsibility of management and employees alike.

The group holds regular health and safety best practice days and, in addition, each operating business has local health and safety committees that meet regularly and are subject to an annual health and safety audit, carried out by external consultants, with consequential action plans being monitored in board meetings.

Alumasc's priority is to provide a safe place for our employees to work. The group further improved its safety performance in the year and recorded its third best safety performance on record.

Employees

The table below sets out the gender analysis of Directors, senior management and other employees as required by section 414C (8)(c) of the Companies Act 2006. Information on our employee policies can be found in the Directors' Report on page 57.

Role	Male	Female	Total
Non-Executive Director	5	–	5
Executive Director	2	–	2
Senior managers	47	7	54
Employees	344	111	455
	398	**118**	**516**

Environmental and sustainability matters

Alumasc is cognisant of the impact its business operations may have on the environment, and where practicable we seek ways of working to improve our environmental footprint. Our strategy of focusing on building products activities and divesting our engineering and industrial products businesses over recent years has significantly reduced the impact of the group's operations on the environment.

Many of our building products businesses are strongly focused on providing effective solutions to enhance sustainability in the built environment. The group has established leading positions in water management, through brands such as Alumasc Water Management Solutions, Alumasc Roofing, Gatic and Timloc; and energy management through Levolux and Alumasc Facades.

The Board supports continuous improvements in environmental standards throughout the group. This is achieved through a variety of methods, including product process development, promoting use of recycled materials, waste minimisation, energy efficiency and reducing the emissions from all our operations.

Our programme of environmental audits, carried out and certified by external consultants, has continued through the year. These audits are designed not only to highlight areas in which we can improve, but also to form a basis for our achieving ISO14001:2015 Environmental Management accreditation in a number of our businesses.

The group continues to work with Carbon Footprint Limited, the carbon and sustainability management specialists, as part of our ambition to improve our environmental and sustainability credentials. The full statutory report on our relatively modest greenhouse gas emissions can be found in the Directors' Report on page 58.

All operational sites segregate their process waste to allow direct recovery and recycling. Our obligations to recover and recycle packaging waste are discharged by membership of an independent compliance scheme operated by Valpak.

The wider group is well positioned to benefit from environmentally-driven changes in policy and regulation. In particular, the growing awareness of sustainability and life-cycle cost amongst building and construction specifiers should benefit those group businesses that assist their customers to manage energy and water use in the built environment.

Community

In addition to the wider community benefits arising from our environmental programme, the group supports local community initiatives and a number of charitable donations have been made throughout the year by our subsidiaries including to schools, youth charities and health and armed forces charities. Donations in the year amounted to £1,237 (2015/16: £1,983).

Human rights

Alumasc has long had a culture of seeking to treat people fairly and of being honest and straightforward in its business relationships. As Alumasc comprises a number of relatively small businesses operating from the UK and exporting to mainly developed countries, the Board does not consider it necessary to have a formal human rights policy.

The group does have policies on the related topics of equal employment rights and communication with employees, as detailed in the Directors' Report. It also has the following policies in place, all of which can be found on the company's website (www.alumasc.co.uk):

- Code of Conduct;
- Bribery and Corruption; and
- Whistleblowing.

Modern Slavery Act 2015

The Alumasc Group plc has a zero-tolerance approach to modern slavery and is committed to act ethically and comply with all laws and regulations, which are relevant to the group's businesses and in countries where the group operates. The group expects its suppliers to hold their own suppliers to the same high standards. The full statement and policy can be found on our website.

Governance

Board of Directors and Company Advisors

Chairman and Deputy Chairman

John McCall MA (Cantab)
Chairman

Appointed: 1984
Experience: John McCall was appointed Chairman and Chief Executive on the foundation of the company in 1984. He was called to the Bar in 1968. His previous employment was with the mining finance house Consolidated Gold Fields plc with whom he gained extensive international experience in the fields of mining and construction materials.

N

Jon Pither MA (Cantab)
Deputy Chairman

Appointed: 1992
Experience: Jon Pither holds directorships in numerous companies and is a past council member of the CBI and a past President of The Aluminium Federation. He is the Senior Independent Non-Executive Director on the Alumasc Board.

R A N

Executive Directors

Paul Hooper BSc, MBA, DipM
Chief Executive

Appointed: 2003
Experience: Paul Hooper joined Alumasc as Group Managing Director in April 2001. His earlier career included a first Managing Director role with BTR plc in 1992. He subsequently joined Williams Holdings plc in Special Operations, implementing acquisitions in Europe and North America, prior to joining Rexam PLC as a Divisional Managing Director with responsibility for operations in Europe and South East Asia.

Andrew Magson BSc, FCA
Group Finance Director and Company Secretary

Appointed: 2006
Experience: Andrew Magson spent his earlier career in the business assurance and corporate finance practices of PwC, where he qualified as a chartered accountant. He subsequently held a number of senior finance roles, including group financial controller at BPB plc and divisional financial controller at Saint Gobain.

Non-Executive Directors

Philip Gwyn MA (Cantab)
Non-Executive Director

Appointed: 1984
Experience: Philip Gwyn was called to the Bar in 1968 and after a period with merchant bankers, Dawnay, Day & Co, started to invest in businesses in which he was involved in executive and non-executive capacities. These include Christie Group plc (currently Chairman), The Soho Group (Chairman from 1990 to 2001), GrandVision SA., a French retail group, of which he is a founder director, and other UK enterprises.

A R N

Richard Saville BSc
Non-Executive Director

Appointed: 2002
Experience: Richard Saville's early career was in the City, where he became a partner of Phillips & Drew in 1980 and a Director of Morgan Grenfell Securities in 1987. He joined George Wimpey plc in 1988 becoming Group Finance Director at the beginning of 1994, a position he held until May 2001. After 2001 he served for a time as Director of Finance of Halfords plc and at Craegmoor Limited. He is currently a director of a number of companies.

A R N

David Armfield LLB
Non-Executive Director

Appointed: 2014
Experience: David Armfield began his career as a solicitor at Wilde Sapte, moved to Lehman Brothers in its Investment Banking group in 1987 and later became a partner at PwC, where he led their industrial corporate finance team. David became a founding partner of Kinetix Corporate Finance LLP in 2010, which provides corporate finance advice to the clean technology and environmental sustainability sectors.

A R

Committees:
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- Chairman of Committee

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Brokers
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

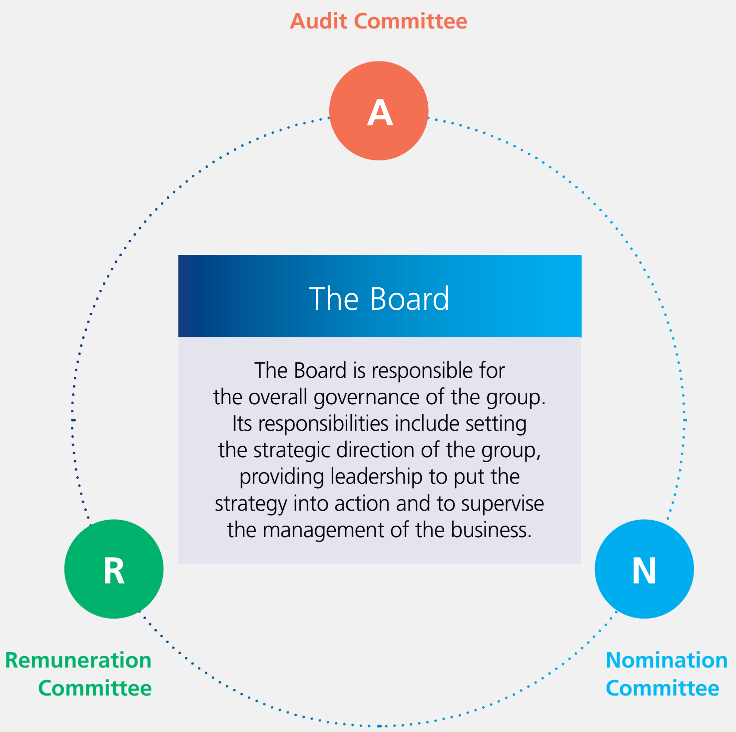
Governance

Corporate Governance Statement

How we govern the group

There is a commitment to high standards of corporate governance throughout the group. The Board endorses the general principles set out in The UK Corporate Governance Code April 2016 (‘The Code’) (which is available on www.frc.org.uk) and is accountable to the group’s shareholders for good governance.

This report, together with the information contained in the Audit Committee Report on pages 36 to 39 and the Directors’ Remuneration Report on pages 40 to 48, explains how the Directors seek to apply the requirements of The Code to procedures within the group.



Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of any judgments and estimates taken in preparing the financial statements; internal and external audit functions; and internal financial control.

Read more on pages 36 – 39

Remuneration Committee

The Remuneration Committee is responsible for determining the Remuneration Policy and the application of the policy in relation to the Chairman’s and Executive Directors’ remuneration. The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Directors.

Read more on pages 40 – 48

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including consideration of the skills, knowledge and experience of the Board members. It also manages succession planning and selects potential new Board candidates when appropriate.

Read more on page 34

Statement of compliance

During the year ended 30 June 2017 the group has complied with the requirements of The Code save for the following:

Three of the Board's Non-Executive Directors, Jon Pither, Philip Gwyn and Richard Saville, have been members of the Board for more than the recommended nine years. The Board has reviewed the role of each of these Directors and concluded that each is independent in character and free from any relationship that could affect exercise of their independent judgment. It is felt that their knowledge and understanding are fundamental to the Board's deliberations and each Director has other significant external commercial interests. The group has one independent (as defined by provision B.1.1 of The Code) Non-Executive Director, David Armfield, therefore, is not compliant with The Code provisions B.1.2, B.2.1, C.3.1 and D.2.1.

Directors

The Board consists of a Chairman, Chief Executive, Group Finance Director and four Non-Executive Directors. Jon Pither is the Senior Independent Director.

In accordance with the articles of association, any Director appointed during the year by the Directors is required to retire and seek election by shareholders at the next annual general meeting ('AGM') following their appointment. Additionally, one-third of the Directors retire by rotation each year and seek re-election at the AGM. The Directors required to retire are those in office longest since their previous re-election. Accordingly, David Armfield retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. In addition, Jon Pither, Philip Gwyn and Richard Saville, having served on the Board for more than nine years, also retire and offer themselves for re-election.

No individual or group of individuals dominate the Board's decision-making.

Profiles of the Board members appear on pages 30 and 31 of this report. These indicate the high level and range of business experience which enables the group to be managed effectively.

The Board meets at least seven times a year and more frequently where business needs require. Two of these meetings are focused upon strategic matters. The Board has a Schedule of Matters reserved for its decision which includes appointments to the Board, material capital commitments, commencing or settling major litigation, business acquisitions and disposals and monitoring the effectiveness of the group's risk management processes. This was updated during the year to reflect The Code and current practice. The full Schedule of Matters can be found on the group's website www.alumasc.co.uk. Directors are given appropriate information for each Board meeting, including reports on the current financial and trading position.

All Directors have access to independent professional advice if required and at the company's expense. This is in addition to the access that every Director has to the Company Secretary. The Company Secretary is charged by the Board with ensuring that Board procedures are followed.

Chairman and Chief Executive

There is a clear division of responsibilities between the roles of the Chairman and of the Chief Executive.

The role of the Chairman is to conduct Board meetings and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions. He is responsible for evaluating the performance of the Board and of the executive management team and of the other Non-Executive Directors and has active involvement in all key strategic decisions taken by the group.

The role of the Chief Executive is to oversee the day to day running of the group's business including the development of business strategies and processes to enable the group to meet shareholder requirements. The role involves leading the executive management team and evaluating their performance. Together with the Group Finance Director, he is also responsible for dealing with investor and public relations, external communications and corporate governance.

Governance

Corporate Governance Statement
continued

Board evaluation

In line with The Code, an evaluation of the performance and effectiveness of the Board, its Committees and individual Directors was carried out during the year. One-to-one discussions were held between each of the Directors and the Chairman and, in the case of the Chairman, between the Chairman and the Senior Independent Director. Issues arising from this process were discussed with the Board with recommendations for actions where appropriate. The Senior Independent Director in conjunction with the Non-Executive Directors is responsible for evaluating the performance of the Chairman.

Board committees

The Board has delegated authority to the following Committees and there are written terms of reference for each Committee outlining its authority and duties. All terms of reference comply with The Code and are available on the company's website www.alumasc.co.uk.

(i) Audit Committee
Details of the composition of the Audit Committee and its activities during the year are given in the Audit Committee Report on page 36.

(ii) Remuneration Committee
Details of the composition of the Remuneration Committee and its activities during the year are given in the Directors' Remuneration Report on page 40.

(iii) Nominations Committee
The Nomination Committee members throughout the year were John McCall (Chairman), Jon Pither, Philip Gwyn and Richard Saville. The Committee meets when appropriate to consider appointments to the Board of both Executive and Non-Executive Directors. Where necessary, external search consultants are used to ensure that a wide range of candidates is considered. An induction to the group's business and training is available for all Directors on appointment.

Attendance at Board and Committee meetings

Directors	Position	Board (7 meetings)	Audit Committee (3 meetings)	Remuneration Committee (3 meetings)	Nomination Committee (1 meeting)
John McCall	Chairman	6	1†	3†	1
Jon Pither	Deputy Chairman	5	2	2	1
Philip Gwyn	Non-Executive Director	6	3	3	1
Richard Saville	Non-Executive Director	7	3	3	1
David Armfield	Non-Executive Director	7	3	3	1†
Paul Hooper	Chief Executive	7	3†	N/A	N/A
Andrew Magson	Group Finance Director	7	3†	N/A	N/A

† By invitation as an attendee.

Shareholder relations

The group is committed to maintaining good communications with its shareholders. Shareholders have direct access to the group via its website where material of interest to shareholders is displayed. Additionally, the group responds to numerous individual enquiries from shareholders on a wide range of issues.

There is regular dialogue with individual institutional shareholders, as well as general presentations after the announcement of results. The Board receives regular updates on all the meetings and communications with major shareholders, who are offered the opportunity to meet with the Non-Executive Directors from time to time. The Senior Independent Director is available to shareholders if they have concerns that cannot be addressed through regular channels such as the Chairman, Chief Executive or Group Finance Director.

All shareholders have the opportunity to raise questions at the AGM when the group also highlights the latest key business developments.

Governance

Audit Committee Report
Statement by the Chairman

"The Committee considered, with management and the external auditors, the significant areas of estimation, judgment and possible error in the financial statements."

Richard Saville
Chairman of the Audit Committee

Dear Shareholders

I am pleased to present the Audit Committee's report for the year ended 30 June 2017. The members of the Committee are set out below.

The Group Chairman, Chief Executive, Group Finance Director and Group Financial Controller usually attend the meetings of the Committee. In addition, the external auditors attended two meetings during the year and the members of the Committee met with the external auditors on one occasion without members of the management team being present. The Committee met three times in the year and a record of the meeting attendance by Committee members is set out on page 34.

Richard Saville
Chairman of the Audit Committee

Audit Committee membership

The Audit Committee members who served during the year were:

- Richard Saville (Chairman)
- John Pither
- Philip Gwyn
- David Armfield

The Board considers that Richard Saville has relevant, recent financial experience.

The Committee's main duties are as follows:

- monitoring and reviewing the integrity of financial reporting process and reviewing the financial statements, including the appropriateness of judgments and estimates taken in preparing the financial statements;
- monitoring and reviewing the effectiveness of the group's internal financial controls including approval of the scope and review of the results of internal audit activities;
- monitoring and reviewing the effectiveness of the company's part-time internal audit function;
- monitoring and reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review any proposal for the external auditor to supply non-audit services, in view of group policy and relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Audit Committee Report

Activities of the Committee in the 2016/17 financial year

The main activities of the Committee during the year were:

- reviewing the interim and full year results announcements and financial statements, with particular focus on the key estimates and judgments taken by management in the preparation of those statements and the external auditor's comments in those areas;
- review and approval of the audit plan of the external auditor, including the scope of the work, the key areas of focus in terms of audit risk and judgment, and the basis on which the auditor assesses materiality;
- considering the effectiveness of the external audit and the independence of the auditors, and recommending the re-appointment of KPMG LLP as external auditor;
- review and approval of the plan and scope of internal audit work, including consideration of internal audit reports issued during the year and discussion of the key matters and improvement points arising from those audits with management;
- reviewing developments in the group's approach to improving the efficiency and resilience of business processes and internal and external communications through use of information technology and business systems, including cyber security; and
- review of management's initial preparations for the introduction of IFRS 15, Revenue Recognition, and in particular its likely application to accounting for construction contracts. This new accounting standard will apply to the group's financial statements for the 2018/19 financial year onwards.

Significant issues considered in relation to the financial statements

The Committee considered, in conjunction with management and the external auditor, the significant areas of estimation, judgment and possible error in preparing the financial statements and disclosures, discussed how these were addressed and approved the conclusions of this work. The principal areas of focus in this regard were:

(i) Revenue and profit recognition on construction contracts
Revenue and profit recognition on construction contracts that span more than one accounting period is an inherently judgmental area, involving estimation of the percentage of contract completion and estimates of costs to complete the work, as described in the accounting policy note on page 75. Having reviewed the contract accounting judgments taken at the year end with management and the external auditors, the Committee was satisfied with the level of revenue and profit recognised on construction contracts for the financial year.

(ii) Defined benefit pension schemes' valuation
As described in the risk review on pages 26 and 27, Alumasc has relatively significant legacy defined benefit pension obligations in the context of the overall size of the group. Therefore, relatively small changes to market assumptions (particularly the discount rate and inflation rate) and actuarial assumptions used to value defined benefit pension obligations under IAS 19 can have a material impact on the group's Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income. Further details are given in note 22 to the consolidated financial statements. Having reviewed the valuation assumptions adopted by management, in conjunction with actuarial advice received and the review of those assumptions by the external auditors, the Committee was satisfied that the group balance sheet reflects an appropriate valuation of the group's pension obligations using IAS 19's valuation methodology.

(iii) Accuracy and valuation of inventory
All of the group's businesses carry material levels of inventory, whether manufactured in-house or bought-in. The accuracy of the records of physical inventory on hand and the valuation of that inventory, including judgments as the value of manufacturing cost to be absorbed into the inventory valuation and the net realisable value particularly of old and slow-moving inventory, can affect both the group's Consolidated Statement of Financial Position and its Consolidated Statement of Comprehensive Income. Inventory records, including an analysis of trends and the evolution of management judgments on valuation are reviewed by the Executive Directors in monthly meetings with operating company management and in associated board reports. Internal audit has a particular focus on checking the accuracy of the inventory records through attendance at stock counts and reviewing the application of judgments taken by local management surrounding valuation. Physical stock counts are held at the financial year end and half year end, and more regularly when needed. The Committee reviews regular reports from executive management, internal audit and the results of the external audit to satisfy itself that inventory values across the group are materially accurate.

Governance

Audit Committee Report
continued

Assessment of the effectiveness of external audit

The Committee assesses the performance of KPMG both through formal Committee meetings, KPMG's reports to the Committee and more informal interaction throughout the year. The Committee also receives structured feedback from senior group and operational management on the robustness, value added and efficiency of the external audit.

Having considered this information, the Committee concluded that the external audit continues to operate effectively and that KPMG continue to be effective in their role.

Assessment of the independence of the external auditor

The group's policy on the independence of auditors is consistent with ethical standards published by the Financial Reporting Council.

The group last changed its external auditors nine years ago, and the Committee assesses the effectiveness and independence of the external auditor every year.

Any non-audit services proposed to be carried out by the external auditor are discussed and approved in advance by the Committee. During both the financial year under review and the prior financial year, no non-audit services were provided by KPMG.

In accordance with best practice and professional standards, KPMG rotated the audit partner responsible for the audit four years ago, when the original audit partner had served for five years. The current audit partner had not previously been involved in providing any audit or non-audit services to Alumasc.

KPMG have confirmed to the Committee that they consider themselves to be independent within the meaning of regulatory and professional requirements.

In view of all the above, the Committee remains satisfied with the independence of the external auditor.

Re-appointment of the external auditor

Having reviewed the performance and independence of the external auditors during the year, the Committee has recommended to the Board to propose to shareholders that KPMG LLP are re-appointed until the conclusion of the AGM in 2018.

Effective internal control and risk management

The Alumasc Board as a whole acknowledges that it is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. The system is designed to be robust in its management of the risk of failure to achieve business objectives. This risk, however, cannot be wholly eliminated and therefore the system can only provide reasonable and not absolute assurance against the risk of material misstatement, fraud or loss.

The group has an ongoing process for identifying, evaluating and managing the significant risks faced by the business. The process was in place during the year and remained in place on the date that the Annual Report and financial statements were approved by the Board. The main elements of the group's internal control process are as follows:

(i) Risk management

Risk management is a continuing activity throughout the year, dealt with through the board meetings of operating companies. In addition, a formal business risk review exercise is conducted every year at each operating company and for the group as a whole. This identifies the most important risks, their likelihood of occurrence and possible business and financial implications and the effectiveness of mitigating controls. A group level summary of these risk reviews is provided on pages 26 and 27. Each operating company has implemented procedures for controlling the relevant risks of their business.

Based on their attendance at the board meetings of each operating company, the Executive Directors report periodically to the Board on the risk management processes that have been in place during the year and the effectiveness of the level of control in managing the identified risks. The Board is able to confirm that these procedures are ongoing.

(ii) Financial reporting and monitoring
The Board receives regular financial reports, including monthly management accounts, monthly rolling re-forecasts, annual budgets and three-year plans. These procedures are intended to ensure that the Board maintains full and effective control over all financial issues. An Executive Committee, comprising the group's Executive Directors and the Divisional Managing Directors of the group's operating segments, reviews trading activities and addresses matters of common interest with regard to safety, strategic development, performance, risk and other matters of mutual group interest.

Day to day management of the group companies is delegated to operational management with a clearly defined system of control, including:

- An organisational structure with an appropriate delegation of authority within each company;
- The identification and appraisal of business and financial risks both formally, within the annual process of preparing business plans and budgets, and informally, through close monitoring of operations;
- A comprehensive financial reporting system within which actual results are compared with approved budgets, re-forecasts and the previous year's figures on a monthly basis and reviewed at both local and group level; and
- An investment evaluation procedure to ensure an appropriate level of scrutiny and approval for all significant items of capital expenditure.

(iii) Internal controls assurance
The Audit Committee on behalf of the Board has reviewed during the year the effectiveness of the system of internal financial control from information provided by management, the group's external auditors and the results from internal audits. The Board as a whole assessed internal control more generally, including the key risks affecting the group in the delivery of its long-term strategies, as summarised on pages 26 and 27. No material weaknesses in internal control were identified in the year.

(iv) Internal audit
The Committee's view is that the size and complexity of the group and the close involvement of the Executive Directors make it unnecessary for Alumasc to have a dedicated internal audit function, although part of the Group Financial Controller's role, and that of her team, is to carry out internal audits in each of the group's principal operating locations each year. This position is kept under annual review by the Committee.

The principal focus of this internal audit work is to check the existence and effective operation of key internal financial controls.

The Committee reviews and approves the proposed scope of internal audit activities each year, and ensures that key risk areas are covered, and that agreed recommendations arising from previous internal and external audits are re-reviewed to assess whether they have been implemented.

Whistleblowing policy

The group has a Whistleblowing policy, which provides a formal mechanism whereby every group employee can, on a confidential basis, raise concerns over potential malpractice or impropriety within the group.

Bribery and Corruption policy

The group has in place a policy with regards to compliance with the Bribery Act 2010. The group's Bribery and Corruption policy and guidelines reflect the Directors' zero tolerance approach to bribery and corruption of all kinds.

This policy has been cascaded down into the operating companies with relevant training provided. Any matters of particular concern, whether arising from due diligence or otherwise with regard to related parties as defined in the Bribery Act 2010, are raised and discussed at monthly operating company board meetings.

Code of Conduct

The group has in place a Code of Conduct, setting out the standards of business practice that the group expects from its executives and employees. This policy is subject to periodic review to ensure it reflects the operation of the group and the business environment in which it operates.

Copies of this policy, the Whistleblowing policy and the Bribery and Corruption policy can be found on the group's website www.alumasc.co.uk.

Going concern and longer-term viability

The Committee is satisfied that the group has adequate resources to continue for the foreseeable future for the reasons given on page 25 and recommends to the Board the adoption of the going concern basis of accounting. This view is further supported by the viability statement on page 28.

Richard Saville
Chairman of the Audit Committee

Governance

Directors' Remuneration Report
Statement by the Chairman

"We are focused on ensuring the group's Remuneration Policy is aligned with shareholders' interests and the company's strategic goals."

John Pither
Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ending 30 June 2017. The overall approach of the Remuneration Committee (the 'Committee' in this report) remains unchanged from prior years. We are focused on ensuring the group's Remuneration Policy is aligned with shareholders' interests and the group's strategic goals, whilst also enabling us to attract, retain and motivate high quality executive management.

In making remuneration decisions, the Committee considers the group's overall performance against its long-term goals. For the year to 30 June 2017, the group has delivered another positive set of results as described in the Strategic Report. Particular highlights include:

- Group revenues from continuing operations increased by 14% to £104.8 million.
- Underlying profit before tax increased by 9% to £9.0 million.
- Underlying earnings per share from continuing operations increased by 9% to 20.1 pence.

The Committee met three times during the year. The topics under discussion included:

- A review of the current Remuneration Policy and preparation of the new policy to be put to shareholders at the 2017 annual general meeting ('AGM').
- A review of the base salaries of the Executive Directors and group employees more generally.
- A review and establishment of the achievement of the bonus criteria for the Executive Directors.
- Decisions on the performance criteria to be applied to the long term incentive plan ('LTIP') and executive share option scheme ('ESOS') awards to be made in October 2017.
- Decisions on the achievement of the performance criteria in relation to the ESOS and LTIP awards maturing in February 2018 and March 2018 respectively.

Summary of any discretion applied in the year
There was no discretion applied during the year to any part of the Directors' remuneration.

Remuneration Policy
The proposed new Remuneration Policy is presented in full following the Directors' Remuneration Report and will be put to a binding shareholder vote at the AGM in October this year. It will become effective following that meeting should the members vote in favour of it. The company will seek approval for a new LTIP at the 2018 AGM which is intended to be a roll forward of the existing LTIP. However, should there be any substantial changes a new policy vote would be sought.

Jon Pither
Chairman of the Remuneration Committee

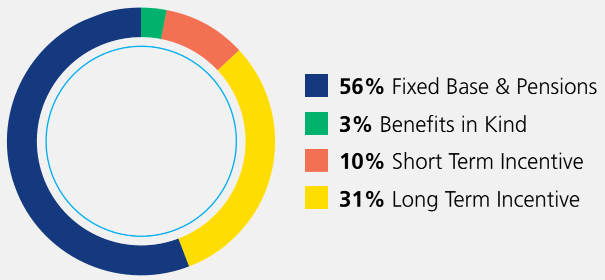
Remuneration Committee membership

The Remuneration Committee members who served during the year were:

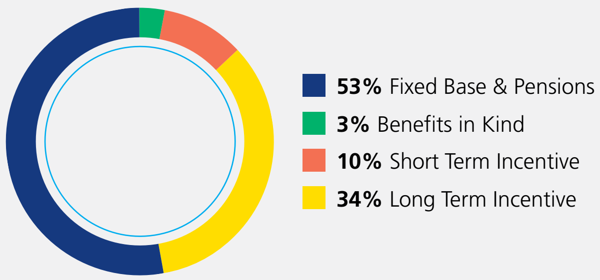
- Jon Pither (Chairman)
- Philip Gwyn
- Richard Saville
- David Armfield

Remuneration Dashboard

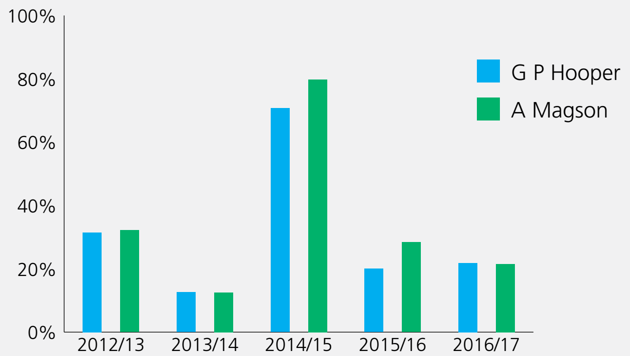
Mix of Remuneration
Executive Directors 2016/17



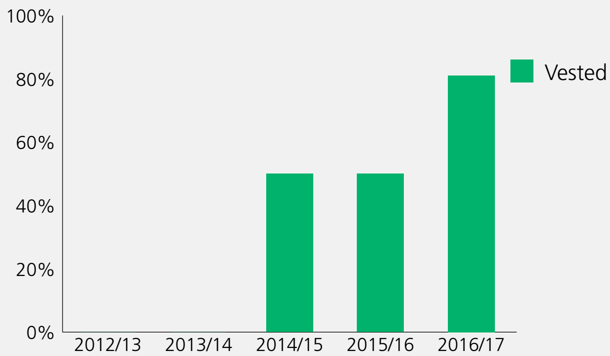
Mix of Remuneration
Chief Executive 2016/17



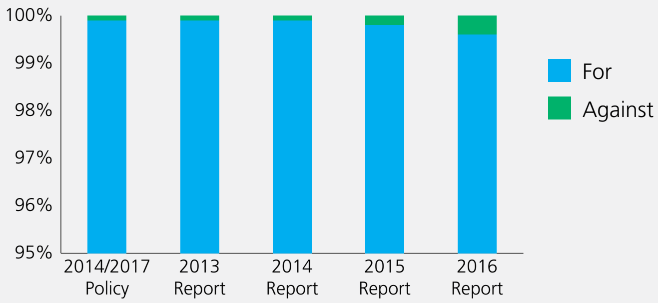
Bonus Levels as a Percentage of Salary



Historical Vesting of LTIPs



AGM Votes on Directors' Remuneration
Policy and Report



This report is on the activities of the Remuneration Committee for the period to 30 June 2017.

It has been prepared by the Remuneration Committee, in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It will be subject to a shareholders' advisory vote at the forthcoming AGM on 26 October 2017.

Governance

Directors' Remuneration Report

Annual Report on Remuneration

The following sections show how the Remuneration Policy approved in 2014 was applied in the year ending 30 June 2017 and, where appropriate, will be applied in the following year. The information provided on pages 40 to 45 of the Directors' Remuneration Report is subject to audit.

Single total figure of remuneration

The remuneration of the Non-Executive Directors for the years 2015/16 and 2016/17 is made up as follows:

	Base salaries/fees		Benefits in kind		Single figure of total remuneration	
Director	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000
John McCall	**100**	100	**4**	4	**104**	104
Jon Pither	**40**	36	**–**	–	**40**	36
Philip Gwyn	**35**	31	**–**	–	**35**	31
Richard Saville	**40**	36	**–**	–	**40**	36
David Armfield	**35**	31	**–**	–	**35**	31
John Pilkington+	**–**	7	**–**	–	**–**	7
Total	**250**	241	**4**	4	**254**	245

+ retired 3 September 2015.

The Non-Executive Director fees were reviewed last year and were increased with effect from 1 January 2016 to bring them back into line with market rates. The Chairman declined the offer of an increase. No further increases are proposed for the 2017/18 year.

The remuneration of the Executive Directors for the years 2015/16 and 2016/17 is made up as follows:

	Base salaries/fees		Bonuses		Benefits in kind		Pension contributions or payments in lieu of pension contributions		Long-term incentives with performance period ending during the year		Single figure of total remuneration	
Director	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17* £000**	2015/16^ £000	**2016/17 £000**	2015/16 £000
Paul Hooper	**257**	250	**56**	50	**17**	17	**51**	50	**198**	126	**579**	493
Andrew Magson	**181**	176	**39**	50	**12**	13	**27**	26	**92**	58	**351**	323
Total	**438**	426	**95**	100	**29**	30	**78**	76	**290**	184	**930**	816

^ Re-stated values based on the vesting of the 2013 LTIP award at a price of 150 pence on 4 November 2016.
* Estimated values based on the latest TSR data. The actual TSR performance period runs until six weeks following the announcement of the group's 2017 annual results.

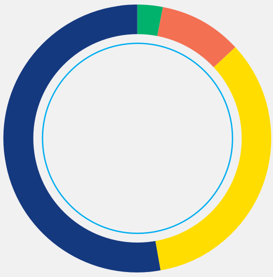
For the year to 30 June 2017 the minimum level at which any annual bonus would become payable was set at underlying profit before tax ("PBT") of £8.3 million. On the basis of actual underlying PBT from all operations of £9.0 million, the target for the profit linked bonus was met and 21.7% of base salary bonus was awarded to Mr Hooper and Mr Magson.

The group operates a policy whereby Executive Directors are provided with health insurance, disability insurance and life cover, and are given a cash alternative to a company car and associated expenses.

The performance metrics used for the 2014 LTIP award, which has a performance period for the three financial years ending 30 June 2017 and will vest in March 2018, were set to incentivise significant further growth in the group's underlying earnings per share ("EPS") compared with the 2013/14 financial year. These metrics comprised an earnings target based on underlying EPS and a total shareholder return ("TSR") target.

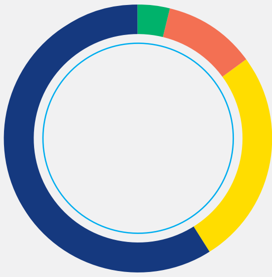
The group's underlying EPS for the 2016/17 year was 20.1 pence per share. 25% of the total award vested on the basis that the threshold level of underlying EPS of 17.6 pence had been achieved. In respect of the actual EPS figure achieved of 20.1 pence per share, the Committee determined that a further 23.1% (out of a possible 37.5%) had vested in respect of the EPS element of the award.

Mix of Remuneration
Paul Hooper 2016/17



- **53%** Fixed Base & Pensions
- **3%** Benefits in Kind
- **10%** Short Term Incentive
- **34%** Long Term Incentive

Mix of Remuneration
Andrew Magson 2016/17



- **59%** Fixed Base & Pensions
- **4%** Benefits in Kind
- **11%** Short Term Incentive
- **26%** Long Term Incentive

Based on the latest data prior to the date of this report, it is assumed that the group will achieve just below top quartile performance in respect of the TSR element of the award. This will be reviewed in the light of actual share price performance in the six week period following the announcement of the group's annual results on 5 September 2017.

Therefore, the Committee determined that, subject to the final calculation of TSR vesting based on Alumasc's average share price in the six weeks following the announcement of the group results on 5 September 2017, approximately 80.75% of the full LTIP award should vest, comprising 25% for achieving the minimum EPS threshold level, a further 23.1% for exceeding the EPS threshold level and an estimated 32.63% in respect of the TSR element. Therefore, in March 2018, it is estimated that approximately 113,178 shares will vest in respect of Mr Hooper and 52,379 shares in respect of Mr Magson. The actual figures will be reported in the 2018 Directors' Remuneration Report.

Total pension entitlements

The group's defined benefit pension schemes are closed to future accrual and neither Mr Hooper nor Mr Magson have benefits provided under these schemes. The group makes provision to pay 20% of Mr Hooper's base salary and 15% of Mr Magson's base salary into a defined contribution pension scheme of each executive's choosing or as a cash alternative.

Payments to past Directors

There were no payments to past Directors during the year (2016: £nil).

Payments for loss of office

There were no payments in relation to loss of office during the year (2016: £nil).

Scheme interests awarded during the year

LTIP awards were granted in September 2016 as detailed in the table below.

	Scheme	Basis of award granted	No. of shares awarded	Face value of award†	% vesting for threshold performance	Vesting and performance period
Paul Hooper	2008 LTIP	75% of base salary	122,510	£192,953	25%	3 years
Andrew Magson	2008 LTIP	50% of base salary	57,521	£90,596	25%	3 years

† Based on share price of 157.5 pence on the day of grant.

The performance measures for these awards over the three-year period will be benchmarked against the 2015/16 basic EPS from continuing operations in that year of 14.5 pence per share.

Governance

Directors' Remuneration Report continued
Annual Report on Remuneration

Threshold basic EPS growth (25% of award) is:	Vesting level
At least growth in Retail Price Index ("RPI") plus 2.5% per annum over the performance period	100%
Below growth in RPI plus 2.5% per annum over the performance period	0%

If threshold performance above is achieved, then:

Basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in RPI plus 10% per annum over the performance period	100%
Between RPI growth plus 2.5% and RPI growth plus 10% per annum over the performance period	Straight line between 0%-100%

Total Shareholder Return (25% of award) is:	Vesting level
Top quartile performance relative to FTSE All Share Index	100%
Between median and top quartile	Straight line between 0%-100%
Below median	0%

Statement of Directors' shareholdings and share interests

Directors' shareholdings

	At 30 June 2017	At 30 June 2016
John McCall	**4,359,668**	4,359,668
Jon Pither	**280,736**	258,181
Philip Gwyn	**3,057,605**	3,057,605
Paul Hooper	**330,237**	191,902
Andrew Magson	**100,103**	61,538
Richard Saville	**53,000**	53,000
David Armfield	**35,000**	25,000

The Directors' shareholdings are beneficial with the exception of 434,000 shares (2016: 434,000) in which Mr McCall has a non-beneficial holding.

There is no requirement of Directors to hold a specific number of shares in the company.

At the year end the Employee Trust, established to hold shares in relation to the ESOS and the LTIP, held 361,789 ordinary shares. The market value of the shares held in trust at 30 June 2017 was £672,928.

Long term incentive plans

The table below reconciles movements in LTIP awards during the year.

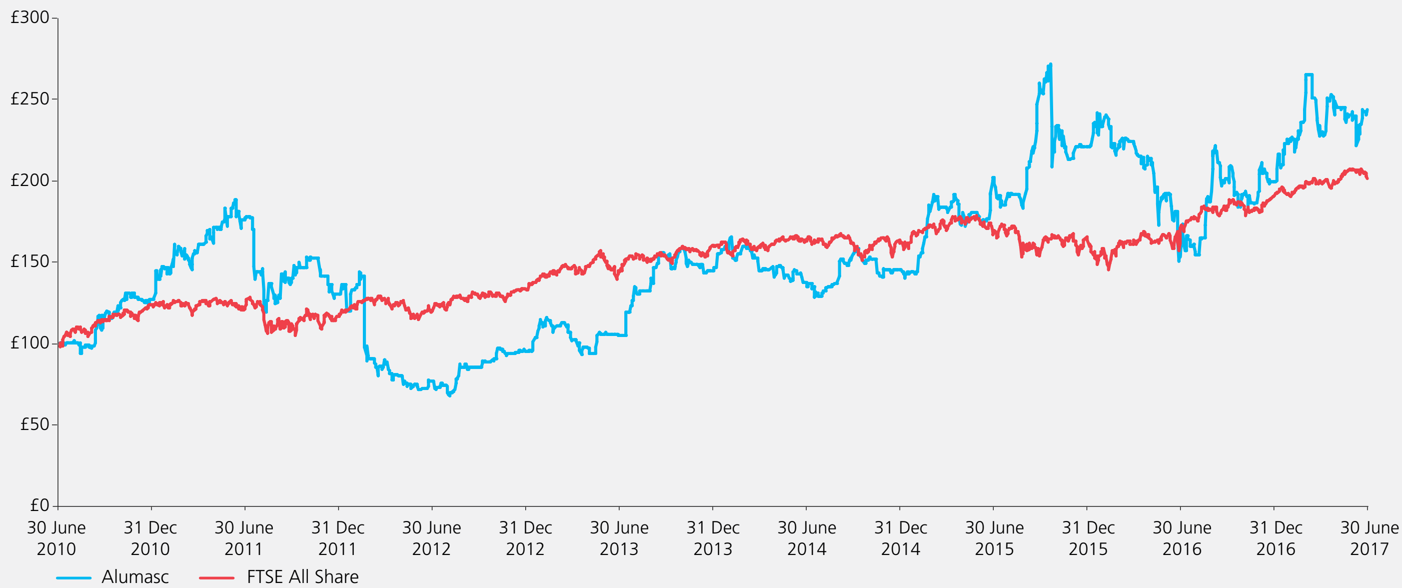
	Date of award	Market price at award date*	Earliest exercise date	**Interest as at 1 July 2016**	of which vested in year	exercised in year	were granted in year	lapsed in year	**Interest as at 30 June 2017**
Paul Hooper									
	Oct 2013	127p	Oct 2016	**134,241**	83,806	83,806	–	50,435	**–**
	Mar 2015	155.5p	Mar 2018	**140,154**	–	–	–	–	**140,154**
	Oct 2015	177.5p	Oct 2018	**99,734**	–	–	–	–	**99,734**
	Sept 2016	157.5p	Oct 2019	**–**	–	–	122,510	–	**122,510**
Total 2008 Plan				**374,129**	83,806	83,806	122,510	50,435	**362,398**
Andrew Magson									
	Oct 2013	127p	Oct 2016	**62,257**	38,867	38,867	–	23,390	**–**
	Mar 2015	155.5p	Mar 2018	**64,865**	–	–	–	–	**64,865**
	Oct 2015	177.5p	Oct 2018	**46,808**	–	–	–	–	**46,808**
	Sept 2016	157.5p	Sept 2019	**–**	–	–	57,521	–	**57,521**
Total 2008 Plan				**173,930**	38,867	38,867	57,521	23,390	**169,194**

* The market price at the award date is based on the price on the day before the date the Employee Trust or the company granted the award. This price can differ from the market value at the date the Remuneration Committee recommended the award to the Trust or company.

Performance graph and Chief Executive remuneration table

The information included in this part of the Directors' Remuneration Report is not subject to audit.

Historical total shareholder return performance



The graph shows the total shareholder return on a hypothetical holding of shares in the company compared with the FTSE All Share Index. This index has been selected as, in the opinion of the Directors, it provides a sounder comparison than any subset of the market.

Governance

Directors' Remuneration Report continued
Annual Report on Remuneration

The following table sets out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each of the past five years for the Chief Executive.

Year	Chief Executive single figure of total remuneration £000	Annual bonus payout against maximum opportunity %†	Long-term incentive vesting rates against maximum opportunity %
2016/17	**579**	**22%**	**81%**
2015/16*	493	20%	50%
2014/15	633	71%	50%
2013/14	323	13%	0%
2012/13	355	32%	0%

* Adjusted to reflect actual figures following the vesting of the 2013 LTIP award in November 2016.

† For the purposes of this table, percentages relate to the Remuneration Policy maximum bonus of 100% rather than the current practice maximum of 50% of salary.

Percentage change in Chief Executive's remuneration
The table below shows the percentage change in remuneration between the years ended 30 June 2016 and 30 June 2017 for the Chief Executive and all group employees.

	Chief Executive	Employees*
Salary	2.8%	3.8%
Benefits	-2.9%	0.0%
Bonus	11.8%	18.6%
Total	3.9%	7.1%

* The comparator group for employees in the table excludes Dyson Diecastings, which was sold during the prior year, and leavers and joiners during the 2016/17 year. This enables a like for like comparison to be made of the increase in base pay of employees in 2016/17.

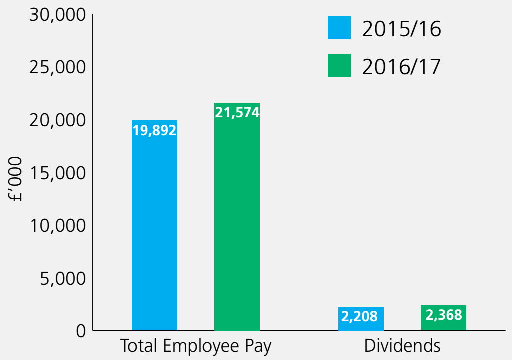
The increase in the overall employee salary cost percentage reflects our continued investment in the growth and development of an increasingly skilled workforce to assist us in realising the group's medium to longer term growth potential.

Relative importance of spend on pay

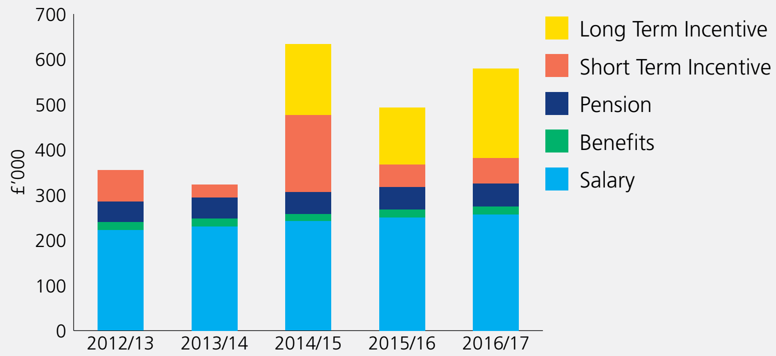
	Total employee pay £000	Dividends £000
2015/16	19,892	2,208
2016/17	**21,574**	**2,368**

* The comparator group for employees in the table excludes Dyson Diecastings which was sold during the prior year. This enables a like for like comparison to be made of the pay of employees in both 2015/16 and 2016/17.

Relative Importance of Spend on Pay



Chief Executive's Remuneration 2012/13 – 2016/17



Statement of implementation of Remuneration Policy in 2017/18

The following sections show how the Remuneration Policy will be applied in 2017/18.

Base salary

Both the Chief Executive and the Group Finance Director base salaries were raised by 3% with effect from 1 July 2017 to £264,710 and £186,430 respectively.

Non-Executive Directors

The remuneration of the Non-Executive Directors is set by the Chairman and the Executive Directors. The policy of the Board is that the remuneration of the Non-Executive Directors should be consistent with the levels of remuneration paid by companies of a similar size and complexity. Non-Executive Directors receive an annual fee and are reimbursed expenses incurred in performing their duties. They do not receive any performance related remuneration or pension contributions. The non-executive fees were not increased during the year and there are no plans to make any increases in the 2017/18 financial year.

The Chairman and Non-Executive Directors do not have contracts of service but their terms are set out in letters of appointment.

Bonus

For 2017/18 the annual bonus for Executive Directors will be determined by growth in group underlying profit before tax relative to demanding targets set at the beginning of the financial year. The Board considers that these targets are commercially sensitive and therefore full details will not be disclosed until the 2017/18 report.

Long Term Incentive Plan

It is intended that awards will be made in October 2017 for the Chief Executive, to the extent of 75% of base salary, and to the Group Finance Director, to the extent of 50% of base salary.

The performance criteria for these awards over a three year period will be the growth in basic EPS above 18.3 pence per share base level as at 30 June 2017.

Threshold basic EPS growth (25% of award) is:	Vesting level
At least growth in RPI plus 2.5% per annum over the performance period	100%
Below growth in RPI plus 2.5% per annum over the performance period	0%

If threshold performance above achieved then:

Basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in RPI plus 10% per annum over the performance period	100%
Between RPI growth plus 2.5% and RPI growth plus 10% per annum over the performance period	Straight line between 0%-100%

Total shareholder return (25% of award) is:	Vesting level
Top quartile performance relative to FTSE All Share Index.	100%
Between median and top quartile	Straight line between 0%-100%
Below median quartile	0%

Governance

Directors' Remuneration Report continued

Annual Report on Remuneration

Consideration by the Directors of matters relating to Directors' remuneration
During the year the Committee considered the remuneration of the Chairman and the Executive Directors.

Details of the Committee members who served during the year can be found on page 40. The Committee met three times during the year and a record of the meeting attendance by Committee members is set out on page 34. The Group Chairman generally attends meetings of the Committee but takes no part in deliberations relating to his own position. The Chief Executive and Group Finance Director can attend meetings of the Committee as requested but take no part in deliberations relating to their own position.

The increases in base salary for the Executive Directors were awarded within the range of salary increases granted to employees across the group. No external advice was taken on these matters.

Neither of the Executive Directors has any external paid directorships. Executive Directors may be permitted to accept external board or committee appointments provided they do not interfere with their obligations to the company. The Board will decide at the time of appointment whether the Executive Director may retain the fees for such appointments.

Statement of voting at Annual General Meeting
At last year's AGM (2016) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes cast	% of votes cast
For	17,809,365	99.6
Against	66,222	0.4
Total votes cast (for and against)	17,875,587	100
Votes withheld*	2,746	n/a
Total votes cast (including withheld votes)	17,878,333	n/a

* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' or 'Against' a resolution.

Approval
This report was approved by the Board of Directors on 5 September 2017 and signed on its behalf by:

Jon Pither
Chairman of the
Remuneration Committee

Directors' Remuneration Policy 2017

The Remuneration Committee is required to put its Remuneration Policy to a binding shareholder vote at the company's AGM on 26 October 2017.

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy which, subject to shareholder approval, shall take effect from the close of the company's 2017 AGM. The Company's existing Directors' Remuneration Policy was approved by shareholders at the 2014 AGM, with over 99% of votes cast in favour of it. The Remuneration Committee, having reviewed that policy and having taken into account shareholder comments since the last policy vote, concluded that, in substance, it remains fit for purpose to support the implementation of the group's strategy over the next three-year period. With the exception of the option to increase the maximum LTIP award to 100% under any new plan introduced, the policy set out below has not materially changed from the policy approved in 2014. Any discretion to be retained by the Committee is detailed in the relevant sections within the policy. Other minor amendments have been made to the policy to aid its administration, to reflect the changes referred to above and to reflect changes in practice since the policy was first approved in 2014.

Executive Director future policy table

There are no performance conditions for the provision of fixed remuneration.

Fixed remuneration			
Element	**Purpose and link to strategy**	**Operation**	**Maximum**
Base salary	Provides fixed remuneration for the Executive Directors, which reflects the individual's experience and the size and scope of the executive's responsibilities.	An Executive Director's salary is set on appointment and normally reviewed annually on 1 July. Salaries are determined by the Remuneration Committee taking into account a range of factors including, but not restricted to, remuneration practices and general salary ranges within the group, changes in scope or responsibility, and the experience of the relevant Director.	While there is no maximum salary, ordinarily salary increases will not exceed the range of salary increases (in percentage terms) awarded to other employees in the group. However, salary increases may be above this level in certain circumstances as required, for example, to reflect: • Increase in scope or responsibility; • Performance in role; or • An Executive Director being moved to align with changing market rates.
Retirement benefits	To provide competitive post-retirement benefits and reward sustained contribution to the performance of the group.	The group may make payment either into a defined contribution plan and/or as a separate cash allowance. Group contributions are determined as a percentage of base salary and set at a level which the Remuneration Committee considers to be appropriate, taking into account comparable roles in companies of a similar size and complexity.	The maximum contribution rate or equivalent cash allowance is 20% of base salary.
Benefits	Ensures the overall package is competitive in order to help recruit and retain Executive Directors.	Executive Directors are entitled to a range of benefits, including but not limited to, membership of the group's healthcare scheme, disability and life insurances and car or car allowance. Other benefits may be provided based on individual circumstances, for example relocation allowances.	Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors receive, the value of benefits is set at a level which the Remuneration Committee considers is appropriate, taking into account companies of a similar size and complexity in the relevant market.

Governance

Directors’ Remuneration Policy 2017
continued

Variable performance-linked remuneration

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Annual Bonus	Rewards the achievement of financial and/or strategic business objectives.	Performance conditions and targets are reviewed and set each year by the Remuneration Committee. These targets will be challenging and will reflect both short term expectations and longer term strategic goals. The bonus will, either in its entirety or principally, be based on the achievement of financial targets related to key business objectives. Other performance metrics that the Remuneration Committee considers appropriate from time to time, including personal objectives, may also be used. Bonus pay-out is determined by the Remuneration Committee after the relevant year end, following an assessment of performance against the targets. The Committee retains discretion to amend the payout should any formulaic output not reflect the Committee’s assessment of overall business performance. Recovery provisions apply as set out below this table.	The Policy allows for up to 100% of base salary to be earned. However, current practice is for up to a maximum of 50% of base salary to be earned on achievement of results well ahead of target.	Either all, or the majority of, the available bonus will be based on achievement of pre-determined profit targets with a minimum profit based threshold condition that must be met before any of the bonus is payable. Any balance of the available bonus will be based on financial or strategic measures and/or individual objectives linked to the delivery of the company’s strategy and/or financial performance. Below the threshold level of profit performance, zero bonus will be paid. A straight-line bonus entitlement will usually apply between the minimum threshold and the maximum performance target.

Variable performance-linked remuneration continued

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Long Term Incentive provision	Incentivises and rewards Executive Directors and other key executives to achieve higher returns for shareholders over a longer time frame. To encourage a long-term shareholding in the company and strengthen alignment between interests of Executive Directors and other key executives and those of shareholders.	Awards will be granted under the Alumasc Group Long Term Incentive Plan ("LTIP"), approved by shareholders on 23 October 2008, or under any new long-term incentive plan approved by shareholders in due course. Subject to the provisions of the applicable plan, the Remuneration Committee may grant conditional share awards, nil cost share options or such other form as has the same economic effect. Awards are typically granted annually and vesting is subject to achievement of performance measures over at least three years. Recovery provisions apply as set out below this table.	The maximum level of award under the LTIP, is 75% of base salary. Any new long term incentive plan may, subject to the approval by shareholders of that plan, permit awards at the level of up to 100% of base salary.	Awards vest subject to the achievement of financial and market-based performance measures assessed over more than one financial year (currently three years). The performance conditions and targets for new awards are reviewed annually to ensure they remain relevant and aligned to the group's strategy. Performance conditions and targets will be based primarily on growth in earnings per share ("EPS") and total shareholder return ("TSR"). A minimum threshold of growth in EPS must be reached before any part of the award vests. Up to 25% of the maximum award opportunity will vest for achieving the threshold level of EPS growth. If the threshold level of EPS growth is achieved, the balance of the award will vest based on EPS and/or TSR performance, with the weightings between these two metrics determined by the Committee in advance of each grant. Each element of the award will vest between 0% and 100% of the balance available for that element for performance between threshold and maximum, usually on a straight-line basis.

Governance

Directors' Remuneration Policy
continued

Recovery provisions

LTIP
LTIP awards are subject to malus provisions such that, at the discretion of the Remuneration Committee, unvested awards may lapse for material errors or the misstatement of results, or information coming to light which, had it been known, would have affected the award or vesting decision or caused reputational damage to the group.

For up to two years following the vesting of an LTIP award the Committee may reduce the award if shares have not been delivered to satisfy it or require repayment of some or all of the value delivered to the participant in the event of a material misstatement of results or information coming to light which had it been known, would have affected the vesting decision, or gross misconduct on the part of the participant.

Bonus
A malus provision exists which enables the Committee to cancel or reduce the bonus before payment in the event of material errors or the misstatement of results.

For up to two years following the payment of an annual bonus the Committee may require repayment of some or all of the bonus in the event of a material misstatement of results or information coming to light which had it been known, would have affected the payment decision, or gross misconduct on the part of the participant.

Explanation of performance metrics

Performance metrics for the annual bonus and LTIP are selected to reflect the group's strategic priorities. Stretching performance targets are set taking into account a number of different factors.

The Committee retains the discretion to change the performance measures and targets and the weightings attached to the performance measures and targets part way through a performance period if there is a significant event which causes the Committee to believe the original measures, weightings and/or targets are no longer appropriate and/or if the Committee believes that the remuneration outcomes would otherwise not fairly reflect business performance. Any adjustments or discretion applied will be fully disclosed in the following year's Remuneration Report.

Operation of share plans

The Committee may amend the terms of awards under its share plans in accordance with the rules of those plans in the event of a variation of the company's share capital, and may otherwise operate those plans in accordance with their terms. Awards may be satisfied wholly or partly in cash at the election of the Committee.

The group's LTIP will expire for the purposes of new awards in 2018 and a new plan will be put to shareholders for approval at the 2018 AGM. In approving this Policy, shareholders authorise the Committee to make any amendments to it as are necessary to reflect the terms of any new plan approved by shareholders and to make any remuneration payment or payment for loss of office which is consistent with any such plan as approved.

Change of control policy

LTIP
Awards may vest early on a change of control (or other relevant event) subject to the satisfaction of performance conditions at the change of control date and pro-rating for the proportion of the three financial years served, although the Remuneration Committee retains discretion to determine otherwise.

Bonus
Eligible for an award to the extent that performance conditions have been satisfied or are reasonably expected to be satisfied up to the change of control date and pro-rated for the proportion of the financial year served, although the Remuneration Committee retains discretion to determine otherwise.

Policy for Non-Executive Chairman and Directors' fees

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	The sole element of Non-Executive Director remuneration is fees, set at a level that reflects market conditions and sufficient to attract individuals with appropriate knowledge and experience.	Fees are reviewed periodically and are determined by the Chairman and the Executive Directors in the case of the Non-Executive Directors and the Remuneration Committee in respect of the Chairman. Fees are based on the time commitment and responsibilities of the role. The Chairman is paid a single consolidated fee and receives some benefits in kind as agreed by the company. The Non-Executive Directors are paid a basic fee plus additional fees for chairmanship of a committee, or for any additional work undertaken on behalf of the company. The Non-Executive Directors do not participate in any of the group's share incentive plans nor do they receive any pension contributions. Non-Executive Directors may be eligible to benefits/expenses such as the use of secretarial support, travel costs or other benefits that may be appropriate.	Fees are subject to an overall cap as set out in the company's Articles of Association from time to time. Fees are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.

Directors' shareholdings

Executive and Non-Executive Directors are encouraged to hold shares but there is no required minimum level of shareholding.

How the Executive Directors' Remuneration Policy relates to the wider group

Both executives, and employees below executive level, have their base pay reviewed each year taking into account wage and general inflation, affordability to the group/relevant operating company, performance/development of the individual in their role and general market rates for specific skills. Employees below executive level have lower proportions of their total remuneration subject to incentive based rewards. Long term incentives are reserved for those judged as having the greatest potential to influence the group's earnings growth and share price performance.

Recruitment policy for Directors

The remuneration package for a new Executive Director would be set in accordance with the terms of the company's prevailing approved Remuneration Policy at the time of appointment and taking into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be set at the level required to attract the most appropriate candidate. It may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. Under the terms of this policy, the annual bonus potential for executives is limited to 100% of salary, and the maximum value of awards under a long term incentive scheme is limited to 100% of salary. The current LTIP limits awards to a maximum of 75%. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. Other elements of remuneration may be included in the following circumstances:

- an interim appointment being made to fill an executive role on a short-term basis;
- if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out above, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

Governance

Directors' Remuneration Policy
continued

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus or LTIP, subject to the rules of the LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the company will meet certain relocation and other incidental expenses as appropriate.

The fees for a new Chairman or Non-Executive Director will be reflective of experience, time commitment, responsibility and scope of the role, and will be consistent with the approved Remuneration Policy at the time.

Service contracts

No Executive Director has the benefit of provisions in their service contract for the payment of pre-determined compensation in the event of termination of employment.

Copies of the Directors' service contracts are available for inspection (to those people permitted under The Companies Act 2006) at the company's registered office.

The Directors proposed for re-election at the 2018 AGM are Messrs Pither, Gwyn, Saville and Armfield. As Non-Executive Directors, none of these have service contracts.

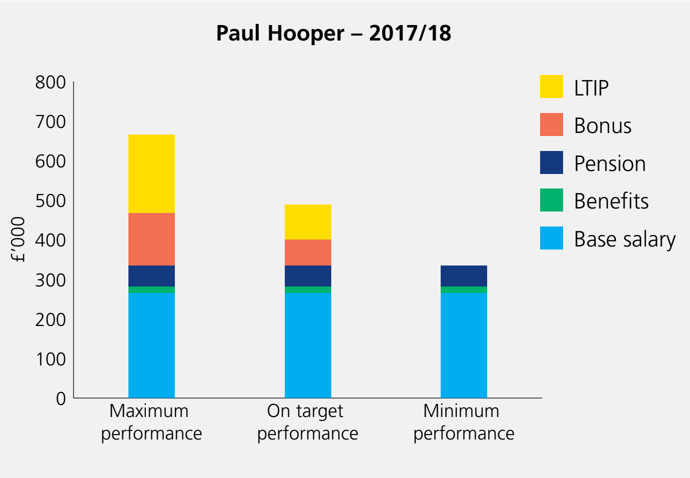
Letters of appointment

The Non-Executive Directors are engaged for fixed terms, with no notice period, with an entitlement to accrued fees and expenses only up to the date of termination. These appointments are subject to the articles of association. Directors submit themselves for re-election at the AGM in accordance with the UK Corporate Governance Code and the company's articles.

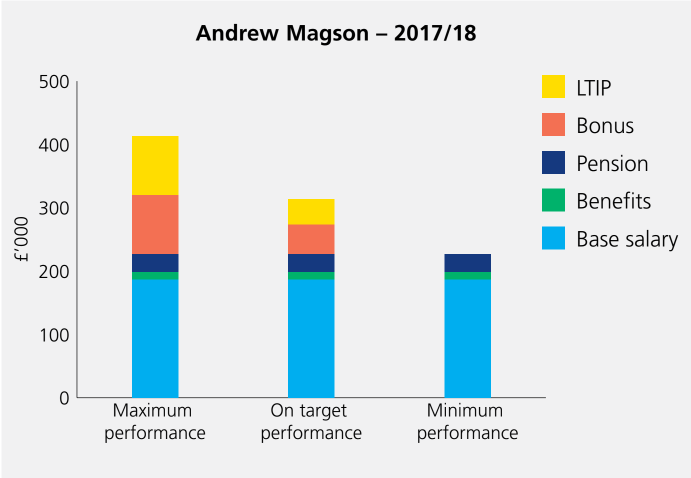
Copies of the Directors' letters of appointment are available for inspection (to those people permitted under The Companies Act 2006) at the company's registered office.

Illustration of Application of Remuneration Policy

Group Chief Executive – Paul Hooper



Group Finance Director – Andrew Magson



Notes:
1. Fixed pay consists of base salary and expected pension contributions as at 1 July 2017. The value of the benefits has been estimated based on previous years.
2. Target performance for the purposes of this table is the level of performance required to deliver 50% of current practice maximum bonus award (ie 25% of base salary, assuming 50% maximum of salary bonus available) and the LTIP vesting on achievement of 50% of the available EPS element and 0% of the TSR element, being 44% in total of the maximum available as detailed in the policy table.
3. The maximum represents 50% of base salary bonus and 100% of LTIP, being 75% of base salary for Mr Hooper and 50% of base salary for Mr Magson.
4. No share price appreciation has been assumed.

Policy on payment for loss of office

The Committee's policy on service contracts for Executive Directors is that they should provide for termination of employment by either side giving 12 months' notice. The group's policy going forward will be that no Executive Director should be entitled to a notice period or payments in excess of their contractual arrangements.

Provision	Terms
Contract dates	G P Hooper – 28 January 2001 A Magson – 7 August 2006
Notice period	12 months
Termination payment	Base salary plus pension contributions and benefits accrued to date of cessation. A payment in respect of bonus may also be made at the discretion of the Committee taking into account the circumstances of the departure, the extent to which performance conditions are satisfied and the contribution of the executive to the business during the bonus period in question. Any bonus would typically be pro-rated for time in service to termination and paid at the usual time, although the Committee retains discretion to pay the bonus earlier in appropriate circumstances.
LTIP	If a participant ceases employment due to death, redundancy, retirement, injury or disability any award he holds under the company's current LTIP shall vest to the extent the performance conditions have been met. If a participant ceases employment for any other reason, any award he holds under the company's current LTIP shall lapse unless the Committee determines otherwise. The Committee intends that under the LTIP to be proposed to shareholders at the 2018 AGM the leaver provisions will provide that: • if a participant ceases employment due to death, redundancy, retirement, injury, disability or any other reason at the discretion of the Committee any unvested award the participant holds shall continue and be released at the normal release date to the extent the performance condition is satisfied and, unless the Committee determines otherwise, reduced to reflect the proportion of the performance period for which the participant was in service, although the Committee will retain discretion to release the award sooner; • if a participant ceases employment for any other reason, any unvested award he holds will lapse on cessation.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday and outplacement and legal fees. The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.
Payments in lieu of notice	The Committee reserves the right to make a payment in lieu of some or all of the notice period. Such a payment would consist of salary for the notice period (or remaining portion of the notice period) and may also include a payment in respect of benefits (including pension contributions or cash allowance) for the applicable period.

Directors' Remuneration Policy
continued

How employees' pay is taken into account

Pay and employment conditions elsewhere in the group were considered when finalising the 2017 Policy for Executive Directors and continues to be considered in relation to the implementation of this Policy.

How shareholders' views are taken into account

The Committee considers shareholder feedback received in relation to the AGM each year. This, plus other feedback received during the year, is then considered as part of the group's annual review of remuneration policy. The Committee will continue to review the Remuneration Policy to ensure it takes due account of best remuneration practice and that it remains aligned with the interests of shareholders.

Legacy remuneration arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of payments were agreed:

(i) before the Policy came into effect (provided that, in the case of any payments agreed on or after 30 October 2014 they are in line with the Policy approved at the 2014 Annual General Meeting); or

(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.

Directors' Report

The Directors present their Annual Report and the consolidated financial statements for The Alumasc Group plc for the financial year ended 30 June 2017.

Strategic Report

The Companies Act 2006 ('CA2006') requires this Annual Report to present a fair, balanced and understandable view of Alumasc's business during the year ended 30 June 2017 and of the position of the group at the end of the financial period, together with a description of the principal risks and uncertainties facing the business. The Company has taken advantage of section 414C(11) of the CA 2006 to include disclosures in the Strategic Report on these items and the further items listed in the 'Other information' section on page 59. The Strategic Report can be found on pages 2 to 29.

Corporate Governance Statement

The Disclosure and Transparency Rules ("DTR") require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils these requirements can be found in the Corporate Governance Statement on pages 32 to 35 and are incorporated into the Directors' Report by reference.

Management report

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R the required content of the management report can be found in the Strategic Report and this Directors' Report, including the sections of the Annual Report incorporated by reference.

Directors

The Directors who served during the financial year were John McCall, Jon Pither, Paul Hooper, Andrew Magson, Philip Gwyn, David Armfield and Richard Saville. Their biographies can be found on pages 30 to 31.

Details of the Directors' service agreements are given in the Remuneration Policy on page 54.

Results and dividends

The group reported underlying profit before tax of £9.0 million (2015/16: £8.3 million) and profit before tax from continuing operations for the year of £8.1 million (2015/16: £6.8 million). The Directors recommend a final dividend of 4.3 pence (2015/16: 3.8 pence) per ordinary share payable on 31 October 2017 to members on the register at the close of business on 6 October 2017 which, together with the interim dividend, makes a total of 7.15 pence for the year (2015/16: 6.5 pence).

The company operates a dividend re-investment plan, details of which are available from Capita Asset Services.

The right to receive any dividend has been waived by the Trustee of the company's Employee Benefit Trust over any shares that the Trustees may hold from time to time. Details of the Employee Trust's current holding can be found in the Directors' Remuneration Report on page 44.

Employee matters

The group is an equal opportunities employer and its policies for recruitment, training, career development and promotion are based on the aptitude and abilities of the individual regardless of religion, gender and sexual orientation. An analysis of our employees by gender at 30 June 2017 can be found on page 29.

Those who are disabled are given equal treatment with the able-bodied. Should employees become disabled after joining the group, every effort is made to ensure that employment continues and appropriate training is given.

Employees are kept informed of changes in the business and general financial and economic factors influencing the group, this is done through briefing sessions and presentations. The group values the views of its employees and consults with them on a regular basis about matters that may affect them.

Governance

Directors' Report
continued

Global green house gas emissions data

The table below shows the emissions data for the current year. The 2015/16 column has been recalculated to exclude the Dyson Diecasting business, which was sold on 30 June 2016, to be comparable with the 2016/17 data as required under the mandatory disclosure rules. The group continues to improve its emissions relative to the size of the business.

	Tonnes of CO_2e	
Total Group Emissions	2015/16	**2016/17**
Scope 1	1,730	**1,862**
Scope 2	1,675	**1,749**
Scope 3	445	**458**
Total (scopes 1 & 2 only)	3,405	**3,611**
Total (scopes 1, 2 & 3)	3,850	**4,069**
Scope 1 & 2 emissions normalised to per employee (tCO_2e)	7.53	**7.07**
Scope 1 & 2 emissions normalised to per £million turnover ($kgCO_2e$)	36.92	**34.47**

Footnote:
The 2015/16 data has been restated following refinements in the collection of data. We report in the tables above on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We do not have responsibility for any other material emission sources. We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064 part 1:2006 and emission factors from UK Government's Conversion Factors for Company Reporting 2016.

Political donations

No political donations were made during the year (2015/16: £nil).

Research and development

The group continues to devote effort and resources to the research and development of new products and solutions. Research and development expenditure during the year totalled £0.2 million (2015/16: £0.2 million).

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office, and a resolution that KPMG LLP be re-appointed will be proposed at the next AGM.

Annual General Meeting

The notice convening the AGM, to be held on 26 October 2017 is included within this document together with an explanation of the business to be conducted at the meeting and a form of proxy.

The Directors believe that the proposals set out for approval at the AGM will promote the success of the company. Accordingly, they recommend unanimously that members vote in favour of each resolution. Members who are in any doubt as to what action to take are advised to consult appropriate independent advisers.

Other information

Other information relevant to the Directors' Report can be found in the following sections of the Annual Report:

Information	Page/s	Location in Annual Report
Amendment of Articles of Association	114	Additional information for shareholders
Directors' interests	44	Directors' Remuneration Report
Long term incentive plans	45	Directors' Remuneration Report
Financial risk management	88	Note 21 and the significant accounting policies sections, Financial Statements
Future developments	2-29	Strategic Report[1]
Health and safety	29	Strategic Report: Corporate & Social Responsibility Report[1]
Major shareholdings	114	Additional information for shareholders
Movements in share capital	93	Note 24, Financial statements
Purchase of own shares	114	Additional information for shareholders
Share capital – structure, voting, restrictions and other rights	114	Additional information for shareholders

1 The Board has taken advantage of section 414C(11) of the Companies Act 2006 to include disclosures in the Strategic Report on these items.

The Directors' Report of the company for the year ended 30 June 2017 comprises these pages, the sections of the Annual Report referred to under the Corporate Governance Statement and other information above which are incorporated into the Directors' Report by reference.

Fair, balanced and understandable

The Board has concluded that the 2017 Annual Report is fair, balanced and understandable and provides the necessary information for shareholders and other readers of the Report and Accounts to assess the group's position and performance, business model and strategy.

The Directors' Report was approved by the Board on 5 September 2017.

On behalf of the Board

Andrew Magson
Company Secretary

Governance

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the Board

Paul Hooper
Chief Executive

Andrew Magson
Group Finance Director

Independent Auditor's Report

To the Members of the Alumasc Group plc

KPMG

Overview			
Materiality: group financial statements as a whole	£370,000 (2016: £325,000) 4.6% (2016: 4.8%) of group profit before tax from continuing operations		
Coverage	99% (2016:100%) of group profit before tax from continuing operations		
Risks of material misstatement	**vs 2016**		
Recurring risks	Post retirement benefits	◀▶	unchanged
	Accounting for long term contracts	◀▶	unchanged

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of The Alumasc Group plc ("the Company") for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Cash Flows, Consolidated and Company Statements of Changes in Equity, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 29 October 2009. The period of total uninterrupted engagement is the 9 years ended 30 June 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Post retirement benefits, Risk vs 2016: ◀▶

Gross liability £119.7m (2016 gross liability: £115.5m)

Refer to page 37 (Audit Committee Report), page 70 (critical accounting estimates), page 73 (accounting policy) and page 91 (financial disclosures).

The risk

Subjective valuation: Due to the materiality of the defined benefit pension obligation, small changes in the key assumptions, being the discount rate, inflation and mortality rates, can have a significant effect on the group's results and financial position.

Our response

Our procedures included:

- **Our pension expertise:** challenging the key assumptions used in the group's valuation of the defined benefit pension obligation, with the support of our own actuarial specialists. This included critically assessing the key assumptions against those used by other comparable companies and comparing those assumptions with externally derived market data; and
- **Assessing transparency:** considering the adequacy of the group's disclosures of the assumptions and the sensitivities of the defined benefit pension obligation to changes in these assumptions.

Results

We found the resulting estimate of the gross pension liability to be acceptable.

Financial Statements

Independent Auditor's Report

To the Members of the Alumasc Group plc

Accounting for long term contracts, Risk vs 2016: ◀▶

Revenue £25.3m (2016: Revenue £18.0m)

Refer to page 37 (Audit Committee Report), page 70 (critical accounting estimates), page 75 (accounting policy) and pages 87 (financial disclosures).

The risk

Subjective estimate: Where the outcome of a long-term contract can be estimated reliably the recognition of revenue and expenses is based on the stage of completion of work performed. In most cases this is assessed by reference to surveys of work performed at the balance sheet date. When the outcome cannot be estimated reliably contract revenue is recognised only to the extent of costs incurred that are likely to be recoverable.

Forecast profit or loss on open contracts at the year end is a key risk for our audit because of the high degree of judgment involved in preparing suitable estimates of the forecast costs and revenue on contracts. A variance in the amount of profit or loss recognised to date, and therefore also in the current period, could arise as a result of incorrect estimates of contract costs and revenues.

The forecast profit on contracts includes key judgments over the expected revenue arising from variations and claims. The inclusion of these amounts in the contract forecast where they are not recoverable could result in a material error in the level of profit or loss recognised by the group.

Our response

Our procedures included:

- **Control design:** testing the design, implementation and operating effectiveness of the group's controls over the forecasting process for long term contracts;
- **Tests of detail:** using a variety of qualitative and quantitative criteria we selected those contracts that could have the greatest impact on the group's financial results to assess whether the amounts recognised in the financial statements were in line with the group's accounting policy, and challenged whether the estimates underlying those amounts represented a balanced view of the risks and opportunities in respect of the forecast profit to completion. This included analysing correspondence with customers regarding contract variations and claims and agreeing post year end cash receipts;
- **Tests of detail:** evaluating the current margin recognised for a sample of contracts by challenging the group's judgment in respect of forecast contract outcome via agreement to the year end contract forecast, third party certifications and communication, and with reference to historical outcomes;
- **Historical comparisons:** assessing the accuracy of management's forecasting by comparing the historical financial performance of completed contracts with the original budgets and forecast margins for those contracts; and
- **Assessing transparency:** considering the adequacy of the group's disclosures about the degree of judgment involved in arriving at the contract revenues and profits.

Results

We found the resulting estimates of the revenue and profit on long term contracts to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

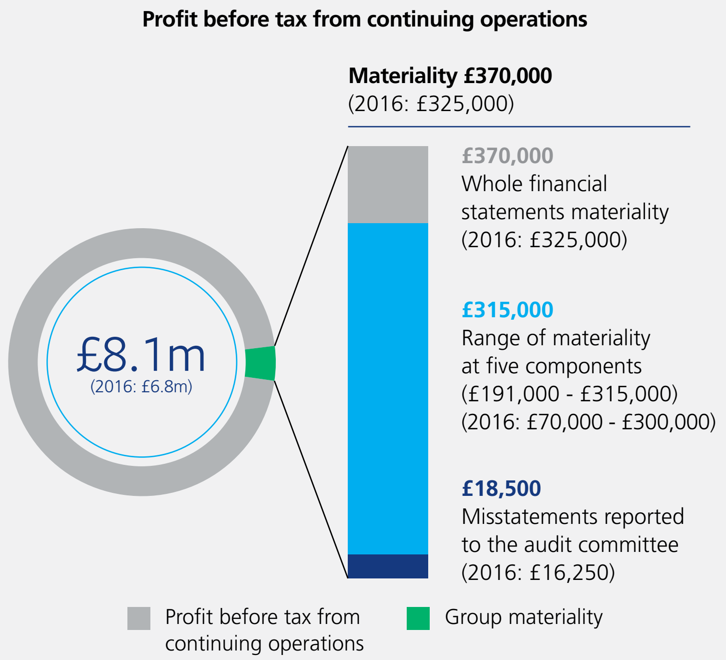
The materiality for the group financial statements as a whole was set at £370,000 (2016: £325,000), determined with reference to a benchmark of group profit before tax, (2016: normalised to exclude the one-off profit of £0.9 million on the sale of Dyson Diecastings), of which it represents 4.6% (2016: 4.8%).

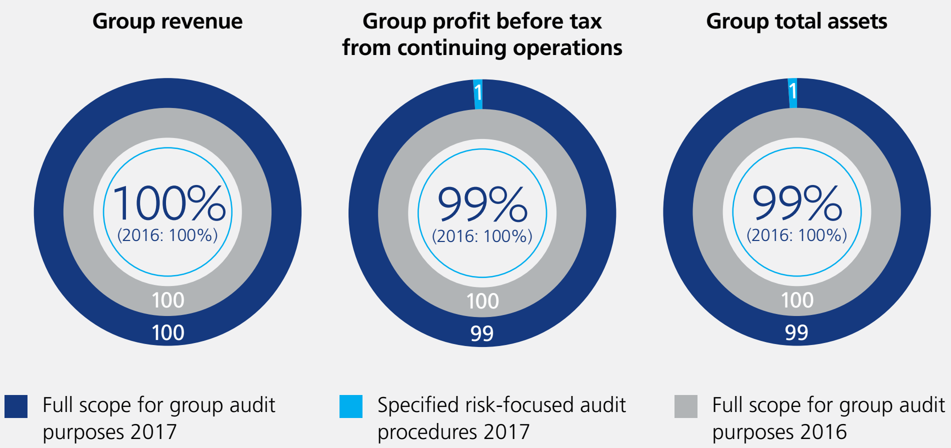
Materiality for the parent company financial statements as a whole was set at £315,000 (2016: £300,000), determined with reference to a benchmark of company total assets, of which it represents 0.5% (2016: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £18,500 (2016: £16,250), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's nine (2016: nine) reporting components we subjected eight (2016: eight) to full scope audits for group purposes, all conducted by the Group team, with a component materiality ranging from £191,000 to £315,000 (2016: £70,000 to £300,000). These components accounted for 99% (2016: 100%) of total group revenue; 99% (2016: 100%) of group profit before taxation and 99% (2016: 100%) of total group assets.

In both 2017 and 2016 the group audit team also performed specified risk-focused procedures over revenue and trade receivables of the remaining one component.





4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the group and company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the same statement is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

Independent Auditor's Report

to the Members of the Alumasc Group plc

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report
Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 60, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Matthewman (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
1 North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

5 September 2017

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

Continuing operations	Notes	**2016/17 £000**	2015/16 £000
Revenue	3, 4	**104,761**	92,233
Cost of sales		**(72,022)**	(61,434)
Gross profit		**32,739**	30,799
Net operating expenses		**(23,864)**	(23,101)
Operating profit	4	**8,875**	7,698
Finance expenses	9	**(752)**	(939)
Profit before taxation	5	**8,123**	6,759
Tax expense	10	**(1,583)**	(1,581)
Profit for the period		**6,540**	5,178
Discontinued operations:			
Profit after taxation for the period from discontinued operations	6	**–**	1,306
Profit for the period		**6,540**	6,484
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Actuarial loss on defined benefit pensions net of tax	22, 10	**(792)**	(3,172)
Items that are or may be recycled subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges net of tax	21, 10	**170**	(23)
Exchange differences on retranslation of foreign operations		**34**	1
		204	(22)
Other comprehensive loss for the period, net of tax		**(588)**	(3,194)
Total comprehensive profit for the period, net of tax		**5,952**	3,290

Earnings per share		**Pence**	Pence
Basic earnings per share			
– Continuing operations		**18.3**	14.5
– Discontinued operations		**–**	3.7
	12	**18.3**	18.2
Diluted earnings per share			
– Continuing operations		**18.0**	14.3
– Discontinued operations		**–**	3.6
	12	**18.0**	17.9

Reconciliations of underlying to statutory profits and earnings per share are provided in notes 5 and 12 respectively.

Consolidated Statement of Financial Position

At 30 June 2017

	Notes	**2017 £000**	**2017 £000**	2016 £000	2016 £000
Assets					
Non-current assets					
Property, plant and equipment	13	**5,332**		5,267	
Goodwill	14	**16,488**		16,488	
Other intangible assets	15	**2,364**		2,642	
Deferred tax assets	10	**3,501**		4,080	
			27,685		28,477
Current assets					
Inventories	16	**10,508**		10,238	
Trade and other receivables	17	**22,459**		19,759	
Cash and cash equivalents	27	**9,014**		10,540	
			41,981		40,537
Total assets			**69,666**		69,014
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings	20, 27	**(2,938)**		(1,908)	
Employee benefits payable	22	**(20,596)**		(22,668)	
Provisions	23	**(890)**		(1,064)	
Deferred tax liabilities	10	**(595)**		(508)	
			(25,019)		(26,148)
Current liabilities					
Trade and other payables	18	**(23,497)**		(25,351)	
Provisions	23	**(157)**		(478)	
Corporation tax payable		**(494)**		(188)	
Derivative financial liabilities	21	**(62)**		(269)	
			(24,210)		(26,286)
Total liabilities			**(49,229)**		(52,434)
Net assets			**20,437**		16,580
Equity					
Called up share capital	24	**4,517**		4,517	
Share premium	25	**445**		445	
Capital reserve – own shares	25	**(541)**		(931)	
Hedging reserve	25	**(51)**		(221)	
Foreign currency reserve	25	**84**		50	
Profit and loss account reserve		**15,983**		12,720	
Total equity			**20,437**		16,580

Paul Hooper
Director

Andrew Magson
Director

5 September 2017

Company number 1767387

Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	**2016/17 £000**	2015/16 £000
Operating activities			
Operating profit		**8,875**	7,698
Adjustments for:			
Depreciation	7, 13	**958**	931
Amortisation	7, 15	**425**	364
Gain on disposal of property, plant and equipment		**(2)**	(11)
Increase in inventories		**(270)**	(400)
Increase in receivables		**(2,700)**	(804)
(Decrease)/increase in trade and other payables		**(1,994)**	2,958
Decrease in provisions		**(585)**	(84)
Cash contributions to retirement benefit schemes	22	**(3,200)**	(2,500)
Share based payments		**157**	181
Cash generated by operating activities of continuing operations		**1,664**	8,333
Operating profit from discontinued operations		**–**	27
Depreciation and amortisation		**–**	141
Movement in working capital from discontinued operations		**–**	15
Cash generated by operating activities of discontinued operations	6	**–**	183
Tax paid		**(800)**	(980)
Net cash inflow from operating activities		**864**	7,536
Investing activities			
Purchase of property, plant and equipment – continuing operations		**(909)**	(869)
Purchase of property, plant and equipment – discontinued operations		**–**	(148)
Payments to acquire intangible fixed assets		**(147)**	(255)
Proceeds from sales of plant and equipment		**4**	21
Proceeds from sale of business activities		**–**	4,474
Net cash (outflow)/inflow from investing activities		**(1,052)**	3,223
Financing activities			
Interest paid		**(120)**	(221)
Equity dividends paid		**(2,368)**	(2,208)
Draw down/(repayment) of amounts borrowed	27	**1,000**	(3,000)
Refinancing costs		**–**	(119)
Exercise of share based incentives		**116**	(612)
Net cash outflow from financing activities		**(1,372)**	(6,160)
Net (decrease)/increase in cash and cash equivalents	27	**(1,560)**	4,599
Net cash and cash equivalents brought forward		**10,540**	5,914
Net (decrease)/increase in cash and cash equivalents		**(1,560)**	4,599
Effect of foreign exchange rate changes		**34**	27
Net cash and cash equivalents carried forward	27	**9,014**	10,540

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Share capital £000	Share premium £000	Capital reserve – own shares £000	Hedging reserve £000	Foreign currency reserve £000	Profit and loss account reserve £000	Total equity £000
At 1 July 2015		4,517	445	(618)	(198)	49	11,734	15,929
Profit for the period		–	–	–	–	–	6,484	6,484
Exchange differences on retranslation of foreign operations		–	–	–	–	1	–	1
Net loss on cash flow hedges		–	–	–	(22)	–	–	(22)
Tax on derivative financial liability		–	–	–	(1)	–	–	(1)
Actuarial loss on defined benefit pensions, net of tax		–	–	–	–	–	(3,172)	(3,172)
Dividends	11	–	–	–	–	–	(2,208)	(2,208)
Share based payments	26	–	–	–	–	–	181	181
Acquisition of own shares (net)		–	–	(313)	–	–	–	(313)
Exercise of share based incentives		–	–	–	–	–	(299)	(299)
At 1 July 2016		4,517	445	(931)	(221)	50	12,720	16,580
Profit for the period		**–**	**–**	**–**	**–**	**–**	**6,540**	**6,540**
Exchange differences on retranslation of foreign operations		**–**	**–**	**–**	**–**	**34**	**–**	**34**
Net gain on cash flow hedges		**–**	**–**	**–**	**207**	**–**	**–**	**207**
Tax on derivative financial liability		**–**	**–**	**–**	**(37)**	**–**	**–**	**(37)**
Actuarial loss on defined benefit pensions, net of tax		**–**	**–**	**–**	**–**	**–**	**(792)**	**(792)**
Dividends	11	**–**	**–**	**–**	**–**	**–**	**(2,368)**	**(2,368)**
Share based payments	26	**–**	**–**	**–**	**–**	**–**	**157**	**157**
Own shares used to satisfy exercise of share awards		**–**	**–**	**390**	**–**	**–**	**–**	**390**
Exercise of share based incentives		**–**	**–**	**–**	**–**	**–**	**(274)**	**(274)**
At 30 June 2017		**4,517**	**445**	**(541)**	**(51)**	**84**	**15,983**	**20,437**

Notes to the Financial Statements

For the year ended 30 June 2017

1 Basis of preparation

The Alumasc Group plc is incorporated and domiciled in England and Wales. The company's ordinary shares are traded on the London Stock Exchange.

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as they apply to the financial statements of the group for the year ended 30 June 2017, and the Companies Act 2006.

Going concern
The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 29. The financial position of the group, its cash flows and liquidity position are set out in these financial statements. Details of the group's borrowing facilities are described within note 20.

The group has committed borrowing facilities of £12.5 million which expire in August 2020. In addition, the group has recently renewed overdraft facilities totalling £2 million for another year. At 30 June 2017 the group's net cash resources were £6.1 million (2016: £8.6 million).

On the basis of the group's financing facilities and current operating and financial plans and sensitivity analyses, the Board is satisfied that the group has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to adopt the going concern basis in preparing the financial statements. Further information is set out in the viability statement on page 28.

2 Summary of significant accounting policies

Changes in accounting policy
The accounting policies adopted are consistent with those of the previous financial year.

The following new standard, amendment and interpretation is effective for the period beginning on or after 1 July 2016 and has been adopted for the group financial statements where appropriate with no material impact on the disclosures made by the group:

IAS 1 'Presentation of Financial Statements'.

Basis of consolidation
The group financial statements consolidate the financial statements of the company and each of its subsidiaries for the year to 30 June each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control in this context means the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Judgments and estimates
The main source of estimation uncertainty that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities at 30 June 2017 within the next financial year are the valuation of defined benefit pension obligations and the recognition of revenues and profit on construction contracts.

Measurement of defined benefit pension obligations requires estimation of future changes in inflation, mortality rates and the selection of a suitable discount rate (see note 22).

Revenue recognised on construction contracts is determined by the assessment of the stage of completion of each contract. Judgment is required in making forecasts of contract outcomes and on revenue and profit recognition relating to:

(i) potential contract variations prior to these being fully agreed; and/or
(ii) if there are differences, timing or otherwise, between the assessment of internal quantity surveyors and those of our customers as to the level of work performed.

2 Summary of significant accounting policies (continued)

Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

As part of its transition to IFRS, the group elected to re-state only those business combinations that occurred on or after 1 July 2004. In respect of acquisitions prior to 1 July 2004, goodwill represents the amount recognised under the group's previous accounting framework, UK GAAP. For acquisitions on or after 1 July 2004, goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value may be impaired. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Other intangible assets
Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred.

Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- the project's technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenues has been established.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

Computer software	–	2 to 5 years
Development expenditure	–	up to 10 years
Brands	–	3 to 20 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually and before being brought into use.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Under IFRS transitional provisions, the group elected to bring in previous valuations of freehold and long leasehold land and buildings at a valuation frozen under FRS 15, and these amounts are carried forward at deemed cost.

Freehold land is not depreciated.

The cost of other property, plant and equipment is written off by equal monthly instalments over their estimated useful lives as follows:

Freehold buildings	–	25 to 50 years
Long leasehold property	–	over the period of the lease to a maximum of 50 years
Short leasehold improvements	–	over the period of the lease
Plant and equipment	–	3 to 15 years
Motor vehicles	–	4 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, each part is accounted for as a separate item. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Notes to the Financial Statements

For the year ended 30 June 2017

2 Summary of significant accounting policies (continued)

Impairment of fixed assets
The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or business level as the case may be.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Leased assets
Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group are classified as finance leases and are capitalised with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the rental obligation is charged to the statement of comprehensive income in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the life of the lease.

Financial assets
When financial assets are recognised initially under IAS 39, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

Inventories
Inventories are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. The allocation of manufacturing overheads has regard to normal production.

The group holds certain raw materials from suppliers on an inventory held on consignment basis, which are accounted for as consumed. This inventory remains the property of the supplier until used.

Biological assets
Biological assets relate to the value of horticultural inventories at Blackdown green roofs, which form part of the green roof systems supplied. The assets are measured at fair value, being discounted market value less estimated point-of-sale costs, with any change therein recognised in the statement of comprehensive income. Point-of-sale costs include all costs that would be necessary to sell the assets.

2 Summary of significant accounting policies (continued)

Pension costs

The group operates both defined benefit and defined contribution pension schemes as follows:

(i) Defined benefit pensions

The group operates two principal defined benefit schemes which require deficit reduction contributions to be made to separately administered funds. One of the schemes was closed to future benefit accrual in 2009, the other in 2010, with neither closure resulting in a curtailment gain or loss. Prior to this, benefits were accrued under the Career Average Revalued Earnings ("CARE") basis.

Prior to the closure of these schemes to future benefit accrual, the cost of providing benefits under the defined benefit plans was determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and is based on actuarial advice.

The group determines finance income/expense for the period relating to defined benefit pension schemes by applying the discount rate used for valuing the schemes' liabilities to the value of the net pension liability at the beginning of the year.

The net pension scheme finance costs are charged to finance costs within the statement of comprehensive income.

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income. These comprise, for scheme assets, the difference between the expected and actual return on assets, and, for scheme liabilities, the difference between the actuarial assumptions and actual experience, and the effect of changes in actuarial assumptions.

The defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the group expects to recover by way of refunds from the plan or reductions in the future contributions.

(ii) Defined contribution pensions

The pension cost charge to the statement of comprehensive income of the group's defined contribution schemes represents the contributions payable by the group to the funds. The assets of the schemes are held separately from those of the group in independently administered funds.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the consolidated statement of comprehensive income.

Foreign currencies

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the year end date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the consolidated statement of comprehensive income.

Notes to the Financial Statements

For the year ended 30 June 2017

2 Summary of significant accounting policies (continued)

Own shares
The Alumasc Group plc shares held by the group are classified in shareholders' equity as 'own shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Equity settled share based payment transactions
The fair value of long term incentive awards and share options granted to employees is recognised as an employee expense from the date of grant, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of shares for which the related service and non-market vesting conditions are met.

Derivative financial instruments and hedging
The group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risk.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such items are expected at inception to be highly effective.

For the purpose of hedge accounting, the hedges used by the group are classified as cash flow hedges, as they hedge exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the consolidated statement of comprehensive income.

The portion of the gain or loss on a cash flow hedge that is determined to be an effective hedge is initially recognised directly in equity, while the ineffective portion is recognised in the statement of comprehensive income.

Amounts taken to equity are transferred to the income statement at the time when the underlying transaction being hedged affects profit or loss, such as when the forecast sale or purchase of the hedged item occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction being hedged occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the statement of comprehensive income.

Information regarding both the qualitative and quantitative characteristics of the group's treasury activities is presented to enable the improved evaluation of the group's exposure to risks arising from financial instruments.

2 Summary of significant accounting policies (continued)

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, and is stated net of rebates, and before VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Construction contracts
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion, in most cases, is assessed by reference to surveys of work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

Trade and other receivables
Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the group will not be able to recover balances in full.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance costs. Borrowing costs are recognised as an expense over the period to the maturity of the underlying instrument.

Provisions
A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

New standards and interpretations not applied
The group is currently assessing the impact that IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' will have on the group's revenue recognition, assets and liabilities. The standards are applicable for Alumasc's accounting periods commencing 1 July 2018, 1 July 2018 and 1 July 2019 respectively.

IFRS 15 will impact the Solar Shading & Architectural Screening and part of the Roofing and Walling operating segments, however the extent of the impact is yet to be quantified and may in any case depend on the type and terms of the specific construction contracts undertaken in each financial year.

The group has started a detailed assessment to quantify the impact on its reported assets and liabilities of adoption of IFRS 16. So far, the most significant impact identified is that the group will recognise new assets and liabilities for its operating leases in respect of manufacturing, warehouse and office premises and company cars. In addition, the nature of expenses related to those leases will change as the straight-line operating lease expense will be replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The quantitative effect will depend on the transition method chosen, the extent to which the group uses the practical expedients and recognition exemptions, and any additional leases that the group enters into. Once the detailed assessment has been completed in 2017/18 the group will confirm its transition date, approach and related quantitative information.

Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2017

3 Revenue

Revenue, as disclosed in the statement of comprehensive income from continuing operations, and total income is analysed as follows:

	2016/17 £000	2015/16 £000
Revenue arising from:		
Sales of goods	**79,451**	74,242
Recognised on construction contracts	**25,310**	17,991
Revenue (per statement of comprehensive income)	**104,761**	92,233
Rental income	**32**	32
Total income	**104,793**	92,265

4 Segmental analysis – continuing operations

In accordance with IFRS 8 'Operating Segments', the segmental analysis below follows the group's internal management reporting structure.

The Chief Executive reviews internal management reports on a monthly basis, with performance being measured based on segmental operating result as disclosed below. Performance is measured on this basis as management believes this information is the most relevant when evaluating the impact of strategic decisions because of similarities between the nature of products and services, routes to market and supply chains in each segment.

Inter-segment transactions are entered into applying normal commercial terms that would be available to third parties. Segment results, assets and liabilities include those items directly attributable to a segment. Unallocated assets comprise cash and cash equivalents, deferred tax assets, income tax recoverable and corporate assets that cannot be allocated on a reasonable basis to a reportable segment. Unallocated liabilities comprise borrowings, employee benefit obligations, deferred tax liabilities, income tax payable and corporate liabilities that cannot be allocated on a reasonable basis to a reportable segment.

Analysis by reportable segment 2016/17

	Revenue			
	External £000	**Inter-segment £000**	**Total £000**	**Segmental operating result £000**
Solar Shading & Architectural Screening	24,399	–	24,399	1,989
Roofing & Walling	41,472	17	41,489	3,259
Water Management	29,332	1,204	30,536	3,628
Housebuilding & Ancillary Products	9,558	4	9,562	1,573
Sub-total	**104,761**	**1,225**	**105,986**	**10,449**
Inter-segment elimination/unallocated costs	–	(1,225)	(1,225)	(1,306)
Total	**104,761**	**–**	**104,761**	**9,143**

	£000
Segmental operating result	9,143
Brand amortisation	(268)
Total operating profit from continuing operations	**8,875**

4 Segmental analysis – continuing operations (continued)

Analysis by reportable segment 2016/17 (continued)

	Segment assets £000	Segment liabilities £000	Capital expenditure: Property, plant & equipment £000	Capital expenditure: Other intangible assets £000	Depreciation £000	Amortisation £000
Solar Shading & Architectural Screening	19,839	(5,261)	18	46	73	251
Roofing & Walling	17,212	(10,505)	306	6	155	102
Water Management	12,342	(5,550)	241	76	414	25
Housebuilding & Ancillary Products	7,315	(2,409)	447	17	283	47
Sub-total	**56,708**	**(23,725)**	**1,012**	**145**	**925**	**425**
Unallocated	12,958	(25,504)	13	2	33	–
Total	**69,666**	**(49,229)**	**1,025**	**147**	**958**	**425**

Analysis by reportable segment 2015/16

	Revenue: External £000	Revenue: Inter-segment £000	Revenue: Total £000	Segmental operating result £000
Solar Shading & Architectural Screening	17,359	–	17,359	954
Roofing & Walling	40,045	6	40,051	3,959
Water Management	26,269	1,299	27,568	3,489
Housebuilding & Ancillary Products	8,560	10	8,570	1,420
Sub-total	**92,233**	**1,315**	**93,548**	**9,822**
Inter-segment elimination/unallocated costs	–	(1,315)	(1,315)	(1,346)
Total	**92,233**	**–**	**92,233**	**8,476**

	£000
Segmental operating result	8,476
Brand amortisation	(268)
IAS 19 pension scheme administration costs	(510)
Total operating profit from continuing operations	**7,698**

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4 Segmental analysis – continuing operations (continued)

Analysis by reportable segment 2015/16 (continued)

	Segment assets £000	Segment liabilities £000	Capital expenditure: Property, plant & equipment £000	Capital expenditure: Other intangible assets £000	Depreciation £000	Amortisation £000
Solar Shading & Architectural Screening	19,266	(7,178)	80	57	70	214
Roofing & Walling	16,281	(10,185)	71	–	146	104
Water Management	11,439	(5,256)	212	34	422	17
Housebuilding & Ancillary Products	6,350	(2,390)	488	91	213	27
Sub-total	**53,336**	**(25,009)**	**851**	**182**	**851**	**362**
Unallocated & discontinued	15,678	(27,425)	88	–	219	4
Total	**69,014**	**(52,434)**	**939**	**182**	**1,070**	**366**

Analysis by geographical segment 2016/17

	United Kingdom £000	**Europe £000**	**North America £000**	**Middle East £000**	**Far East £000**	**Rest of World £000**	**Total £000**
Sales to external customers	**87,396**	**3,905**	**8,009**	**630**	**2,359**	**2,462**	**104,761**
Segment non-current assets	**24,184**	**–**	**–**	**–**	**–**	**–**	**24,184**

Analysis by geographical segment 2015/16

	United Kingdom £000	Europe £000	North America £000	Middle East £000	Far East £000	Rest of World £000	Total £000
Sales to external customers	84,217	3,262	1,860	337	1,593	964	92,233
Segment non-current assets	24,397	–	–	–	–	–	24,397

Segment revenue by geographical segment represents revenue from external customers based upon the geographical location of the customer. The analyses of segment non-current assets are based upon location of the assets.

5 Underlying to statutory profit reconciliation

	2016/17 Operating profit £000	**2016/17 Profit before tax £000**	2015/16 Operating profit £000	2015/16 Profit before tax £000
Underlying profit	**9,143**	**9,011**	8,476	8,261
Less: Brand amortisation	**(268)**	**(268)**	(268)	(268)
Less: IAS 19 pension scheme administration costs	**–**	**–**	(510)	(510)
Less: IAS 19 net pension scheme finance costs (note 9)	**–**	**(620)**	–	(724)
Statutory profit from continuing operations	**8,875**	**8,123**	7,698	6,759
Discontinued operations	**–**	**–**	27	928
Total statutory profit	**8,875**	**8,123**	7,725	7,687

In the presentation of underlying profits, management treats the amortisation of acquired brands and IAS 19 pension costs as non-underlying items because they are material non-cash and non-trading items that typically would be excluded in assessing the value of the business. Following the 2016 triennial review and agreement of the revised deficit recovery plan, pension scheme administration costs are now paid directly by the pension schemes rather than being reimbursed by the company.

6 Discontinued operations

Discontinued operations in 2015/16 relate to the sale of the trade and assets of the Dyson Diecastings business on 30 June 2016. The results of discontinued operations included in the consolidated statement of comprehensive income are as follows:

	Dyson Diecastings £000
Year ended 30 June 2016	
Revenue	6,556
Cost of sales	(5,897)
Gross profit	659
Net operating expenses	(632)
Operating profit	27
Non-cash gain on disposal of discontinued operations	1,401
Costs of disposal of discontinued operations	(500)
Profit before taxation	928
Tax credit	378
Profit after taxation	**1,306**

The net cash flows attributable to discontinued operations are as follows:

	£000
Year ended 30 June 2016	
Operating cash flows	183
Investing cash flows – proceeds from sale of business	4,474
Investing cash flows – purchase of property, plant and equipment	(148)
Net cash inflow	**4,509**

Details of the sale of the trade and assets of discontinued operations are as follows:

	Dyson Diecastings £000
Year ended 30 June 2016	
Sales proceeds	4,500
Assets disposed of:	
Land and buildings	(1,643)
Plant and equipment	(454)
Working capital	(1,002)
Gain on disposal	1,401
Costs of disposal	(500)
Net gain on disposal	**901**

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7 Expenses by nature

The following items have been charged/(credited) in arriving at operating profit from continuing operations:

	2016/17 £000	2015/16 £000
Raw materials and consumables	**53,599**	44,706
Depreciation of property, plant and equipment	**958**	931
Intangible assets amortisation	**157**	96
Brand amortisation	**268**	268
Gain on disposal of property, plant and equipment	**(3)**	(11)
Unsettled foreign exchange gains	**(22)**	(46)
Employee benefit expense	**23,754**	21,964
Pension scheme administration costs	**–**	510
Operating lease payments	**1,480**	1,620
Income from property operating leases	**(32)**	(32)
Research and development	**176**	165
Auditor's remuneration:		
Audit of these financial statements	**64**	64
Audit of financial statements of subsidiaries pursuant to legislation	**66**	79
Other operating charges	**15,421**	14,221
	95,886	84,535

8 Employee costs and numbers

	2016/17 £000	2015/16 £000
Employee benefit expense from continuing operations:		
Wages and salaries	**20,977**	19,322
Social security	**2,180**	2,072
Defined contribution pension costs (note 22)	**597**	570
Sub-total	**23,754**	21,964
Defined benefit pension costs (note 22)		
– IAS 19 pension scheme administration costs	**–**	510
– IAS 19 net pension scheme finance costs	**620**	724
Total	**24,374**	23,198

Pension costs include total defined benefit pension scheme costs of £620,000 (2015/16: £1,234,000).

	2016/17 Number	2015/16 Number
Average number of employees from continuing operations	**511**	504

9 Net finance costs

	2016/17 £000	2015/16 £000
Finance costs – Bank overdrafts	**39**	43
– Revolving credit facility	**93**	172
	132	215
– IAS 19 net pension scheme finance costs	**620**	724
	752	939

10 Tax expense

(a) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income

	2016/17 £000	2015/16 £000
Current tax:		
UK corporation tax – continuing operations	**1,117**	1,433
– discontinued operations	**–**	(697)
Overseas tax	**11**	5
Amounts over provided in previous years	**(22)**	(2)
Total current tax	**1,106**	739
Deferred tax:		
Origination and reversal of temporary differences:		
– continuing operations	**478**	247
– discontinued operations	**–**	319
Amounts under/(over) provided in previous years	**78**	(48)
Rate change adjustment	**(79)**	(54)
Total deferred tax	**477**	464
Total tax expense	**1,583**	1,203
Tax charge on continuing operations	**1,583**	1,581
Tax credit on discontinued operations	**–**	(378)
Total tax expense	**1,583**	1,203
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial losses on pension schemes	**152**	(240)
Cash flow hedge	**37**	1
Tax charged/(credited) to other comprehensive income	**189**	(239)
Total tax charge in the statement of comprehensive income	**1,772**	964

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10 Tax expense (continued)

(b) Reconciliation of the total tax charge

The total tax rate applicable to the tax expense shown in the statement of total comprehensive income of 19.5% is lower than (2015/16: 15.6% was lower than) the standard rate of corporation tax in the UK of 19.75% (2015/16: 20%). The differences are reconciled below:

	2016/17 £000	2015/16 £000
Profit before tax from continuing operations	**8,123**	6,759
Profit before tax from discontinued operations	**–**	928
Accounting profit before tax	**8,123**	7,687
Current tax at the UK standard rate of 19.75% (2015/16: 20.00%)	**1,604**	1,537
Expenses not deductible for tax purposes	**2**	139
Chargeable gains/use of capital losses	**–**	(369)
Rate change adjustment	**(79)**	(54)
Tax over provided in previous years – current tax	**(22)**	(2)
Tax under/(over) provided in previous years – deferred tax	**78**	(48)
	1,583	1,203

The group's total tax charge in 2015/16 of £1,203,000 benefited from the impact of business disposals where capital gains on sale of assets were shielded by indexation allowances and capital losses brought forward.

(c) Unrecognised tax losses

The group has agreed tax capital losses in the UK amounting to £20 million (2016: £20 million) that relate to prior years. Under current legislation these losses are available for offset against future chargeable gains. The capital losses are able to be carried forward indefinitely. Revaluation gains on land and buildings amount to £1 million (2016: £1 million). These have been offset against the capital losses detailed above. A deferred tax asset has not been recognised in respect of the net capital losses carried forward of £19 million (2016: £19 million) as they do not meet the criteria for recognition.

(d) Deferred tax

A reconciliation of the movement in deferred tax during the year is as follows:

	Accelerated capital allowances £000	**Short term temporary differences £000**	**Brands £000**	**Hedging £000**	**Total deferred tax liability £000**	**Pension deferred tax asset £000**
At 1 July 2015	19	(38)	458	(49)	390	(4,187)
Charged/(credited) to the statement of comprehensive income – current year	267	(8)	(94)	–	165	347
(Credited)/charged to the statement of comprehensive income – prior year	(53)	5	–	–	(48)	–
Charged/(credited) to equity	–	–	–	1	1	(240)
At 30 June 2016	233	(41)	364	(48)	508	(4,080)
Charged/(credited) to the statement of comprehensive income – current year	**33**	**4**	**(65)**	**–**	**(28)**	**427**
Charged to the statement of comprehensive income – prior year	**73**	**5**	**–**	**–**	**78**	**–**
Charged to equity	**–**	**–**	**–**	**37**	**37**	**152**
At 30 June 2017	**339**	**(32)**	**299**	**(11)**	**595**	**(3,501)**

Deferred tax assets and liabilities are presented as non-current in the consolidated statement of financial position.

Deferred tax assets have been recognised where it is probable that they will be recovered. Deferred tax assets of £3.2 million (2016: £3.4 million) have not been recognised in respect of net capital losses of £19 million (2016: £19 million), see note 10 (c).

10 Tax expense (continued)

(e) Factors affecting the tax charge in future periods

In the Budget on 16 March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate. This rate change was substantively enacted at the balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

11 Dividends

	2016/17 £000	2015/16 £000
Interim dividend for 2017 of 2.85p paid on 7 April 2017	**1,018**	–
Final dividend for 2016 of 3.8p paid on 1 November 2016	**1,350**	–
Interim dividend for 2016 of 2.7p paid on 7 April 2016	**–**	960
Final dividend for 2015 of 3.5p paid on 28 October 2015	**–**	1,248
	2,368	2,208

A final dividend of 4.3 pence per equity share, at a cash cost of £1,538,000, has been proposed for the year ended 30 June 2017, payable on 31 October 2017. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

12 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period, after allowing for the exercise of outstanding share options. The following sets out the income and share data used in the basic and diluted earnings per share calculations:

	2016/17 £000	2015/16 £000
Profit attributable to equity holders of the parent – continuing operations	**6,540**	5,178
Profit attributable to equity holders of the parent – discontinued operations	**–**	1,306
Net profit attributable to equity holders of the parent	**6,540**	6,484

	000s	000s
Weighted average number of shares	**35,663**	35,618
Dilutive potential ordinary shares – employee share options	**556**	520
	36,219	36,138

Calculation of underlying earnings per share from continuing operations:

	2016/17 £000	2015/16 £000
Reported profit before taxation from continuing operations	**8,123**	6,759
Add: brand amortisation	**268**	268
Add: IAS 19 'Pension scheme administration costs'	**–**	510
Add: IAS 19 'Net pension scheme finance costs'	**620**	724
Underlying profit before taxation from continuing operations	**9,011**	8,261
Tax at underlying group tax rate of 20.6% (2015/16: 20.8%)	**(1,856)**	(1,718)
Underlying earnings from continuing operations	**7,155**	6,543
Weighted average number of shares	**35,663**	35,618
Underlying earnings per share from continuing operations	**20.1p**	18.4p

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13 Property, plant and equipment

	Freehold land and buildings £000	Long leasehold property £000	Short leasehold improvements £000	Plant & equipment £000	Total £000
Cost					
At 1 July 2015	5,762	235	290	17,014	23,301
Additions	23	–	26	890	939
Disposal of business activity	(2,657)	–	(43)	(6,085)	(8,785)
Disposals	–	–	–	(593)	(593)
At 1 July 2016	3,128	235	273	11,226	14,862
Additions	**49**	**–**	**178**	**798**	**1,025**
Disposals	**–**	**–**	**(5)**	**(420)**	**(425)**
At 30 June 2017	**3,177**	**235**	**446**	**11,604**	**15,462**
Accumulated depreciation and impairment losses					
At 1 July 2015	1,684	201	246	13,680	15,811
Depreciation charge for year	132	19	22	897	1,070
Disposal of business activity	(1,014)	–	(18)	(5,661)	(6,693)
On disposals	–	–	–	(593)	(593)
At 1 July 2016	802	220	250	8,323	9,595
Depreciation charge for year	**91**	**15**	**9**	**843**	**958**
On disposals	**–**	**–**	**(5)**	**(418)**	**(423)**
At 30 June 2017	**893**	**235**	**254**	**8,748**	**10,130**
Net book value at 30 June 2017	**2,284**	**–**	**192**	**2,856**	**5,332**
Net book value at 30 June 2016	2,326	15	23	2,903	5,267
Net book value at 1 July 2015	4,078	34	44	3,334	7,490

14 Goodwill

	2017 £000	2016 £000
Cost:		
At 1 July 2016 and 30 June 2017	**17,211**	17,211
Impairment:		
At 1 July 2016 and 30 June 2017	**723**	723
Net book value at 30 June	**16,488**	16,488

Goodwill acquired through acquisitions has been allocated to cash generating units for impairment testing as set out below:

	2017 £000	2016 £000
Alumasc Roofing	**3,820**	3,820
Timloc	**2,264**	2,264
Levolux	**10,179**	10,179
Rainclear	**225**	225
At 30 June	**16,488**	16,488

Impairment testing of acquired goodwill

The group considers each of the operating businesses that have goodwill allocated to them, which are those units for which a separate cash flow is computed, to be a cash generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use. Each of the CGUs are either operating segments as shown in note 4, or sub-sets of those operating segments.

For the purpose of impairment testing, the recoverable amount of CGUs is based on value in use calculations. The value in use is derived from discounted management cash flow forecasts for the businesses, based on budgets and strategic plans covering a five year period.

The growth rate used to extrapolate the cash flows beyond this period was 1% (2016: 1%) for each CGU.

Key assumptions included in the recoverable amount calculation include:

(i) Revenues
(ii) Gross margins
(iii) Overhead costs

Each assumption has been considered in conjunction with the local management of the relevant operating businesses who have used their past experience and expectations of future market and business developments in arriving at the figures used.

The range of pre-tax rates used to discount the cash flows of these cash generating units with on-balance sheet goodwill was between 10% and 11% (2016: between 10% and 11%). These rates were based on the group's estimated weighted average cost of capital (W.A.C.C.), which was risk-adjusted for each CGU taking into account both external and internal risks. The group's W.A.C.C. in 2017 was similar to the rate used in 2016.

The surplus headroom above the carrying value of goodwill at 30 June 2017 was significant in the case of all businesses subject to goodwill impairment testing, with no impairment arising from either a 2% increase in the discount rate; a growth rate of -1% used to extrapolate the cash flows; or a reduction of 25% in the cash flow generated in the terminal year for any CGU.

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15 Other intangible assets

	Brands £000	Computer software £000	Total £000
Cost:			
At 1 July 2015	4,289	2,107	6,396
Additions	–	182	182
Disposal of business activities	–	(131)	(131)
At 1 July 2016	4,289	2,158	6,447
Additions	**–**	**147**	**147**
Disposals	**–**	**–**	**–**
At 30 June 2017	**4,289**	**2,305**	**6,594**
Accumulated amortisation:			
At 1 July 2015	1,997	1,568	3,565
Amortisation for the year	268	98	366
Disposal of business activities	–	(126)	(126)
On disposals	–	–	–
At 1 July 2016	2,265	1,540	3,805
Amortisation for the year	**268**	**157**	**425**
On disposals	**–**	**–**	**–**
At 30 June 2017	**2,533**	**1,697**	**4,230**
Net book value at 30 June 2017	**1,756**	**608**	**2,364**
Net book value at 30 June 2016	2,024	618	2,642
Net book value at 1 July 2015	2,292	539	2,831

The Levolux brand is being amortised over a life of 20 years from May 2007.

The Rainclear brand is being amortised over a life of 5 years from December 2012.

The Blackdown brand is fully amortised.

16 Inventories

	2017 £000	2016 £000
Raw materials	**2,747**	2,303
Work in progress	**748**	1,332
Finished goods	**7,013**	6,603
	10,508	10,238

During the year the group's inventory provision in relation to continuing operations increased by £199,000 (2016: increased by £20,000). At 30 June 2017 the group's inventory provision was £1,135,000 (2016: £936,000). Included within raw materials are biological assets of £76,000 (2016: £39,000).

17 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	**14,626**	12,899
Construction contracts	**6,266**	5,071
Other receivables	**384**	525
Prepayments and accrued income	**1,183**	1,264
	22,459	19,759

Trade receivables are non-interest bearing, are generally on terms of 30-90 days and are shown net of provisions for impairment. As at 30 June 2017, trade receivables at nominal value of £204,000 (2016: £249,000) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	2017 £000	2016 £000
At 1 July	**249**	240
Charge for the year	**8**	44
Amounts written off	**(53)**	(35)
At 30 June	**204**	249

Included within the total provision for impairment is £69,000 (2016: £91,000) in relation to provisions against construction contracts.

18 Trade and other payables

	2017 £000	2016 £000
Trade payables	**17,043**	17,234
Other taxation and social security	**1,820**	2,178
Other payables	**783**	1,056
Construction deposits received on account	**893**	1,032
Accruals	**2,231**	2,268
Deferred income	**727**	1,583
	23,497	25,351

19 Construction contracts

Details of amounts due from and to customers for contract work as at 30 June are included in notes 17 and 18. For contracts in progress at 30 June 2017, the amount of contract costs incurred plus recognised profits less recognised losses to date, (i.e. contract revenue recognised), was £8,129,000 (2016: £6,413,000). These contracts were on average 29% complete at 30 June 2017 (2016: 26%). The level of payments received in advance of profit recognised at 30 June 2017 was £nil (2016: £1,100,000).

20 Borrowings

	2017 £000	2016 £000
Non-current liabilities:		
Non-current instalments due on bank loan	**2,938**	1,908

The group has a £12.5 million committed revolving credit facility which expires in August 2020. The group has the option to cancel and repay elements of the committed facility at short notice should it wish to do so. The following financial covenants applied to the facility: group interest cover, based on underlying EBITDA (i.e. from continuing operations and before non-recurring items), to be at least four times; and net debt as a multiple of underlying EBITDA (i.e. from continuing operations and before non-recurring items) to be below three times.

In view of the group's positive net cash position, there was substantial headroom between loan covenant ratios for the year and the limits set out in the revolving credit facility agreement.

At 30 June 2017 the group also had £2 million (2016: £3 million) of bank overdraft facilities repayable on demand.

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21 Financial instruments

Financial risk management

The group's treasury activities are carried out in accordance with policies set by the Board and are managed on a centralised basis across the group. The purpose of treasury activities is to ensure that adequate, cost effective funding is available to the group at all times and that exposure to interest rate, foreign exchange and counterparty risks are managed within acceptable levels. The group uses derivative financial instruments as economic hedges to manage foreign exchange and, where necessary, interest rate risks. It is the group's policy that no trading in financial instruments is undertaken. Hedge accounting treatment has been applied to all of these hedging activities. All derivative financial instruments are measured at fair value at each balance sheet date.

Financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the group's financial assets and liabilities:

	30 June 2017		30 June 2016	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Financial assets:				
Cash and cash equivalents	**9,014**	**9,014**	10,540	10,540
Trade receivables	**14,626**	**14,626**	12,899	12,899
Construction contracts	**6,266**	**6,266**	5,071	5,071
Other receivables	**384**	**384**	525	525
	30,290	**30,290**	29,035	29,035
Financial liabilities:				
Bank loans	**2,938**	**2,938**	1,908	1,908
Trade and other payables	**20,784**	**20,784**	22,141	22,141
Derivative financial liabilities	**62**	**62**	269	269
	23,784	**23,784**	24,318	24,318

Trade and other payables balances do not include other taxation and social security costs or construction deposits received on account, as these balances do not meet the definition of financial liabilities in IAS 39.

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2017 and 2016 based on contractual undiscounted payments. The total interest bearing loans and borrowings value in the table below includes future unaccrued interest, whilst the bank overdraft and loans balance in the table above shows only the carrying amount at the year end date.

	On demand £000	**Less than 3 months £000**	**3 to 12 months £000**	**1 to 5 years £000**	**Total £000**
At 30 June 2017					
Interest bearing loans and borrowings	**–**	**16**	**33**	**3,125**	**3,174**
Trade and other payables	**5,747**	**13,925**	**881**	**231**	**20,784**
	5,747	**13,941**	**914**	**3,356**	**23,958**
At 30 June 2016					
Interest bearing loans and borrowings	–	11	46	2,297	2,354
Trade and other payables	5,560	14,730	1,256	595	22,141
	5,560	14,741	1,302	2,892	24,495

21 Financial instruments (continued)

Liquidity risk management
The group manages liquidity risk by monitoring its net cash/debt position regularly and ensuring that committed and uncommitted banking facilities are in place to provide adequate headroom for anticipated future cash flows. Details of the facilities are given above. The group's net cash position at 30 June 2017 was £6.1 million (2016: £8.6 million).

Details of the group's approach to capital structure are given within the Financial Review on page 25.

The maturity profile of the group's interest bearing financial liabilities is as follows:

	2017 £000	2016 £000
Floating rate interest bearing financial liabilities:		
In two to five years	**2,938**	1,908
	2,938	1,908

Interest rate risk management
The group had no net indebtedness at 30 June 2017. It is the group's policy to hedge against significant upwards movement in LIBOR, typically using interest rate Caps or Swaps should the income statement become exposed to material interest rate risk in future.

The group's marginal pre-tax cost of debt finance at interest rates in place at 30 June 2017 under the banking facilities in existence at that time was approximately 1.0% (2016: 1.3%).

The floating rate financial liabilities comprise the drawn down element of the revolving credit facility in existence at the balance sheet date that bears interest based on LIBOR.

In view of the group's positive net cash position at 30 June 2017, the impact of a reasonable foreseeable change in interest rates on the group's profit before tax through the impact of floating rate borrowings is not considered material.

Credit risk
The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services on deferred terms. There are no concentrations of credit risk which amount to more than 10% of group revenues. The maximum credit risk exposure relating to financial assets is represented by its carrying value less amounts recoverable from credit insurance contracts, where applicable, as at the balance sheet date and is limited to the value of trade and other receivables. In addition the group may from time to time have credit exposures relating to bespoke inventories. The group's cash deposits are only lodged with approved institutions that have strong credit ratings.

Group policies are aimed at minimising credit losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit terms to ensure that the group's exposure to bad debts is minimised. Goods may be sold on a payment with order basis to mitigate credit risk. Most group businesses purchase credit insurance and the group has increased its overall levels of credit insurance in recent years.

At 30 June, the analysis of trade and other receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total £000	**Not past due £000**	**< 30 days £000**	**30-60 days £000**	**60-90 days £000**	**> 90 days £000**
At 30 June 2017						
Trade receivables	**14,626**	**11,782**	**2,079**	**256**	**126**	**383**
Construction contracts	**6,266**	**3,969**	**2,152**	**22**	**8**	**115**
Other receivables	**384**	**371**	**–**	**13**	**–**	**–**
	21,276	**16,122**	**4,231**	**291**	**134**	**498**
At 30 June 2016						
Trade receivables	12,899	10,369	2,187	214	91	38
Construction contracts	5,071	3,254	746	562	485	24
Other receivables	525	497	21	7	–	–
	18,495	14,120	2,954	783	576	62

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For the year ended 30 June 2017

21 Financial instruments (continued)

Foreign currency risk

The group has transactional currency exposures. Such exposures arise from sales or purchases by operating companies in currencies other than the companies' operating currency (mainly Pounds Sterling). Transactional currency risks are managed by offsetting as far as possible purchases and sales by group companies in the same currency. A proportion of the residual risk is managed, where appropriate, through the use of forward currency contracts.

None of the derivative financial instruments held at 30 June 2017 or 30 June 2016 related to derivative trading activity. Where cash flow hedge accounting is applied, gains or losses on the financial instrument hedges are held in equity and only recognised in the consolidated statement of comprehensive income when the losses or gains on the hedged transactions are recognised in the consolidated statement of comprehensive income.

The following shows the amounts of foreign currency denominated receivables, payables and cash balances at 30 June stated in local currency:

				2017				2016
	Receivable 000	**Payable 000**	**Cash 000**	**Net total 000**	Receivable 000	Payable 000	Cash 000	Net total 000
Euros	**928**	**(2,248)**	**372**	**(948)**	177	(1,399)	84	(1,138)
US Dollars	**2,592**	**(1,129)**	**1,583**	**3,046**	848	(2,142)	778	(516)
Hong Kong Dollars	**1,112**	**(33)**	**3,462**	**4,541**	1,345	(2)	1,544	2,887

The following table demonstrates the impact on the group's profit after tax and equity when the fair value of unhedged monetary assets and liabilities at 30 June are retranslated at exchange rates either 10% above or below the year end exchange rate:

			Effect on profit after tax and equity in Pound Sterling		
		Exchange rate change	US Dollar £000	Euro £000	Hong Kong Dollar £000
2017	**Increase**	**+10%**	**145**	**(75)**	**41**
	Decrease	**-10%**	**(178)**	**92**	**(50)**
2016	Increase	+10%	35	86	(25)
	Decrease	-10%	(43)	(106)	31

Hedging activities

The net fair values of the group's derivative financial instruments at 30 June designated as hedging instruments are set out below:

	2017 £000	2016 £000
Forward foreign exchange contracts	**(62)**	(269)

At 30 June 2017 the group had forward foreign exchange contracts with principal amounts equivalent to £13,048,000 (2016: £3,642,000). The forward foreign exchange contracts hedge foreign currency price risks of various currency purchases and sales across the group. The cash flows associated with the forward foreign exchange hedges are generally expected to occur within the next 12 months.

The derivative financial instruments carried at fair value have been valued using directly observable market inputs and therefore they are all considered to have been valued at Level 2, as described in the amendments to IFRS 7.

22 Retirement benefit obligations

The group operates a number of defined contribution and defined benefit pension schemes, funded by the payment of contributions into separately administered funds. The defined benefit schemes, which have been closed to future accrual since 2010, provide defined benefits based on a career average revalued earnings (CARE) basis.

Defined contribution schemes

Of the amount charged to operating profit in the statement of comprehensive income for pension contributions, £597,000 (2016: £570,000 from continuing operations) was in respect of defined contribution schemes. At 30 June 2017 there was an accrual of £67,000 payable in respect of defined contribution schemes (2016: £75,000).

Defined benefit schemes

The two principal defined benefit schemes are The Alumasc Group Pension Scheme and The Benjamin Priest Group Pension Scheme. The rate of contributions to fund the deficits in the schemes is assessed by the schemes' actuary on a triennial basis.

The level of deficit reduction contributions agreed with the Pension Trustees is £3.2 million per annum. Following the 2016 triennial review and agreement of the revised deficit recovery plan, pension scheme administration costs are now paid directly by the pension schemes rather than being reimbursed by the group.

Disclosures in accordance with IAS 19 are set out below in respect of the defined benefit schemes.

Pension charges are determined with the advice of an independent qualified actuary on the basis of annual valuations using the projected unit credit method. Under the projected unit credit method, for closed schemes the amounts allocated to service cost in future periods will tend to be higher as the members of the schemes approach retirement.

The principal assumptions used for the purpose of the IAS 19 valuations are set out below:

	The Alumasc Group Scheme 2017 %	**The Benjamin Priest Group Scheme 2017 %**	The Alumasc Group Scheme 2016 %	The Benjamin Priest Group Scheme 2016 %
Discount rate	**2.6**	**2.6**	3.0	3.0
Expected rate of deferred pension increases	**2.2**	**2.2**	1.9	1.9
Future pension increases	**1.9-3.7**	**1.9-3.7**	1.7-3.5	1.7-3.5
Retail Price Index inflation rate	**3.2**	**3.2**	2.9	2.9
Consumer Price Index inflation rate	**2.2**	**2.2**	1.9	1.9
	Years	**Years**	Years	Years
Post retirement mortality				
Current pensioners at 65 – male	**21.9**	**21.0**	22.2	21.3
Current pensioners at 65 – female	**23.6**	**22.8**	23.9	22.9
Future pensioners at 65 in 2037 – male	**23.3**	**22.5**	23.9	22.9
Future pensioners at 65 in 2037 – female	**24.9**	**24.1**	25.4	24.4

A discount rate of 2.6% has been used in calculating the present value of liabilities of the pension schemes at 30 June 2017. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £1,760,000 before tax.

A Retail Price Index inflation rate of 3.2% and a Consumer Price Index inflation rate of 2.2% have been used in calculating the present value of liabilities of the pension schemes at 30 June 2017. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £800,000 before tax.

In valuing the liabilities of the pension schemes at 30 June 2017, mortality assumptions have been assumed as indicated above. If life expectancy had been changed to assume that all members of the schemes live for one year longer on average, the value of the reported liabilities at 30 June 2017 would have increased by approximately £5,400,000 before tax.

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For the year ended 30 June 2017

22 Retirement benefit obligations (continued)

Defined benefit schemes (continued)

The combined assets and liabilities of the schemes at 30 June are:

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Scheme assets at fair value:					
Equities	**40,190**	34,342	42,378	40,949	34,503
Government bonds	**13,459**	10,953	9,016	8,224	11,417
Corporate bonds and insured annuities	**12,539**	11,974	10,820	10,302	9,738
Multi-asset fund	**24,676**	25,710	19,836	21,557	26,948
Property	**7,896**	8,075	7,213	4,762	672
Cash	**362**	1,764	902	779	672
	99,122	92,818	90,165	86,573	83,950
Present value of scheme liabilities	**(119,718)**	(115,486)	(111,100)	(104,495)	(94,012)
Defined benefit pension deficit	**(20,596)**	(22,668)	(20,935)	(17,922)	(10,062)

Of the above assets, all have a quoted market price with the exception of £2,510,000 of insured annuities (2016: £2,467,000) and £800,000 of property (2016: £800,000).

The whole of the defined benefit pension deficit is shown as a non-current liability.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plans, before taxation, are as follows:

	2016/17 £000	2015/16 £000
Included in net finance cost:		
Net pension scheme finance costs	**(620)**	(724)
Administration costs	**–**	(510)
	(620)	(1,234)
Included in other comprehensive income:		
Actuarial gain on plan assets	**6,404**	3,596
Actuarial loss on retirement benefit obligations	**(7,044)**	(7,008)
	(640)	(3,412)
Total recognised in the statement of comprehensive income	**(1,260)**	(4,646)

The actual return on plan assets for 2016/17 was a gain of £9,101,000 (2015/16: gain of £6,854,000).

Changes in the present value of the defined benefit obligation before taxation are as follows:

	2017 £000	2016 £000
At 1 July	**(115,486)**	(111,100)
Administration costs	**–**	(510)
Interest cost	**(3,317)**	(3,982)
Administrative expenses reimbursed by the group	**–**	413
Benefits paid	**6,129**	6,701
Actuarial loss	**(7,044)**	(7,008)
At 30 June	**(119,718)**	(115,486)

22 Retirement benefit obligations (continued)

Defined benefit schemes (continued)
Changes in the fair value of plan assets before taxation are as follows:

	2017 £000	2016 £000
At 1 July	**92,818**	90,165
Expected return on plan assets	**2,697**	3,258
Actuarial gain	**6,404**	3,596
Contributions by employer	**3,332**	2,913
Administrative expenses	**–**	(413)
Benefits paid	**(6,129)**	(6,701)
At 30 June	**99,122**	92,818

The cumulative amount of actuarial losses recognised since 1 July 2004 in the group statement of comprehensive income is £18,643,000 (2015/16: losses of £18,003,000).

23 Provisions

	Dilapidations £000 Note (i)	Warranty £000 Note (ii)	Restructuring £000	Total £000
At 1 July 2015	955	567	104	1,626
Charge for the year	44	63	–	107
Utilised	–	(87)	(104)	(191)
At 1 July 2016	999	543	–	1,542
Credit for the year	**(246)**	**(38)**	**–**	**(284)**
Utilised	**–**	**(211)**	**–**	**(211)**
At 30 June 2017	**753**	**294**	**–**	**1,047**
At 30 June 2017				
Current liabilities	**75**	**82**	**–**	**157**
Non-current liabilities	**678**	**212**	**–**	**890**
	753	**294**	**–**	**1,047**
At 30 June 2016				
Current liabilities	268	210	–	478
Non-current liabilities	731	333	–	1,064
	999	543	–	1,542

(i) Dilapidations
The provision is in respect of a number of the group's leased properties where the group has obligations to make good dilapidations. The non-current liabilities are estimated to be payable over periods from one to ten years.

(ii) Warranty
Warranty provisions are generally utilised within five years.

Provisions are not discounted to present values since the impact of reflecting the time value of money on these balances is not considered to be material.

24 Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
36,133,558 (2016: 36,133,558) ordinary shares of 12.5p each	**4,517**	4,517

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For the year ended 30 June 2017

25 Movements in equity

Share capital and share premium
The balances classified as share capital and share premium are the proceeds of the nominal value and premium value respectively on issue of the company's equity share capital net of issue costs.

Capital reserve – own shares
The capital reserve – own shares relates to 361,789 (2016: 622,528) ordinary own shares held by the company. The market value of shares at 30 June 2017 was £672,928 (2016: £756,372). These are held to help satisfy the exercise of awards under the company's Long Term Incentive Plans. During the year 260,739 shares with a cost of £390,000 were used to satisfy the exercise of awards. A Trust holds the shares in its name and shares are awarded to employees on request by the company. The company bears the expenses of the Trust.

Hedging reserve
This reserve records the post-tax portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Foreign currency reserve
This foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26 Share based payments

The company operates two types of share based payment schemes, the main features of the LTIP scheme are detailed in the Directors' Remuneration Report on pages 40 to 56. The criteria to achieve full payout of the ESOS is consistent with the basic EPS growth criteria set out within the Directors' Remuneration Report.

	As at 1 July 2016	Weighted average exercise price (pence)	Granted	Weighted average exercise price (pence)	Exercised	Weighted average exercise price (pence)	Lapsed	Weighted average exercise price (pence)	**As at 30 June 2017**	Weighted average exercise price (pence)
LTIP[i]	742,678	n/a	256,299	n/a	(170,740)	n/a	(138,032)	n/a	**690,205**	n/a
ESOS[ii]	460,000	1.51	120,000	1.58	(90,000)	1.29	(50,000)	1.47	**440,000**	1.58

	As at 1 July 2015	Weighted average exercise price (pence)	Granted	Weighted average exercise price (pence)	Exercised	Weighted average exercise price (pence)	Lapsed	Weighted average exercise price (pence)	As at 30 June 2016	Weighted average exercise price (pence)
LTIP[i]	846,340	n/a	194,413	n/a	(152,643)	n/a	(145,432)	n/a	742,678	n/a
ESOS[ii]	499,878	1.15	180,000	1.88	(160,000)	0.80	(59,878)	1.49	460,000	1.51

(i) Long term incentive plan.
(ii) Executive share option scheme.

ESOS
For the share options outstanding at 30 June 2017 the weighted average remaining contractual life is 8.1 years (30 June 2016: 8.3 years). The exercise price of the options outstanding ranges between 103 pence and 188 pence. 70,000 share options are exercisable at 30 June 2017 (30 June 2016: 10,000).

LTIP
Whilst an estimated amount has been accrued for the vesting of the March 2015 LTIP award, as shown on page 42, that award does not vest until March 2018 and therefore no vesting is shown in the table above.

Fair value of awards
The fair values of awards granted in the year, together with the other inputs into the option pricing model are shown below. The Black-Scholes option pricing model has been used to calculate the fair value of the options and the amount to be expensed in the statement of comprehensive income.

26 Share based payments (continued)

	ESOS		LTIP	
	Black Scholes 2017	Black Scholes 2016	**Black Scholes 2017**	Black Scholes 2016
Share price at grant date	**158p**	178p	**158p**	178p
Exercise price	**158p**	188p	**nil**	nil
Expected volatility	**25%**	25%	**25%**	25%
Expected life (years)	**3**	3	**3**	3
Risk free rate	**1.0%**	1.0%	**1.0%**	1.0%
Dividend yield at date of grant	**4.1%**	2.9%	**4.1%**	2.9%
Fair value per option	**19p**	21p	**139p**	163p

The expected volatility is based on historical volatility over the last three years. The risk free rate of return is based on the yield on government bonds due to mature on the expected maturity of the award.

The net charge recognised for share based payments in respect of employee services rendered during the year to 30 June 2017 was £200,000 (2015/16: £267,000). Of this, £146,000 (2015/16: £115,000) is in respect of key management personnel, which are the Directors of the Alumasc Group plc.

27 Movement in cash net of borrowings

	Cash and cash equivalents £000	Bank loans £000	Net cash £000
At 1 July 2015	5,914	(5,000)	914
Cash flow movements	4,599	3,000	7,599
Non-cash movements	–	92	92
Effect of foreign exchange rates	27	–	27
At 1 July 2016	10,540	(1,908)	8,632
Cash flow movements	**(1,560)**	**(1,000)**	**(2,560)**
Non-cash movements	**–**	**(30)**	**(30)**
Effect of foreign exchange rates	**34**	**–**	**34**
At 30 June 2017	**9,014**	**(2,938)**	**6,076**

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For the year ended 30 June 2017

28 Financial commitments

(i) Capital commitments
At 30 June 2017, £665,000 (2016: £116,000) of capital expenditure had been authorised and £144,000 (2016: £56,000) of capital expenditure had been authorised and contracted but not provided for by the group.

(ii) Operating lease commitments
The group has entered into commercial leases on certain properties, motor vehicles and items of plant and equipment. The leases have varying terms and renewal rights.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Property 2017 £000	**Plant and vehicles 2017 £000**	Property 2016 £000	Plant and vehicles 2016 £000
Less than one year	**1,469**	**594**	830	609
Between one and five years	**4,622**	**731**	1,076	883
After five years	**4,994**	**–**	1,067	–
	11,085	**1,325**	2,973	1,492

During the year, the group entered into two new property lease agreements: a 15 year lease with an annual lease charge of £405,000 within the Housebuilding & Ancillary Products segment and a five year lease with an annual lease charge of £71,000 within the Roofing & Walling segment.

The total future minimum sub-lease receipts under non-cancellable operating leases where the group acts as a lessor are as follows:

	Property 2017 £000	Property 2016 £000
Less than one year	**32**	32

29 Related party disclosure

The group's principal subsidiaries are listed below:

Principal subsidiaries	Principal activity	Country of incorporation	% of equity interest and votes held **2017**	2016
Alumasc Exterior Building Products Limited	Building products	England	**100**	100
Alumasc Limited	Building products	England	**100**	100
Levolux Limited	Building products	England	**100**	100

A full list of the group's subsidiaries is shown on page 119.

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made at arms-length market prices. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Transactions with other related parties
Key management personnel are determined as the Directors of The Alumasc Group plc. Details of transactions with the Directors and their compensation are detailed in the Directors' Remuneration Report on pages 40 to 56.

30 Contingent liabilities

At the balance sheet date there existed contingent liabilities amounting to £300,000 (2016: £723,000) in relation to outstanding Guarantees and £184,000 (2016: £180,000) in relation to outstanding Performance Bonds.

31 Post balance sheet events

As described in the Strategic Report on page 19, the group sold Scaffold and Construction Products on 31 July 2017. Disposal proceeds were £1,000,000. The business generated revenues of £4,200,000 in the year to 30 June 2017 and recorded a break-even result at operating profit level.

In late August 2017 the EU announced it was imposing a 33% duty on certain iron castings imported from China. This will impact Gatic's UK access covers business. The additional cost will be recovered through selling price increases and internal efficiencies where possible.

Company Statement of Financial Position

At 30 June 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Property, plant & equipment	5	**485**	504
Investments in group companies	6	**64,687**	64,687
Deferred tax assets	9	**219**	295
		65,391	65,486
Current assets			
Trade and other receivables	7	**3,474**	5,154
Total assets		**68,865**	70,640
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	10, 18	**(2,938)**	(1,908)
Amounts due to subsidiary undertakings	19	**(6,800)**	(6,800)
Provisions	13	**(59)**	(59)
Deferred tax liabilities	9	**(67)**	(74)
Employee benefits payable	12	**(1,052)**	(1,169)
		(10,916)	(10,010)
Current liabilities			
Bank overdraft	18	**(9,688)**	(14,734)
Trade and other payables	8	**(1,811)**	(2,280)
Derivative financial liabilities	11	**(72)**	(273)
		(11,571)	(17,287)
Total liabilities		**(22,487)**	(27,297)
Net assets		**46,378**	43,343
Capital and reserves			
Called up share capital	14	**4,517**	4,517
Share premium	15	**445**	445
Revaluation reserve		**2,265**	2,265
Merger reserve		**10,606**	10,606
Capital reserve – own shares	15	**(541)**	(931)
Hedging reserve	15	**(60)**	(224)
Profit and loss account reserve	15	**29,146**	26,665
Shareholders' funds		**46,378**	43,343

Paul Hooper
Director

Andrew Magson
Director

5 September 2017

Company number 1767387

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Company Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2016/17 £000	2015/16 £000
Operating activities			
Operating profit		**5,321**	8,764
Adjustments for:			
Depreciation	5	**33**	82
Decrease/(increase) in receivables		**1,680**	(4,409)
Decrease in trade and other payables		**(466)**	(1,277)
Cash contributions to retirement benefit schemes	12	**(141)**	(110)
Share based payments		**157**	181
		6,584	3,231
Tax received/(paid)		**76**	(128)
Net cash inflow from operating activities		**6,660**	3,103
Investing activities			
Purchase of property, plant and equipment		**(14)**	(12)
Proceeds from sale of property		**–**	2,883
Net cash (outflow)/inflow from investing activities		**(14)**	2,871
Financing activities			
Interest paid		**(348)**	(243)
Equity dividends paid	4	**(2,368)**	(2,208)
Draw down/(repayment) of amounts borrowed	18	**1,000**	(3,000)
Refinancing costs	18	**–**	(119)
Exercise of share based incentives		**116**	(612)
Net cash outflow from financing activities		**(1,600)**	(6,182)
Net increase/(decrease) in cash and cash equivalents	18	**5,046**	(208)
Net cash and cash equivalents brought forward		**(14,734)**	(14,526)
Net increase/(decrease) in cash and cash equivalents		**5,046**	(208)
Net cash and cash equivalents carried forward	18	**(9,688)**	(14,734)

Company Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital £000	Share premium £000	Revaluation reserve £000	Merger reserve £000	Capital reserve – own shares £000	Hedging reserve £000	Profit and loss account reserve £000	Total equity £000
At 1 July 2015	4,517	445	2,265	10,606	(618)	–	19,462	36,677
Profit for the period	–	–	–	–	–	–	9,771	9,771
Net loss on cash flow hedges	–	–	–	–	–	(273)	–	(273)
Tax on derivative financial liability	–	–	–	–	–	49	–	49
Actuarial loss on defined benefit pensions, net of tax	–	–	–	–	–	–	(242)	(242)
Dividends	–	–	–	–	–	–	(2,208)	(2,208)
Share based payments	–	–	–	–	–	–	181	181
Acquisition of own shares	–	–	–	–	(313)	–	–	(313)
Exercise of share based incentives	–	–	–	–	–	–	(299)	(299)
At 1 July 2016	4,517	445	2,265	10,606	(931)	(224)	26,665	43,343
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**4,984**	**4,984**
Net gain on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**201**	**–**	**201**
Tax on derivative financial liability	**–**	**–**	**–**	**–**	**–**	**(37)**	**–**	**(37)**
Actuarial loss on defined benefit pensions, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(18)**	**(18)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(2,368)**	**(2,368)**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**157**	**157**
Issue of own shares	**–**	**–**	**–**	**–**	**390**	**–**	**–**	**390**
Exercise of share based incentives	**–**	**–**	**–**	**–**	**–**	**–**	**(274)**	**(274)**
At 30 June 2017	**4,517**	**445**	**2,265**	**10,606**	**(541)**	**(60)**	**29,146**	**46,378**

Financial Statements

Notes to the Company Financial Statements

For the year ended 30 June 2017

1 Basis of preparation

The Alumasc Group plc is incorporated and domiciled in England and Wales. The company's ordinary shares are traded on the London Stock Exchange.

The company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), and the Companies Act 2006.

The financial statements are prepared on the historical cost basis except for derivative financial instruments and equity settled share based payments which are stated at their fair value.

The financial statements are prepared on a consistent basis with The Alumasc Group plc consolidated financial statements. As permitted by Section 408 of the Companies Act 2006, the company profit and loss account is not presented. The profit for the year after tax was £4,984,000 (2016: profit of £9,771,000).

Going concern
The company participates in the Alumasc group's overall borrowing facilities and treasury operations are managed on a centralised basis throughout the group. The company's borrowings are subject to cross-guarantees and offset arrangements with positive cash balances elsewhere in the group.

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 29. The financial position of the group, its cash flows and liquidity position are set out in these financial statements. Details of the group's borrowing facilities are described within note 10.

The group has committed borrowing facilities of £12.5 million which expire in August 2020. In addition, the group has recently renewed overdraft facilities totalling £2 million for another year. At 30 June 2017 the group's net cash resources were £6.1 million (2016: £8.6 million).

On the basis of the group's financing facilities and current operating and financial plans and sensitivity analyses, the Board is satisfied that the group has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to adopt the going concern basis in preparing the financial statements. Further information is set out in the viability statement on page 28.

2 Summary of significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The following new standard, amendment and interpretation is effective for the period beginning on or after 1 July 2016 and has been adopted for the company financial statements where appropriate with no material impact on the disclosures made by the company:

IAS 1 'Presentation of Financial Statements'.

Judgments and estimates
The key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the measurement and valuation of defined benefit pension obligations. Measurement of defined benefit pension obligations requires estimation of future changes in inflation, mortality rates and the selection of a suitable discount rate (see note 12).

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Under IFRS transitional provisions, the company elected to bring in previous valuations of freehold and long leasehold land and buildings at a valuation frozen under FRS 15, and these amounts are carried forward at deemed cost.

Freehold land is not depreciated.

The cost of other property, plant and equipment is written off by equal monthly instalments over their estimated useful lives as follows:

Freehold buildings	–	25 to 50 years
Long leasehold property	–	over the period of the lease to a maximum of 50 years
Plant and equipment	–	3 to 15 years

Where parts of an item of property, plant and equipment have different useful lives, each part is accounted for as a separate item. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

2 Summary of significant accounting policies (continued)

Impairment of fixed assets
The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Leased assets
Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are classified as finance leases and are capitalised with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the rental obligation is charged to the statement of comprehensive income in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the life of the lease.

Financial assets
When financial assets are recognised initially under IAS 39, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

Pension costs
The company operates a defined benefit pension scheme, which is constituted as a separately administered fund and which is closed to future accrual. Deficit reduction contributions are agreed with the pension trustees on the basis of actuarial advice to fund this scheme. The company also operates defined contribution schemes where agreed contractual contributions are paid into separately administered funds.

(i) Defined benefit pensions
Prior to the closure of the defined benefit scheme to future benefit accrual, the cost of providing benefits under the defined benefit plan was determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and is based on actuarial advice.

The company determines finance income/expense for the period relating to the defined benefit pension scheme by applying the discount rate used for valuing the scheme's liabilities to the value of the net pension liability at the beginning of the year.

The net pension scheme finance costs are charged to finance costs within the statement of comprehensive income.

Actuarial gains and losses are recognised in full in the statement of comprehensive income. These comprise, for scheme assets, the difference between the expected and actual return on assets, and, for scheme liabilities, the difference between the actuarial assumptions and actual experience, and the effect of changes in actuarial assumptions.

The defined benefit pension asset or liability in the statement of financial position comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

(ii) Defined contribution pensions
The pension cost charge to the statement of comprehensive income of the company's defined contribution schemes represents the contributions payable by the company to the funds. The assets of the schemes are held separately from those of the company in independently administered funds.

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Notes to the Company Financial Statements

For the year ended 30 June 2017

2 Summary of significant accounting policies (continued)

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Foreign currencies

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the year end date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the income statement.

Own shares

The Alumasc Group plc shares held by the company are classified in shareholders' equity as 'own shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Equity settled share based payment transactions

The fair value of long term incentive awards and share options granted to employees is recognised as an employee expense from the date of grant, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of shares for which the related service and non-market vesting conditions are met.

Investment in subsidiaries

Investments in subsidiaries are stated at cost, or revalued amount, less provisions for impairment where appropriate.

Derivative financial instruments and hedging

The company uses derivative financial instruments to hedge its, and the group's exposure to interest rate and foreign exchange risk.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such items are expected at inception to be highly effective.

For the purpose of hedge accounting, the hedges used by the company are classified as cash flow hedges, as they hedge exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

Derivative financial instruments and hedging (continued)
The portion of the gain or loss on a cash flow hedge that is determined to be an effective hedge is initially recognised directly in equity, while the ineffective portion is recognised in the statement of comprehensive income.

Amounts taken to equity are transferred to the income statement at the time when the underlying transaction being hedged affects profit or loss, such as when the forecast sale or purchase of the hedged item occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction being hedged occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the statement of comprehensive income.

Trade and other receivables
Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the company will not be able to recover balances in full.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance costs. Borrowing costs are recognised as an expense over the period to the maturity of the underlying instrument.

Provisions
A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

New standards and interpretations not applied
The company is currently assessing the impact that IFRS 9 'Financial Instruments' and IFRS 16 'Leases' will have on the company's assets and liabilities. The standards are applicable for Alumasc's accounting periods commencing 1 July 2018 and 1 July 2019 respectively.

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Notes to the Company Financial Statements

For the year ended 30 June 2017

3 Expenses by nature

The following item has been charged in arriving at operating profit:

	2016/17 £000	2015/16 £000
Auditors' remuneration – audit of the financial statements of the company	**17**	17

4 Dividends

	2016/17 £000	2015/16 £000
Interim dividend for 2017 of 2.85p paid on 7 April 2017	**1,018**	–
Final dividend for 2016 of 3.8p paid on 1 November 2016	**1,350**	–
Interim dividend for 2016 of 2.7p paid on 7 April 2016	**–**	960
Final dividend for 2015 of 3.5p paid on 28 October 2015	**–**	1,248
	2,368	2,208

A final dividend of 4.3 pence per equity share, at a cash cost of £1,538,000, has been proposed for the year ended 30 June 2017, payable on 31 October 2017. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

5 Property, plant and equipment

	Freehold land and buildings £000	Long leasehold property £000	Plant and equipment £000	Total £000
Cost:				
At 1 July 2015	3,398	235	306	3,939
Additions	–	–	12	12
Disposals	(2,649)	–	–	(2,649)
At 1 July 2016	749	235	318	1,302
Additions	**–**	**–**	**14**	**14**
At 30 June 2017	**749**	**235**	**332**	**1,316**
Depreciation:				
At 1 July 2015	1,226	201	295	1,722
Charge for the year	55	19	8	82
Disposals	(1,006)	–	–	(1,006)
At 1 July 2016	275	220	303	798
Charge for the year	**11**	**15**	**7**	**33**
At 30 June 2017	**286**	**235**	**310**	**831**
Net book value:				
At 30 June 2017	**463**	**–**	**22**	**485**
At 30 June 2016	474	15	15	504
At 1 July 2015	2,172	34	11	2,217

Included within freehold land and buildings is land of £336,000 (2016: £336,000) which is not depreciated.

The disposals in the prior year with a net book value of £1,643,000 relate to the sale of land and buildings in connection with the disposal of the Dyson Diecastings business on 30 June 2016.

6 Investments in group companies

	£000
Cost:	
At 1 July 2015, 30 June 2016 and 30 June 2017	75,622
Provisions:	
At 1 July 2015, 30 June 2016 and 30 June 2017	10,935
Net book value:	
At 1 July 2015, 30 June 2016 and 30 June 2017	**64,687**

At 30 June 2017 the principal subsidiary undertakings and related classes of business are as follows: Alumasc Exterior Building Products Limited (building products), Alumasc Limited (building products) and Levolux Limited (building products).

All subsidiary companies are wholly owned and owned directly or indirectly by The Alumasc Group plc and have a registered office of Burton Latimer, Kettering, Northamptonshire, NN15 5JP.

7 Trade and other receivables

	2017 £000	2016 £000
Other receivables	**94**	65
Prepayments and accrued income	**740**	683
Receivables due from subsidiary undertakings	**2,640**	4,406
	3,474	5,154

8 Trade and other payables

	2017 £000	2016 £000
Other payables	**963**	1,307
Accruals	**848**	973
	1,811	2,280

9 Deferred tax

A reconciliation of the movement in deferred tax during the year is as follows:

	Pension deferred tax asset £000	**Short term temporary differences £000**	**Hedging £000**	**Total deferred tax asset £000**	**Deferred tax liabilities £000**
At 1 July 2015	195	1	–	196	(210)
(Charged)/credited to the statement of comprehensive income	(5)	34	–	29	136
Credited to equity	21	–	49	70	–
At 30 June 2016	211	35	49	295	(74)
(Charged)/credited to the statement of comprehensive income	**(21)**	**(7)**	**–**	**(28)**	**7**
Charged to equity	**(11)**	**–**	**(37)**	**(48)**	**–**
At 30 June 2017	**179**	**28**	**12**	**219**	**(67)**

Deferred tax assets and liabilities are presented as non-current in the statement of financial position.

Deferred tax assets have been recognised where it is probable that they will be recovered.

Deferred tax liabilities relate to accelerated capital allowances.

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Notes to the Company Financial Statements

For the year ended 30 June 2017

10 Borrowings

	2017 £000	2016 £000
Non-current liabilities:		
Non-current instalments due on bank loan	**2,938**	1,908

In August 2015 the group entered into a £12.5 million committed revolving credit facility which expires in August 2020. The group has the option to cancel and repay elements of the committed facility at short notice should it wish to do so. The following financial covenants applied to the facility: group interest cover, based on underlying EBITDA (i.e. from continuing operations and before non-recurring items), to be at least four times; and net debt as a multiple of underlying EBITDA (i.e. from continuing operations and before non-recurring items) to be below three times.

In view of the group's positive net cash position, there was substantial headroom between loan covenant ratios for the year and the limits set out in the revolving credit facility agreement.

At 30 June 2017 the group also had £2 million (2016: £3 million) of bank overdraft facilities repayable on demand.

11 Financial instruments

Financial risk management
The company's financial risk management is consistent with that of the group as outlined in the notes to the consolidated financial statements.

Financial assets and liabilities
Set out below is a comparison by category of carrying amounts and fair values of all the company's financial assets and liabilities:

	30 June 2017		30 June 2016	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	**2,734**	**2,734**	4,471	4,471
Financial liabilities:				
Bank overdraft	**9,688**	**9,688**	14,734	14,734
Bank loans	**2,938**	**2,938**	1,908	1,908
Trade and other payables	**8,611**	**8,611**	9,080	9,080
Derivative financial liabilities	**72**	**72**	273	273
	21,309	**21,309**	25,995	25,995

Market values have been used to determine the fair value of bank borrowings. The fair value of forward foreign exchange contracts has been determined by marking those contracts to market against prevailing forward foreign exchange rates.

The table below summarises the maturity profile of the company's financial liabilities at 30 June 2017 and 2016 based on contractual undiscounted payments. The total interest bearing loans and borrowings value in the table below includes future unaccrued interest, whilst the bank overdraft and loans balance in the table above shows only the carrying amount at the year end date.

	On demand £000	**Less than 3 months £000**	**3 to 12 months £000**	**1 to 5 years £000**	**Total £000**
At 30 June 2017					
Interest bearing loans and borrowings	**–**	**16**	**9,721**	**3,125**	**12,862**
Trade and other payables	**122**	**1,238**	**148**	**7,103**	**8,611**
	122	**1,254**	**9,869**	**10,228**	**21,473**
At 30 June 2016					
Interest bearing loans and borrowings	–	11	14,780	2,297	17,088
Trade and other payables	107	1,225	298	7,450	9,080
	107	1,236	15,078	9,747	26,168

11 Financial instruments (continued)

Liquidity risk management

The company's liquidity risk management is consistent with that of the group as outlined in the notes to the consolidated financial statements. The company's net debt position at 30 June 2017 was £12.6 million (2016: £16.6 million).

The company's overdraft and revolving credit banking facilities are part of the group's overall credit facilities and are subject to cross guarantees from other group companies. The group as a whole had net cash resources at 30 June 2017 of £6.1 million (2016: £8.6 million).

The maturity profile of the company's interest bearing financial liabilities is as follows:

	2017 £000	2016 £000
Floating rate interest bearing financial liabilities:		
In less than one year	**9,688**	14,734
In two to five years	**2,938**	1,908
	12,626	16,642

Interest rate risk management

The company's interest rate risk management is consistent with that of the group as outlined in the notes to the consolidated financial statements.

Credit risk

The company's credit risk management is consistent with that of the group as outlined in the notes to the consolidated financial statements.

At 30 June, the analysis of trade and other receivables that were past due but not impaired is as follows:

			Past due but not impaired		
	Total £000	**Not past due £000**	**< 30 days £000**	**30-60 days £000**	**60-90 days £000**
At 30 June 2017					
Other receivables	**94**	**81**	**–**	**13**	**–**
Receivables due from subsidiary undertakings	**2,640**	**2,640**	**–**	**–**	**–**
	2,734	**2,721**	**–**	**13**	**–**
At 30 June 2016					
Other receivables	65	36	22	7	–
Receivables due from subsidiary undertakings	4,406	4,406	–	–	–
	4,471	4,442	22	7	–

Foreign currency risk

The group has transactional currency exposures as noted within the notes to the consolidated financial statements. The company manages this risk in part, through the use of forward currency contracts. None of the derivative financial instruments held at 30 June 2017 or 30 June 2016 related to derivative trading activity. Where cash flow hedge accounting is applied, gains or losses on the financial instrument hedges are held in equity and only recognised in the income statement when the losses or gains on the hedged transactions are recognised in the income statement.

Hedging activities

The net fair values of the company's derivative financial instruments at 30 June designated as hedging instruments are set out below:

	2017 £000	2016 £000
Forward foreign exchange contracts	**(72)**	(273)

At 30 June 2017 the company had forward foreign exchange contracts with principal amounts equivalent to £4,668,000 (2016: £3,039,000). The forward foreign exchange contracts hedge foreign currency price risks of sales across the group. The cash flows associated with the forward foreign exchange hedges are generally expected to occur within the next 12 months.

The derivative financial instruments carried at fair value have been valued using directly observable market inputs and therefore they are all considered to have been valued at Level 2, as described in the amendments to IFRS 7.

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Notes to the Company Financial Statements

For the year ended 30 June 2017

12 Retirement benefit obligations

Defined contribution schemes

£85,000 (2016: £79,000) was charged to operating profit in the statement of comprehensive income for defined contribution pension scheme contributions. At 30 June 2017 there was an accrual of £67,000 payable in respect of defined contribution schemes (2016: £75,000).

Defined benefit scheme

The company participates in a defined benefit scheme, The Alumasc Group Pension Scheme, which has been closed to future accrual since 2010.

The defined benefit scheme maintained by the company is part of a plan that shares risks between various group entities under common control. In determining the allocation of the defined benefit cost and contributions between the various sponsoring employers, the Directors have used as a basis the sponsoring employer at the date the scheme was closed to future accrual.

Following the conclusion of the 2016 triennial actuarial review in the 2016/17 financial year, deficit reduction contributions increased from £110,000 to £141,000 per year, with effect from 1 July 2016.

The principal assumptions used by the actuary in valuing the assets and liabilities of the Scheme for IAS 19 purposes were:

	2017 %	2016 %
Discount rate	**2.6**	3.0
Expected rate of deferred pension increases	**2.2**	1.9
Future pension increases	**1.9-3.7**	1.7-3.5
Retail Price Index inflation rate	**3.2**	2.9
Consumer Price Index inflation rate	**2.2**	1.9

	Years	Years
Post retirement mortality:		
Current pensioners at 65 – male	**21.9**	22.2
Current pensioners at 65 – female	**23.6**	23.9
Future pensioners at 65 in 2037 – male	**23.3**	23.9
Future pensioners at 65 in 2037 – female	**24.9**	25.4

A discount rate of 2.6% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2017. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £79,000 before tax.

A Retail Price Index inflation rate of 3.2% and a Consumer Price Index inflation rate of 2.2% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2017. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £30,000 before tax.

In valuing the liabilities of the pension scheme at 30 June 2017, mortality assumptions have been assumed as indicated above. If life expectancy had been changed to assume that all members of the scheme live for one year longer on average, the value of the reported liabilities at 30 June 2017 would have increased by approximately £246,000 before tax.

The following information relates to the company's element of the assets and liabilities of the scheme.

The combined assets and liabilities of the scheme at 30 June are:

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Equities	**1,701**	1,412	1,731	1,707	1,433
Gilts	**609**	470	376	343	474
Bonds and insured annuities	**513**	392	376	429	404
Multi-asset fund	**1,048**	1,253	903	899	1,118
Property and cash	**345**	391	377	231	56
Total market value of assets	**4,216**	3,918	3,763	3,609	3,485
Actuarial value of liability	**(5,268)**	(5,087)	(4,739)	(4,438)	(3,957)
Defined benefit pension deficit	**(1,052)**	(1,169)	(976)	(829)	(472)

Of the above assets, all have a quoted market price with the exception of £98,000 of insured annuities (2015/16: £93,000) and £33,000 of property (2015/16: £33,000).

The whole of the defined benefit pension deficit is shown as a non-current liability.

12 Retirement benefit obligations (continued)

Amounts recognised in the statement of comprehensive income in respect of the defined benefit pension plan, before taxation, are as follows:

	2016/17 £000	2015/16 £000
Included in net finance cost:		
Net pension scheme finance costs	**(32)**	(33)
Administration costs	**–**	(23)
	(32)	(56)
Included in other comprehensive income:		
Actuarial gain on plan assets	**277**	154
Actuarial loss on retirement benefit obligations	**(284)**	(417)
	(7)	(263)
Total recognised in the statement of comprehensive income	**(39)**	(319)

The actual return on plan assets for 2016/17 was a gain of £391,000 (2015/16: gain of £291,000).

Changes in the present value of the defined benefit obligation before taxation are as follows:

	2017 £000	2016 £000
At 1 July	**(5,087)**	(4,739)
Administration costs	**–**	(23)
Interest cost	**(146)**	(170)
Administrative expenses reimbursed by the company	**–**	16
Benefits paid	**249**	246
Actuarial loss	**(284)**	(417)
At 30 June	**(5,268)**	(5,087)

Changes in the fair value of plan assets before taxation are as follows:

	2017 £000	2016 £000
At 1 July	**3,918**	3,763
Expected return on plan assets	**114**	137
Actuarial gain	**277**	154
Contributions by employer	**156**	126
Administrative expenses	**–**	(16)
Benefits paid	**(249)**	(246)
At 30 June	**4,216**	3,918

The cumulative amount of actuarial losses recognised since 1 July 2014 in the statement of comprehensive income is £492,000 (2015/16: losses of £485,000).

Following the 2016 triennial review and agreement of the revised deficit recovery plan, pension scheme administration costs are now paid directly by the pension schemes rather than being reimbursed by the company.

13 Provisions

	£000
At 1 July 2015, 30 June 2016 and 30 June 2017	**59**

The company has provided £59,000 (2016: £59,000) in relation to the anticipated cost of dilapidations required under the terms of the lease of business premises owned by the company.

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For the year ended 30 June 2017

14 Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
36,133,558 (2016: 36,133,558) ordinary shares of 12.5p each	**4,517**	4,517

15 Movements in equity

Share capital and share premium
The balances classified as share capital and share premium are the proceeds of the nominal value and premium value respectively on issue of the company's equity share capital net of issue costs.

Capital reserve – own shares
The capital reserve – own shares relates to 361,789 (2016: 622,528) ordinary own shares held by the company. The market value of shares at 30 June 2017 was £672,928 (2016: £756,372). These are held to help satisfy the exercise of awards under the company's Long Term Incentive Plans. During the year 260,739 shares with a cost of £390,000 were used to satisfy the exercise of awards. A Trust holds the shares in its name and shares are awarded to employees on request by the company. The company bears the expenses of the Trust.

Hedging reserve
This reserve records the post-tax portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Distributable reserves
In connection with the capital reorganisation in 2007, the company reached agreement with the Pension Trustees that £14 million of the profit and loss account reserve would be retained as a non-distributable reserve until the group's pension deficits reduced below £14 million (as determined by full actuarial valuations). In addition, cumulative actuarial losses relating to defined benefit pension schemes of £1,080,000 within the profit and loss account reserve are non-distributable (2016: losses of £1,073,000). Therefore the Directors consider that £14 million of the company profit and loss account reserve remains non-distributable.

16 Share based payments

The company operates two types of share based payment schemes, the main features of each scheme as detailed in the Directors' Remuneration Report on pages 40 to 56. The criteria to achieve full payout of the ESOS is consistent with the basic EPS growth criteria set out within the Directors' Remuneration Report.

	As at 1 July 2016	Weighted average exercise price (pence)	Granted	Weighted average exercise price (pence)	Exercised	Weighted average exercise price (pence)	Lapsed	Weighted average exercise price (pence)	**As at 30 June 2017**	Weighted average exercise price (pence)
LTIP(i)	548,059	n/a	180,031	n/a	(122,673)	n/a	(73,825)	n/a	**531,592**	n/a
ESOS(ii)	60,000	1.49	10,000	1.58	(10,000)	1.29	–	–	**60,000**	1.54

	As at 1 July 2015	Weighted average exercise price (pence)	Granted	Weighted average exercise price (pence)	Exercised	Weighted average exercise price (pence)	Lapsed	Weighted average exercise price (pence)	As at 30 June 2016	Weighted average exercise price (pence)
LTIP(i)	649,112	n/a	146,542	n/a	(123,797)	n/a	(123,798)	n/a	548,059	n/a
ESOS(ii)	89,878	1.42	20,000	1.88	(10,000)	0.80	(39,878)	1.71	60,000	1.49

(i) Long term incentive plan.
(ii) Executive share option scheme.

ESOS
For the share options outstanding at 30 June 2017 the weighted average remaining contractual life is 7.9 years (30 June 2016: 8.4 years). The exercise price of the options outstanding ranges between 129 pence and 188 pence. 10,000 share options are exercisable at 30 June 2017 (30 June 2016: nil).

LTIP
Whilst an estimated amount has been accrued for the vesting of the March 2015 LTIP award, as shown on page 42, that award does not vest until March 2018 and therefore no vesting is shown in the table above.

16 Share based payments (continued)

Fair value of awards

The fair values of awards granted in the year, together with the other inputs into the option pricing model are shown below. The Black-Scholes option pricing model has been used to calculate the fair value of the options and the amount to be expensed in the income statement.

	ESOS		LTIP	
	Black Scholes 2017	Black Scholes 2016	**Black Scholes 2017**	Black Scholes 2016
Share price at grant date	**158p**	178p	**158p**	178p
Exercise price	**158p**	188p	**nil**	nil
Expected volatility	**25%**	25%	**25%**	25%
Expected life (years)	**3**	3	**3**	3
Risk free rate	**1.0%**	1.0%	**1.0%**	1.0%
Dividend yield at date of grant	**4.1%**	2.9%	**4.1%**	2.9%
Fair value per option	**19p**	21p	**139p**	163p

The expected volatility is based on historical volatility over the last three years. The risk free rate of return is based on the yield on government bonds due to mature on the expected maturity date of the award.

The net charge recognised for share based payments in respect of employee services rendered during the year to 30 June 2017 is £200,000 (2015/16: £267,000).

17 Financial commitments

(i) Capital commitments

The company had no capital commitments at the year end (2016: £nil).

(ii) Operating lease commitments

The company has entered into commercial leases on certain properties and items of plant and equipment. The leases have varying terms and renewal rights.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Property 2017 £000	**Plant 2017 £000**	Property 2016 £000	Plant 2016 £000
Less than one year	**20**	**1**	20	1
Between one and five years	**80**	**1**	80	1
After five years	**1,047**	**–**	1,067	–
	1,147	**2**	1,167	2

The total future minimum sub-lease receipts under non-cancellable operating leases where the company acts as a lessor are as follows:

	Property 2017 £000	Property 2016 £000
Less than one year	**32**	32

Notes to the Company Financial Statements

For the year ended 30 June 2017

18 Movement in net borrowings

	Bank overdrafts £000	Bank loans £000	Net borrowings £000
At 1 July 2015	14,526	5,000	19,526
Cash flow movements	208	(3,000)	(2,792)
Non-cash movements	–	(92)	(92)
At 1 July 2016	14,734	1,908	16,642
Cash flow movements	**(5,046)**	**1,000**	**(4,046)**
Non-cash movements	**–**	**30**	**30**
At 30 June 2017	**9,688**	**2,938**	**12,626**

The company is part of a group offset banking arrangement, together with its subsidiary undertakings.

19 Related party disclosure

Terms and conditions of transactions with related parties
A full list of the company's subsidiaries is shown on page 119.

The total non-current position with regards to amounts owed to subsidiary undertakings at 30 June 2017 was a £6,800,000 liability (2016: £6,800,000 liability).

The current amounts receivable from subsidiary undertakings at 30 June 2017 was £2,640,000 (2016: £4,406,000), see note 7.

Transactions with other related parties
Key management personnel are determined as the Directors of The Alumasc Group plc. Details of transactions with the Directors and their compensation are detailed in the Directors' Remuneration Report on pages 40 to 56.

20 Contingent liabilities

The company is party to, together with subsidiary undertakings, cross guarantee banking arrangements in favour of the group's relationship banks. At the year end, subsidiary undertakings had utilised none (2016: £3,534,000) of the overdraft facilities guaranteed by the company.

Five Year Summary

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Income Statement Summary					
Revenue	**85,291**	**80,301**	**90,295**	**92,233**	**104,761**
Underlying operating profit	**7,133**	**6,645**	**8,314**	**8,476**	**9,143**
Underlying operating margin	*8.4%*	*8.3%*	*9.2%*	*9.2%*	*8.7%*
Net interest cost on borrowings	(767)	(521)	(592)	(215)	(132)
Underlying profit before tax	**6,366**	**6,124**	**7,722**	**8,261**	**9,011**
Non-underlying costs*	(2,984)	(1,168)	(1,434)	(1,502)	(888)
Profit before taxation	**3,382**	**4,956**	**6,288**	**6,759**	**8,123**
Taxation	(1,025)	(1,016)	(1,483)	(1,581)	(1,583)
Profit for the year from continuing operations	**2,357**	**3,940**	**4,805**	**5,178**	**6,540**
Discontinued operations – (loss)/profit after tax	(471)	101	(429)	1,306	–
Profit for the year	**1,886**	**4,041**	**4,376**	**6,484**	**6,540**
Underlying earnings per share (pence)	**13.3**	**13.0**	**16.9**	**18.4**	**20.1**
Basic earnings per share – continuing operations (pence)	**6.6**	**11.1**	**13.5**	**14.5**	**18.3**
Basic earnings per share (pence)	**5.3**	**11.3**	**12.3**	**18.2**	**18.3**
Dividends per share (pence)	**4.5**	**5.0**	**6.0**	**6.5**	**7.15**
Balance Sheet Summary at 30 June					
Shareholders' funds	22,443	17,042	15,929	16,580	20,437
Net debt/(cash)	7,687	7,666	(914)	(8,632)	(6,076)
Pension deficit (net of associated deferred tax asset)	7,748	14,338	16,748	18,588	17,095
Discontinued operations	(12,169)	(11,037)	(2,969)	–	–
Capital invested – continuing operations	25,709	28,009	28,794	26,536	31,456
Underlying return on capital invested (post-tax)**	19.0%	18.8%	22.8%	24.3%	25.0%
Underlying tax rate	25.7%	24.2%	22.0%	20.8%	20.6%
Order book at 30 June	21,116	19,737	24,014	26,569	28,565

Notes

* Non-underlying costs comprise brand amortisation and IAS 19 pension costs in all years. In 2012/13 non-underlying costs also included restructuring costs and a goodwill impairment charge.

** Underlying operating profit after tax from continuing operations calculated using the underlying tax rate, as a percentage of average capital invested.

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Additional Shareholder Information

Purchase of own shares by the company

At last year's annual general meeting, authority was granted to the Directors to purchase, in the market, the company's own shares, up to the limit of 14.9% of the issued share capital. The authority is expressed to expire on the 26 October 2017 or the company's next annual general meeting whichever is earlier. No purchases pursuant to this authority have been made during the year. Renewal of this authority will be proposed at the forthcoming annual general meeting. The Directors do not propose to exercise the authority unless satisfied that a purchase would be in the best interest of shareholders and could be expected to result in an increase in earnings per share.

Share capital

The details of the company's share capital structure are given in note 24 to the group financial statements.

With the exception of ordinary shares held in the employee trust being subject to a waiver of the right to a dividend, as detailed in the Directors' Report on page 57, all shares carry equal rights and no restrictions other than those imposed from time to time by laws and regulations and pursuant to the Listing Rules of the Financial Conduct Authority. The full rights are set out in the articles of association (the 'Articles'), the latest copy of which can be obtained on request at the company's registered office.

Articles of association

Any amendment to the Articles may be made in accordance with the provisions of applicable English law concerning companies, specifically the Companies Act 2006 (as amended from time to time), by way of special resolution at a general meeting of the shareholders.

Major shareholders

In addition to those shareholdings of John McCall and Philip Gwyn detailed on page 44, the analysis of the company's share register showed the following interests in 3% or more of the company's issued ordinary shares as at 30 June 2017:

	Ordinary shares	% of issued share capital
AXA Investment Management	3,015,000	8.34
Unicorn Asset Managers	2,030,899	5.62
Delta Lloyd Asset Management	2,000,000	5.54
Hargreaves Lansdown Asset Management	1,853,903	5.13
Mrs E L O'Loughlin	1,550,962	4.29
Chelverton Asset Management	1,226,000	3.39

The Directors are not aware of any other notifiable interest in the share capital of the company.

Ordinary shareholders on the register at 30 June 2017:

	Number of shareholders	Number of ordinary shares
Shareholding range:		
1 – 999	376	177,194
1,000 – 9,999	501	1,283,090
10,000 – 99,999	145	4,286,333
100,000 – 999,999	48	17,430,041
1,000,000 and over	6	12,956,900
	1,076	36,133,558

Change of control

The group's committed financing facility includes a change of control provision. Under this provision, a change in ownership/control of the company would result in withdrawal of these facilities.

Other than the change of control provisions in the company's long term incentive plan and annual bonus as detailed in the Directors' Remuneration Policy on page 52, there are no other material agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid.

Compensation for loss of office

There are no additional agreements between the company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Notice of Annual General Meeting

Notice is hereby given that the 2017 Annual General Meeting ('AGM') of The Alumasc Group plc (the company) will be held at Founder's Hall, No.1 Cloth Fair, London EC1A 7HT at 10.30 am on Thursday 26 October 2017 for the following purposes:

Ordinary business

To consider, and if thought fit, to pass the following Resolutions as Ordinary Resolutions.

1 **To receive the reports of the Directors and auditor and the accounts for the year ended 30 June 2017**
2 **To receive the report of the Remuneration Committee for the year ended 30 June 2017**
3 **To approve the Directors' Remuneration Policy**
4 **To declare a final dividend of 4.3 pence per share**
5 **To re-elect David Armfield as a Director**[123]
6 **To re-elect Jon Pither as a Director**[123]
7 **To re-elect Philip Gwyn as a Director**[123]
8 **To re-elect Richard Saville as a Director**[123]
9 **To re-appoint KPMG LLP as auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts are laid before the shareholders and to authorise the Directors to determine the auditor's remuneration**

1 Member of Nomination Committee
2 Member of Remuneration Committee
3 Member of Audit Committee

Special business

To consider, and if thought fit, to pass the following Resolutions. Resolution 10 shall be proposed as an Ordinary Resolution and Resolutions 11 and 12, shall be proposed as Special Resolutions.

10 Renewal of Directors' authorities to allot shares

That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company or to grant rights to subscribe for or to convert any security into shares in the company up to an aggregate nominal amount of £1,505,564 provided that this authority shall expire at the conclusion of the next annual general meeting of the company, save that the Directors shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted pursuant to any such offers or agreements after this authority had expired; and all unexercised authorities previously granted to the Directors are hereby revoked.

11 Disapplication of statutory pre-emption rights

That the Directors be and are hereby empowered pursuant to Section 571 of the Companies Act 2006 to allot equity securities as defined in Section 560(1) of that Act for cash pursuant to the authority conferred by Resolution 10 above as if Section 561(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue or other offer of securities in favour of the holders of ordinary shares on the register of members at such dates as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on such record dates subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter whatever; and

(ii) the allotment (otherwise than pursuant to sub paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £225,835; and shall expire on the date of expiry of the authority conferred by Resolution 10 above, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

In respect of an allotment of equity securities by virtue of Section 560(2b) of the Act, the words "pursuant to the authority conferred in Resolution 10 above" shall be deemed to be omitted from the power conferred by this Resolution.

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Notice of Annual General Meeting

12 Company's authority to purchase its own shares

That the company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 12.5p each in the company provided that;

(i) the maximum number of ordinary shares hereby authorised to be acquired is 5,383,900 which represents 14.9% of the issued share capital of the company on 31 August 2017;
(ii) the minimum price (exclusive of taxes and expenses) which may be paid for such ordinary shares is 12.5p per share;
(iii) the maximum price (exclusive of taxes and expenses) which may be paid for such ordinary shares is an amount equal to 105% of the average of the middle market quotations for ordinary shares (derived from the Daily Official List of the London Stock Exchange Plc) for the five dealing days immediately preceding the day on which such ordinary shares are contracted to be purchased;
(iv) the authority hereby conferred shall expire on 25 October 2018, or, if earlier, on the date of the next annual general meeting of the company except that the expiry of such authority shall not exclude any purchase of ordinary shares made pursuant to a contract concluded before the authority expired and which would or might be executed wholly or partly after its expiration;
(v) This authority supersedes the company's authority to make market purchases granted by Special Resolution passed on 27 October 2016.

By order of the Board

A Magson
Company Secretary

5 September 2017

Registered Office
Burton Latimer
Kettering
Northamptonshire
NN15 5JP
Registered No
1767387

Explanatory notes to the Resolutions 3, 5, 6, 7, 8, 10, 11 and 12 to be proposed at the 2017 Annual General Meeting

Resolution 3 – Approval of the Remuneration Policy
The company's existing Directors' Remuneration Policy was approved by shareholders at the 2014 AGM, with over 99% of votes cast in favour of it. The Committee, having reviewed that policy and having taken into account shareholder comments since the last policy vote, concluded that, in substance, it remains fit for purpose to support the implementation of the company's strategy over the next three-year period. With the exception of the option to increase the maximum LTIP award to 100% under any new plan introduced, the new policy has not materially changed from the policy approved in 2014. Any discretion to be retained by the Committee is detailed in the relevant sections within the policy. Other minor amendments have been made to the policy to aid its administration, to reflect the changes referred to above and to reflect changes in practice since the current policy was first approved in 2014.

Resolution 5 – Re-election of David Armfield
Your Board recommends that David Armfield be re-elected as a Director.

Resolutions 6 to 8 – Re-election of Jon Pither, Philip Gwyn and Richard Saville
Your Board recommends that Jon Pither, Philip Gwyn and Richard Saville be re-elected as Directors. As they have served on the Board for longer than nine years, and in order to comply with the best practice provisions of the UK Corporate Governance Code (April 2016), they offer themselves for re-election.

The Board has concluded that the four Directors standing for re-election are effective, committed to their role, and subject to shareholder approval, should continue in office. The biographical details of each Director are set out on pages 30 and 31 of the 2017 Annual Report.

Resolution 10 – Renewal of Directors' authority to allot shares
By virtue of Section 551 of the Companies Act 2006 the Directors require the authority of shareholders of the company to allot shares or other relevant securities of the company, Resolution 10 authorises the Directors to make allotments of up to an additional 12,044,519 shares (being approximately one third of the issued share capital of the company as at 31 August 2017). This authority will lapse at the conclusion of the next annual general meeting, unless renewed earlier. The Directors have no present intention to exercise the authority proposed to be conferred by Resolution 10.

Resolution 11 – Disapplication of statutory pre-emption rights
By virtue of Section 561 of the Companies Act 2006 any issue by the company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of the shareholders of the company unless the company has obtained the authority of the shareholders under Section 571 of the Act. The purpose of Resolution 11 is to authorise the Directors to allot shares by way of rights or pursuant to an open offer or otherwise than strictly pro rata when they consider it expedient to do so and allows them to issue for cash up to 1,806,677 shares other than on a pre-emptive basis (representing 5% of the issued share capital of the company as at 31 August 2017).

Resolution 12 – Company's authority to purchase its own shares
The Directors consider it desirable that the company should have the authority to make market purchases of its own shares. The purpose of Resolution 12 is to authorise the Directors generally to purchase up to 5,383,900 ordinary shares in the market (being 14.9% of the issued share capital of the company as at 31 August 2017). The Directors will only exercise the authority granted by Resolution 12 (if passed) if to do so would result in an increase in earnings per share and is in the best interests of shareholders generally. This authority will lapse on 25 October 2018, unless renewed earlier.

Notice of Annual General Meeting

Notes to the Notice of Annual General Meeting

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.

2. The return of a completed Proxy Form or other such instrument will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

3. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. Only shareholders whose names appear on the register of members of the company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.

5. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the company.

6. As at 31 August 2017, being the latest practicable date prior to the publication of this document, the company's issued share capital consists of 36,133,558 ordinary shares with voting rights.

7. Copies of the Directors' service contracts with the company will be available to members for inspection at the registered office during business hours on any week day (public holidays excepted) and will be available at the place of the AGM for 15 minutes prior to and during the AGM.

List of Subsidiaries

The group's subsidiary undertakings as at 30 June 2017 are shown below. Unless otherwise disclosed all subsidiary undertakings are incorporated in the UK. All subsidiaries are 100% owned and with a share class of ordinary shares. The registered offices are located at The Alumasc Group plc registered address.

Subsidiary	Principal activity	Country of incorporation
Alumasc Exterior Building Products Limited	Building Products	
Alumasc Limited	Building Products	
Levolux Limited	Building Products	
Alumasc Precision Limited	Dormant	
A.G. Standard Company Limited	Dormant	
Access Floor Systems Limited	Dormant	
AIBP 2 Limited	Dormant	
ALK Limited	Dormant	
Alumasc Building Products Limited	Dormant	
Alumasc Construction Products Limited	Dormant	
Alumasc D Developments Limited	Dormant	
Alumasc DD Limited	Dormant	
Alumasc Dispense Limited	Dormant	
Alumasc Holdings Limited	Dormant	
Alumasc Interior Building Products Limited	Dormant	
Alumasc Precision Hong Kong Limited	Dormant	Hong Kong
Alumasc-Grundy Limited	Dormant	
Apex Gutter & Drainage Limited	Dormant	
Benion Limited	Dormant	
Benjamin Priest Group Limited	Dormant	
Benjamin Priest Limited	Dormant	
Blackdown Horticultural Consultants Limited	Dormant	
BLK Limited	Dormant	
BLL Limited	Dormant	
C. C. Realisations Limited	Dormant	
Chardene Die & Tool Company Limited	Dormant	
Cleomack (One) Limited	Dormant	
Cleomack (Three) Limited	Dormant	
Cleomack Limited	Dormant	
Condyle Limited	Dormant	
Copal Casting Limited	Dormant	
D.E. Limited	Dormant	
Doranda Limited	Dormant	
Drew Street Limited	Dormant	
Elkington China Limited	Dormant	Hong Kong
Elkington Gatic Limited	Dormant	
Engird Limited	Dormant	
Euroroof Limited	Dormant	
Express Shotblasting Limited	Dormant	
Gatic Inc	Dormant	USA
Green Roof Solutions Limited	Dormant	
Harmer Holdings Limited	Dormant	
Harvey Reed Top Table Limited	Dormant	
Justcredit Limited	Dormant	
Kett Limited	Dormant	
Levolux A.T. Limited	Dormant	
Llevac Limited	Dormant	
MR Limited	Dormant	
Navallis Limited	Dormant	
Powke Limited	Dormant	
Rainclear Systems Ltd	Dormant	
Roof-Pro Limited	Dormant	
Scaffold & Construction Products Limited (sold 31 July 2017)	Dormant	
Sillavan Anodes Limited	Dormant	
Sillavan Industries Limited	Dormant	
Sorrel 009 Limited	Dormant	
Sure-foot Supports Limited	Dormant	
Technical Building Products Limited	Dormant	
The Green Building Products Company Limited	Dormant	
The Paint Factory Limited	Dormant	
Thermex AFC Limited	Dormant	
Thermex Industries Limited	Dormant	
Thoday Limited	Dormant	
Timloc Building Products Limited	Dormant	
Warne, Wright & Rowland Limited	Dormant	
Wergs Limited	Dormant	
Yenots Limited	Dormant	

Financial Statements

The Alumasc Group – Businesses and Operating Locations

Solar Shading & Architectural Screening

Levolux
Forward Drive
Harrow
Middlesex HA3 8NT
Tel: +44 (0) 20 8863 9111
Fax: +44 (0) 20 8863 8760
Email: info@levolux.com
Web: www.levolux.com

Roofing and Walling

Waterproofing systems
Alumasc Waterproofing
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascroofing.co.uk

Green roofing
Blackdown Horticultural Consultants
Street Ash Nursery
Combe St. Nicholas
Chard
Somerset TA20 3HZ
Tel: +44 (0) 1460 234582
Fax: +44 (0) 845 0760267
Email: enquiries@blackdown.co.uk
Web: www.blackdown.co.uk

Roofing services support systems
Roof-Pro Systems
Polwell Lane
Burton Latimer
Northamptonshire NN15 5PS
Tel: +44 (0) 1536 383865
Fax: +44 (0) 1536 726859
Email: info@roof-pro.co.uk
Web: www.roof-pro.co.uk

Insulated render systems
Alumasc Facades
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascfacades.co.uk

Metal rainwater systems
Rainclear Systems
Unit 34A
Techno Trading Estate
Ganton Way
Swindon SN2 8ES
Tel: +44 (0) 844 4142266
Fax: +44 (0) 844 4142277
Email: sales@rainclear.co.uk
Web: www.rainclear.co.uk

Water Management

Metal rainwater, roof, shower and floor drainage systems
Alumasc Water Management Solutions
Station Road
Burton Latimer
Kettering
Northamptonshire NN15 5JP
Tel: +44 (0) 1536 383810
Fax: +44 (0) 1744 648401
Email: info@alumascwms.co.uk
Web: www.alumascwms.co.uk

Civil drainage systems
Elkington Gatic
Hammond House
Holmestone Road
Poulton Close
Dover
Kent CT17 0UF
Tel: +44 (0) 1304 203545
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