The Alumasc Group plc
Report and Accounts 2018

ALUMASC EVERYWHERE

alumasc

The Alumasc Group provides premium building products, systems and solutions for specialist markets.

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

WELCOME

Financial Highlights

Group Revenues (£m)

£98.4m

(2017: £104.8m)

Underlying Earnings per Share* (pence)

14.4p

(2017: 20.1p)

Dividend per Share (pence)

7.35p

(2017: 7.15p)

* A reconciliation of underlying earnings per share to basic earnings per share is provided in note 11 to the group financial statements.

Who We Are

Alumasc is a specialist supplier of premium building products.

What We Do

We provide high quality systems and solutions, the majority of which manage the scarce resources of water and energy in the built environment.

Read more on pages 6 to 15

Our Values

We behave with integrity.
We build strong relationships and trust.
We have an entrepreneurial approach.
We deliver what we say we will.

Read more on pages 4 and 5

Our Vision

To exceed customer expectations.
To provide a safe and stimulating place for our employees to work.
To generate superior shareholder returns over the medium to longer term.

Read more on pages 4 and 5 and pages 31 to 33

Inside your Report & Accounts

Strategic Report

Governance

Financial Statements & Company Information

Strategic Report

CHAIRMAN'S STATEMENT

Our Strategy

In recent years, Alumasc has been repositioned to become a dedicated supplier of premium building products to the UK construction industry and to seek opportunities to expand internationally.

From this tightly defined base, Alumasc is focused on driving growth through a combination of market share gains, innovation, market development, and complementary acquisitions such as Wade International purchased in January 2018. These strands in turn rely upon the quality of our products and marketing, the development of new products and services which genuinely complement the portfolio and the patient nurturing of a small number of overseas markets where we have identified that our products have potential.

In conjunction with this market-led approach, we recognise that opportunities exist for operational efficiencies as the shape and scope of our business changes.

This strategy will enable our group to outperform against the industry benchmark.

The Year Under Review

Following six years of uninterrupted growth, progress towards these strategic goals was partially disrupted in the year under review by the reversal in the group's financial performance. However, we continued to make the planned investment which underpins the group's longer term development.

The reasons which lay behind the financial reversal included the exceptionally hard and disruptive winter season, unusually bringing many building activities to a halt; the bankruptcy of a major player in the construction industry, which sent shockwaves across most sectors; and the more illusive hesitancy that accompanies the economic and political uncertainties in the UK associated with Brexit. As anticipated a year ago, we also experienced lower export sales reflecting project timing after last year's record. This should now begin to recover as the project pipeline grows.

While severely impacting profit for the year under review, none of these factors is viewed as undermining the group's underlying strategy. Moreover, where possible, lessons have been learnt and actions taken to diminish their impact in the future.

Meanwhile investment in support of the group's longer term development has continued, including rehousing Timloc, the group's successful housebuilding products business, in new, bespoke manufacturing premises; and the acquisition of Wade International, a synergistic and significant addition to our water management division. We also continued to invest in people to support our growth plans.

Development

Furthermore, the Board's firm belief in the strength of Alumasc's strategic position has led to a string of decisions for action which we believe will underpin and accelerate further progress. These include:

- relocation of a second principal group operation into new manufacturing facilities, freeing it to achieve its planned potential;
- a more streamline and cost-effective operational structure;
- the proposed merger of the group's two pension schemes, thereby reducing costs and enabling simplification of the group's presently complex legal structures;
- consideration of moving the group's listing to AIM to assist the pursuit of the strategy; and
- a review of the group Board to ensure that the skills and experience are in place to oversee and progress the group's strategy.

Board Succession

Philip Gwyn, a Director of The Alumasc Group since its flotation in 1986, retired from the Board at the end of June this year. Philip's contribution to the direction and development of Alumasc has been immense and I would like to express my personal thanks to him for his wisdom and enthusiasm over many years.

We have appointed a recruitment firm to identify a new Non-Executive Director with appropriate skills and experience and the process is well advanced.

Outlook

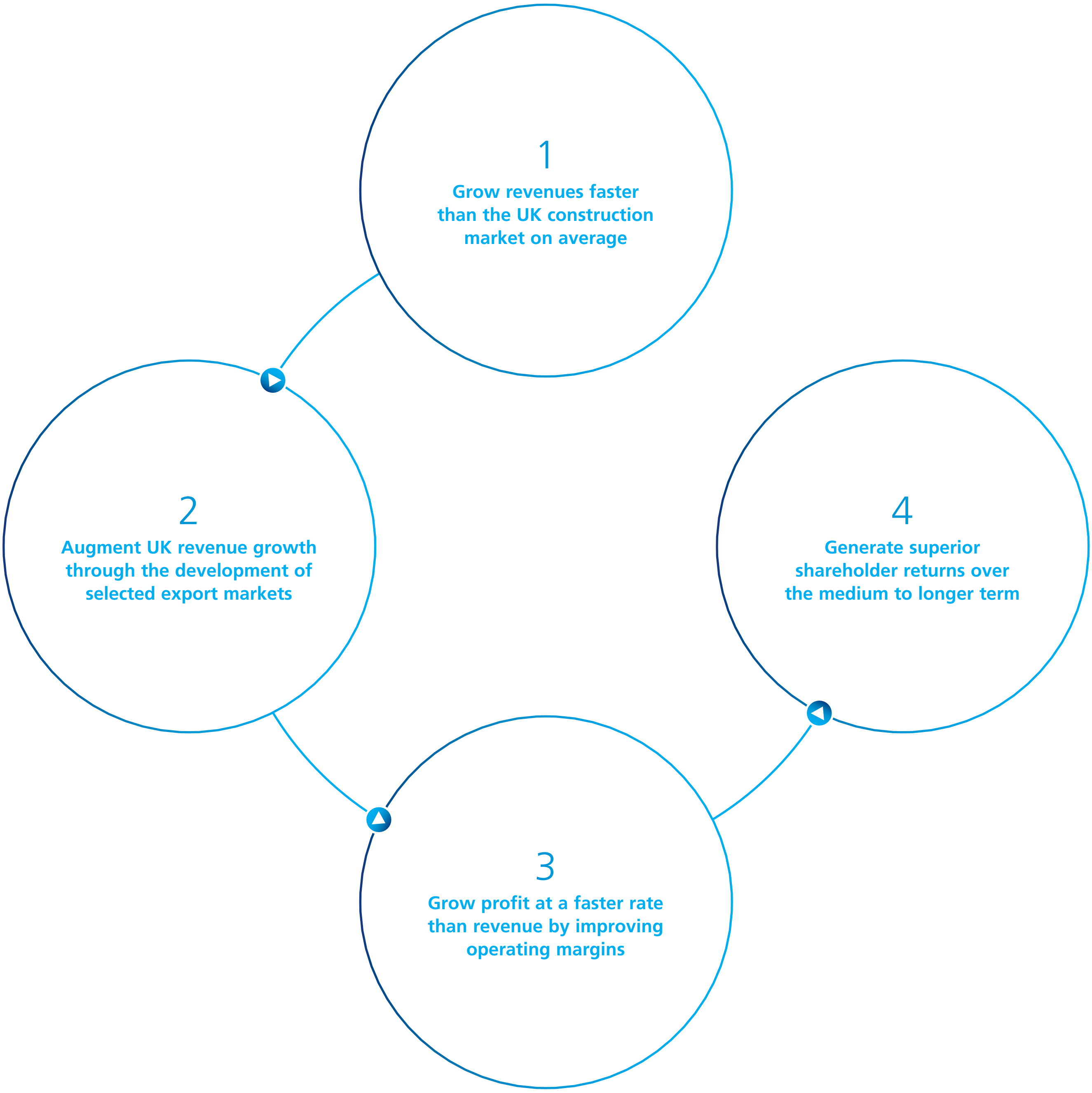
As set out above, we believe that many of the factors which held back the group's financial performance in the year under review were external and do not undermine our strategy. Indeed, we continue to invest for the longer term and to take actions designed to underpin and accelerate the group's progress. While some of the economic factors which impacted the last year remain, the group's strong performance in the final quarter of that year, coupled with the action plan outlined above, gives your Board confidence that Alumasc has a resilient business model and a strategy to generate growth this year and beyond.

John McCall
Chairman

Strategic Report

OUR STRATEGY AND BUSINESS MODEL

Our Strategic Objectives



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:

- 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
- Motivated employees
- Sustainable growth
- Superior financial returns
- Long term value creation

Read more about our business segments on pages 6 to 15

Read more on how Alumasc maximises its opportunities from our CEO on pages 16 to 23

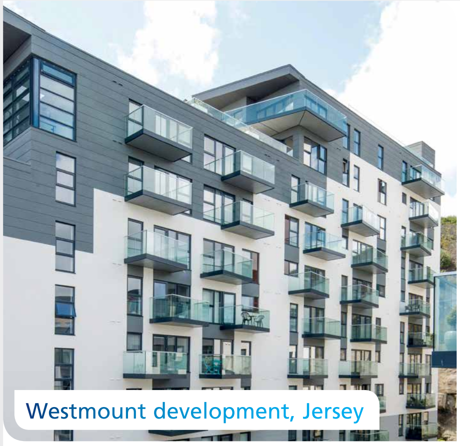
Read more on our success through our KPIs on page 24

Strategic Report

STRATEGIC EVOLUTION

Strategic Development and Operational Highlights

Levolux's new business streams gain momentum



Westmount development, Jersey

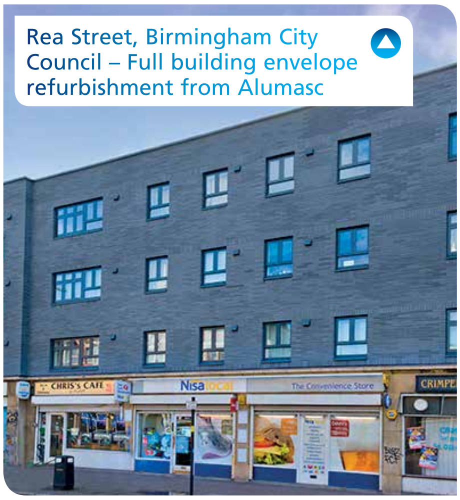
Balcony Projects
Levolux has increased production capacity at its Balcony Assembly Unit in Gloucester, by streamlining its processes and investing in state of the art lifting and handling equipment. This, coupled with a proven track record gained from working on high-profile projects across the UK, has helped Levolux to secure several million pound plus balcony and balustrading projects, most notably in Jersey, London, Birmingham, Leeds and Manchester.

North America
Levolux continues to expand its presence across North America by fostering relationships with key architects, specifiers and contractors. Levolux solar shading and screening solutions are increasingly specified on large, prestigious projects, including corporate headquarters, leading universities and shopping malls. A dedicated sales team and export manager combine effectively with our design, procurement and production management teams, ensuring even the most challenging project requirements are satisfied.

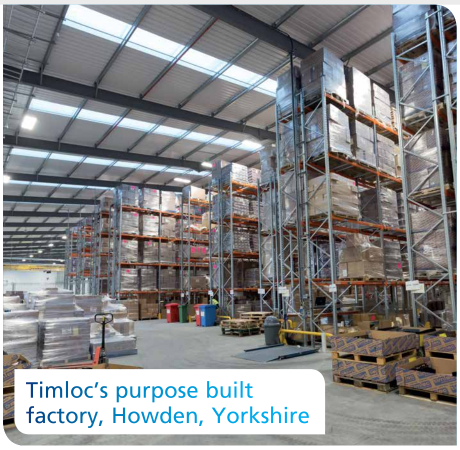
Building Envelope Offering

Alumasc differentiates itself within the marketplace by providing a single source solution for the full envelope of buildings, by combining the products and expertise across the group's portfolio. Key benefits include unparalleled, single point technical assistance, extensive warranties and ongoing post-project support.

Rea Street, Birmingham City Council – Full building envelope refurbishment from Alumasc



Timloc expansion



Timloc's purpose built factory, Howden, Yorkshire

Since moving into its new, purpose-built factory, Timloc Building Products has continued to go from strength to strength. The relocation was completed in December 2017, three months ahead of schedule.

The new factory, warehouse and office space totals 88,000 sq ft and is based in Howden, East Yorkshire. It is just one mile away from the M62 and is close to all major road networks. This is key to the business, as it facilitates industry leading next day delivery service.

The relocation has allowed Timloc to improve capacity and efficiency significantly, enabling it to expand manufacturing operations and plan for future growth. Timloc continues to out-perform the UK construction and housebuilding market by developing new products and increasing market share.

Non-Financial KPIs

Acquisition of Wade International

Wade International's factory, Halstead, Essex

Alumasc was delighted to announce the acquisition of Wade International on 31 January 2018, a leading manufacturer and supplier of quality drainage products and with over 50 years' experience in the industry.

Wade strengthens the unique "Rain to Drain" position of Alumasc's Water Management division, being a market leading brand within the Building Drainage market.

Wade owns a 52,000 sq ft modern freehold facility which has spare capacity to facilitate future growth.

Wade's brand recognition and specification sales approach further strengthens our product offering to international markets.

Wade has an established, highly skilled and knowledgeable workforce.

The group has introduced non-financial KPIs in its Annual Report for the first time this year:

Non-Financial Highlights

Health & Safety Performance rate index (PRI)

4.3

(2017: 5.7)

Definition:
The PRI is a measure of days lost to safety incidents as a proportion of total hours worked.

Comment:
The ratio improved (reduced) year on year in line with continuous improvement actions.

New Product Introductions (% of revenues)

14.5%

Definition:
Revenues generated in the year from products introduced in the last three years as a percentage of total revenues in the year.

Investment in people to grow the business (£)

£300,000

(2017: £1,300,000)

Definition:
The incremental amount spent on sales, marketing and operational support resources in the year.

Comment:
Alumasc has continued to invest in future growth potential but in 2017/18 at a lower rate given the reduction in profit in that year.

Carbon emissions (Tonnes CO^2 per £million of revenue)

34.4

(2017: 42.5)

Definition:
Carbon emissions from Alumasc group businesses in tonnes per million pounds of revenue.

Comment:
Carbon emissions reduced in absolute terms and as a proportion of group revenue during the year as a result of continuous improvement initiatives.

Quotation to sales order conversion (%)

43.5%

Definition:
Order intake for the year as a proportion of quotations for new work in the year.

On time in full (%)

96.4%

Definition:
The percentage of occasions where the group met expectations with regard to delivery of goods on time in full in accordance with the customer's order.

Note: As this is the first year that non-financial KPIs have been introduced, comparative information for 2016/17 is not available for some measures.

ARCHITECTURAL SCREENING, SOLAR SHADING & BALCONIES

Brands

LEVOLUX
DESIGNED TO CONTROL

Nature of business

- Design and supply of bespoke solar shading, architectural screening and balcony & balustrading systems.
- Installation of systems in the UK only.

Growth drivers

- Architectural specification.
- Customer demand for bespoke solutions.
- Building regulations.

Opportunities and potential

- Development of embryonic UK balconies & balustrading business.
- Development of North American export business.
- Growth in operating margins through operational efficiencies and gearing.

Stage of construction cycle

- Mid to late cycle.

Routes to market

- Direct to main building contractors in the UK.
- Via general contractors 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 UK balconies and balustrading market with significant potential for development in both.

Operations and supply chain

- UK factory operation providing fabrication, assembly and finishing operations.
- Diversified specialist supply chain of mainly UK and European based suppliers.

LEVOLUX DESIGNED TO CONTROL

Architectural Screening, Solar Shading & Balconies

Architectural Screening, Ikea Car Park

Key Features

Simple and effective
Levolux designed and installed replacement faux timber fins to create an effective, curved screen that encloses two car park ramp structures. The vertical fins soften the visual impact of the ramp structures. Levolux also refurbished the supporting steelwork to restore the structural integrity of the façade, which was originally erected in 2009.

Innovative, highly durable finish
The new aluminium fins feature an innovative, 'wood-effect' powder coating that closely matches the appearance and texture of real wood. Unlike a real timber equivalent, a specially treated aluminium fin will not change colour or be prone to movement due to weathering. By harnessing new powder coating techniques, Levolux can offer a multitude of finishes that accurately mimic timber, terracotta or even concrete.

OUR BUSINESS SEGMENTS

ROOFING & WALLING

Brands

ALUMASC ROOFING SYSTEMS | ROOF-PRO Products, Systems & Designs | blackdown greenroofs | ALUMASC FACADE SYSTEMS

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.
- Improving insulation standards in hard to heat homes.
- Building regulations.

Opportunities and potential

- Outperformance of the UK construction market through continued market share gain and introduction of new products and systems.
- Specification-led cross-selling of a "building envelope" of Alumasc exterior building product solutions including water management, facade systems and balconies & balustrades.
- Recovery in demand for high quality specified EWI and facade systems.

Stage of construction cycle

- Mid-cycle.

Routes to market

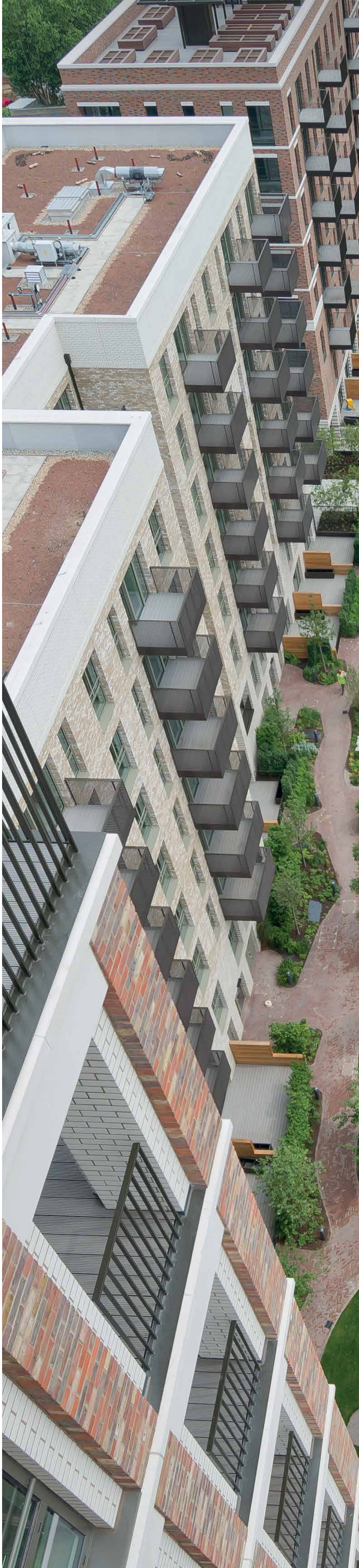
- Architectural specification, sales to main contractors via a network of registered installing sub-contractors.

Market position

- Roofing specification – UK no. 2.
- Walling – UK no. 3.

Operations and supply chain

- Mainly outsourced to suppliers in Europe and North America and other Alumasc group companies.
- In-house manufacture of renders for the walling business.



OUR BUSINESS SEGMENTS

ALUMASC ROOFING SYSTEMS

Green Roof and Waterproofing

Elephant and Castle, London – Green Roof System and Waterproofing

Key Features

Blackdown Green Roof
Blackdown supplied green and brown roofing to help local ecosystems and provide a natural finish with the surrounding area.

Hydrotech Structural Waterproofing
With zero product failures in over 50 years worldwide, Hydrotech was installed beneath the green roof to provide a seamless hot melt waterproofing membrane solution.

ALUMASC WATER MANAGEMENT SOLUTIONS

Brands

Nature of business

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

Growth drivers

- Legislation aimed at conservation, attenuation and control of water.
- Architectural and structural engineering specifications.
- Building regulations.

Opportunities and potential

- Development of further "Rain to Drain" synergies following the acquisition of Wade.
- Increase divisional export sales with focus on systems using Gatic, Harmer and Wade products.
- Grow operating margins through new product introductions, operational efficiency and gearing.

Stage of construction cycle

- Mid-cycle.

Routes to market

- Majority of sales are specification/ contract led.
- Most are sold via building distributors.
- Some are sold direct via civil drainage contractors.

Market position

- Alumasc Rainwater:
  - No. 1 in UK aluminium.
  - No. 2 in cast iron.
- Harmer & Wade building drainage:
  - No. 1 in metal building drainage systems.
- Gatic
  - No. 1 in UK engineered access covers.
  - No. 1 in UK high capacity drainage.

Operations and supply chain

- Majority UK in-house manufacture.

OUR BUSINESS SEGMENTS

WADE BUILDING DRAINAGE

Wade stainless steel drainage channels

Victoria & Albert Museum, London

Stainless steel hidden channels, which are suited for draining large areas, are finished with block paving to provide an aesthetic solution. Can be designed and manufactured in house to accommodate a range of paving thicknesses, flow rates and any bespoke design detail requirements.

On this project Wade worked closely with the architect to provide a solution for a large area of block paving which needed to be drained effectively following critical water entrapment, due to this product being installed over the exhibition area of the museum. Several design challenges were overcome as the paved area had random shapes, so bespoke access cover shapes were required and a curved channel to follow the curve of the glass in the café windows.

HOUSEBUILDING & ANCILLARY PRODUCTS

Brands

timloc building products

Nature of business

- Premium housebuilding products and ancillary items.

Growth drivers

- Shortage of new houses in the UK.
- Legislation and building regulations.

Opportunities and potential

- Outperformance relative to the UK construction market through continued range development and market share growth.
- Leveraging strong sales channels through product portfolio and excellent customer service.
- Margin improvement through operational efficiency, utilising the new factory commissioned in early 2018.

Stage of construction cycle

- Early-mid cycle.

Routes to market

- Merchants and distributors.
- House builder specification.

Market position

- Unique product and service proposition.

Operations and supply chain

- Mostly in-house manufacture.

Housebuilding & Ancillary Products

Timloc products on a new house

Timloc Building Products is one of the UK's leading manufacturers of plastic injection moulded building products. Timloc designs, manufactures and supplies new build and refurbishment building product solutions mainly for housebuilding applications from ground level to the roof ridge.

Timloc is extremely proud of its British heritage and has been tried, tested and trusted by its customers for over 40 years. Timloc understands the demands of today's construction and merchant markets and has established a reputation for consistently delivering exceptional levels of service.

Trust Timloc to deliver – with unrivalled free next working day delivery service to branch or site on low order values.

OUR BUSINESS SEGMENTS

Strategic Report

CHIEF EXECUTIVE'S REVIEW

"Alumasc remains well positioned to outperform the UK construction market, given its robust business model, strong market positions and focus on key strategic growth drivers."

Paul Hooper
Chief Executive

Our Performance:

Revenue

£98.4m

Underlying Operating Profit

£6.7m

Underlying Profit Before Tax

£6.5m

Profit Before Tax

£5.4m

Overview of Underlying and Statutory Profit

£m	2017/18 Underlying	2017/18 Non-underlying	2017/18 Statutory	2016/17 Underlying	2016/17 Non-underlying	2016/17 Statutory
Revenue	**98.4**	**–**	**98.4**	104.8	–	104.8
Operating profit[1]	**6.7**	**(0.6)**	**6.1**	9.1	(0.3)	8.9
Profit before tax[2]	**6.5**	**(1.1)**	**5.4**	9.0	(0.9)	8.1

1 Non-underlying costs included in operating profit comprise brand amortisation of £0.2 million (2016/17: £0.3 million), loss on disposal of SCP of £0.2 million, profit on disposal of Amorim trade investment of £0.4 million, Timloc relocation costs of £0.3 million and Wade acquisition costs of £0.2 million (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 £0.5 million (2016/17: £0.6 million) (see note 5 to the financial statements).

Overview

The 2017/18 financial year was an important one for Alumasc in terms of strategic development. However, as reported in May, largely due to external circumstances beyond our control, trading during the year was more challenging than expected.

In the financial year to 30 June 2018, Alumasc reported underlying earnings per share of 14.4 pence (2016/17: 20.1 pence) and basic earnings per share of 12.0 pence (2016/17: 18.3 pence) from revenues of £98.4 million (2016/17: £104.8 million).

Most of the shortfall in financial performance relative to the prior financial year occurred during the third quarter when trading momentum was disrupted by severe weather and a cautious approach from building contractor customers in committing to new work against an uncertain economic and political background, both in the UK and in export markets, leading to project delays. This was exacerbated by the fall-out from the insolvency of Carillion in late January, which further impacted confidence and the availability of credit across much of the UK construction sector in the following months. Pleasingly though, the financial year ended strongly, with a record trading performance delivered by our specialist building products businesses in the final quarter, including the benefit of some larger construction projects delayed from earlier in the year.

Strategic development

2017/18 was a significant year for Alumasc's strategic development as we:

1. Continued to invest in capacity for growth.

Examples of this were:

- the successful commissioning of a new 88,000 square foot manufacturing and warehousing facility at Timloc, our housebuilding products business, in January 2018; and
- the investment of £0.3 million in additional commercial resources to drive and support growth, with particular focus on Levolux, our bespoke solar shading, screening and balconies business, where significant long term opportunities are available in the North American and balconies markets.

2. Improved the quality of the group's earnings through the proactive management of our portfolio of businesses.

Examples of this were:

- the acquisition of Wade International, a high-quality specialist drainage business for £8.0 million on 31 January 2018. In its full financial year to 30 June 2018, Wade generated operating profits of £1.3 million from revenues of £5.3 million at operating margins of above 20%; and
- the disposal of the scaffolding products business, SCP, in July 2017 for net sale proceeds of £0.9 million. In 2016/17 SCP traded at a break-even level from revenues of £4.2 million.

3. Leveraged further synergy between group businesses.

The acquisition of Wade was highly complementary to Alumasc's existing water management activities. This division will now account for almost 40% of group revenues. When combined with Alumasc Roofing, some 60% of the group now participates in the group's "Rain to Drain" strategy which enables water to be managed, controlled and attenuated as it flows through and around buildings.

In addition, our specification sales teams are now in a position to offer a broader building envelope of exterior building product solutions to customers, comprising roofing, walling, balconies, and water management systems.

Strategic Report

CHIEF EXECUTIVE'S REVIEW continued

Alumasc's model of value creation through strategic portfolio management

"Fast flowing streams"

Key Strategic Criteria	Water Management	Energy Management	Bespoke Architectural Solutions	Ease of Construction
Key Financial Targets	Operating Margin >10%	Return on Investment (post tax) >15%	Operating Cash Conversion >75% Working Capital % Sales <15%	
Portfolio Diversification	End Use Construction Markets	Stage of Construction Cycle	Routes to Market	Export Market Development
Management Drivers	Entrepreneurial Leadership	Strong Management & Skills Mix	New Product Development	Continuous Improvement

Board Decisions

Can't Meet Criteria	Meet Criteria	Exceed Criteria
▼	▼	▼
Divest	Hold, Develop, Improve	Invest, Grow, Acquire

4. Continued to implement a simpler and more cost-efficient operating structure across the group.

The combination of:

- the commissioning of the 88,000 square foot Timloc factory last January, described above;
- the acquisition of Wade with a modern 52,000 square foot freehold factory; and
- the intention for Alumasc Water Management Solutions to relocate to new manufacturing facilities in the next two years

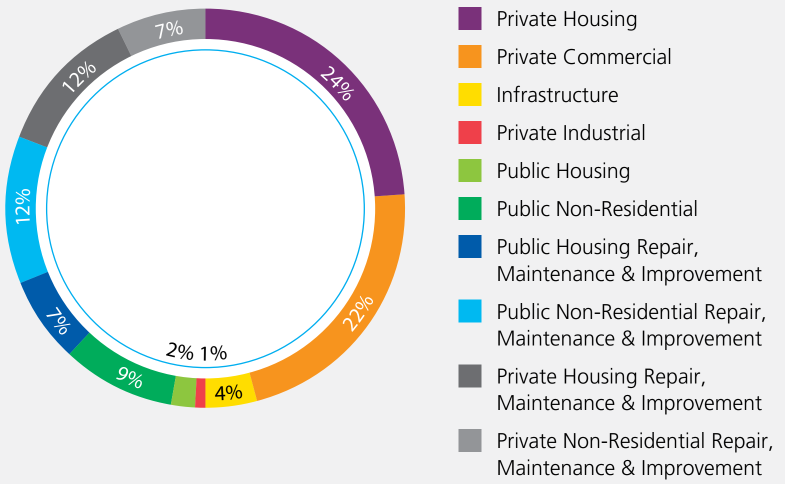
will provide the group with a more modern, larger and flexible footprint which will enable us to consolidate our operations on to fewer sites, thereby enabling us to improve manufacturing and supply chain efficiency and reduce duplication of overheads.

Further, the initiatives outlined in the Chairman's Statement comprising:

- the continued refreshing and renewal of the group Board;
- the proposed merger of the group's two legacy defined benefit pension schemes and the consequential rationalisation of the group's legal structure, together unlocking significant administrative cost saving potential; and
- considering whether to re-list the group's shares on the Alternative Investment Market (AIM)

are also consistent with the broader themes of simplification and cost efficiency that we believe will help us build a future for Alumasc as a more focused, dynamic and entrepreneurial group.

End-Use Market Analysis – 2017/18



Performance overview

Group revenues were £98.4 million compared with £104.8 million in the prior financial year. The shortfall mostly related to the poor third quarter trading performance described above which was attributable largely to external events. In addition, and as foreseen in our outlook statement last September, the 2017/18 financial year did not benefit from as strong a contribution from larger construction projects (with revenues of £500,000 or more), including export projects, when compared with the prior financial year. These projects make a significant marginal profit contribution to overheads and therefore can have a material impact on the group's overall operating profits and margins. At the time of writing, early signs are that the current 2018/19 financial year should see a greater revenue and profit contribution from larger projects than was the case in 2017/18.

UK sales were similar to those in the prior year, but export sales were 27% lower. This illustrates the impact of larger contracts on the group's overall financial performance for the year, with no contract in the year under review coming close to the scale of the £3.1 million revenue North American power station screening project which had benefited Levolux in the prior year.

Despite some inflationary input cost pressure in the first half of the financial year, profit contribution margins after variable costs recovered to levels similar to those in the prior year, but gross margins after variable costs and operational fixed costs reduced from 31.3% to 30.6% reflecting an adverse operational gearing impact from lower sales (including the large project impact described above); investment in operational support resources at Levolux ahead of growth anticipated to flow from the significant increase in project quotation levels during the current year; and additional property costs mainly relating to the new Timloc factory commissioned at the half year stage.

Selling, general and administrative costs were well controlled with further investment in sales resources to drive continued growth in the business over the medium term largely offset by savings elsewhere.

The resulting underlying profit before tax was £6.5 million compared with £9.0 million in the prior financial year at underlying operating margins of 6.8% (2016/17: 8.7%).

Non-underlying items, analysed in the financial review, together amounted to a net cost of £1.1 million during the year (2016/17: £0.9 million), and therefore statutory profit before tax was £5.4 million (2016/17: £8.1 million).

Whilst the financial performance for the year was below our initial expectations, we believe the reasons for the shortfall relate to specific circumstances during the year and that the group's strategy and business model remain robust.

Strategic Report

CHIEF EXECUTIVE'S REVIEW continued

Operational review

Architectural Screening, Solar Shading & Balconies

2017/18 performance highlights

- Revenue: £22.0 million (2016/17: £24.4 million)
- Underlying operating profit*: £0.8 million (2016/17: £2.0 million)
- Underlying operating margin*: 3.6% (2016/17: 8.2%)
- Operating profit: £0.6 million (2016/17: £1.8 million)

* Prior to brand amortisation charges of £0.2 million in both years.

Levolux's financial performance in the year reflected a significantly lower level of sales from larger projects with greater than £500,000 revenue. In part, this was anticipated after a strong prior year performance, but it also reflected project delays attributed to broader economic and political uncertainties which in turn prolonged the decision-making process of property developers and building contractors, exacerbated by the credit issues experienced across the UK construction industry following the failure of Carillion in January.

Alumasc has nonetheless continued to invest to unlock Levolux's significant future growth potential: both in its embryonic UK balconies and balustrading business and in its North American business, also at a relatively early stage of development. The investment in people resources, including sales, estimators, designers and project managers absorbed in the income statement amounted to some £0.2 million in the year.

This investment enabled quotations for new work in the balconies and balustrading business to increase by five-fold compared with the prior year to over £60.0 million, and to more than double to £40.0 million in the North American business. These quotation figures validate our belief in the medium to longer term opportunity in these markets and reflect Levolux's growing brand presence. Our focus now is to strengthen the existing commercial infrastructure in place to increase order conversion rates.

The outlook for larger project revenues in the 2018/19 financial year currently looks stronger than it did a year ago, including in the UK core solar shading and screening business.

Levolux Shading – Remington office and labs

Levolux Architectural Screening, Eastleigh College – Hampshire

Roofing & Walling
2017/18 performance highlights

- Revenue: £31.2 million (2016/17: £34.0 million)
- Operating profit: £1.8 million (2016/17: £2.8 million)
- Operating margin: 5.8% (2016/17: 8.2%)

Alumasc Roofing – Atlantic College, Roofing and Green Roof

Alumasc Roofing experienced a challenging year with weaker than expected demand in the UK new build construction market, exacerbated by some of our contractor customers taking a cautious approach before committing to new developments in view of the broader economic uncertainties, and a number also experiencing credit issues either directly or indirectly in the months following the failure of Carillion.

Nonetheless, Alumasc Roofing has adapted well both in winning refurbishment work, particularly in the Academies sector, and in developing new products such as surfacing systems to exploit available market opportunities.

Alumasc has continued to invest in talented sales resources both to increase revenues in regions of the UK where we are currently under-represented and to develop increased specification system selling of a broader building envelope of Alumasc exterior building products, including water management systems, walling systems and balconies.

Following the £0.3 million overhead cost saving initiative of August 2017, Alumasc Facades posted a robust financial performance for the year despite reduced public funding for exterior wall insulation (EWI) systems in England and Wales and delays to projects in Scotland under the HEEPs and SEEP funding regimes due to adverse weather conditions in the third quarter of the year and with installing contractors challenging some awards of work by local authorities, causing further delay.

Demand was subdued for high rise projects following the Grenfell Tower tragedy a year ago, but there are now promising signs of increasing demand from specifiers for high quality EWI systems, including those that have always been supplied by Alumasc, particularly now those that utilise a combination of fire retardant render and mineral wool solutions.

Blackdown green roof, The Bunker, Monmouthshire

Strategic Report

CHIEF EXECUTIVE'S REVIEW continued

Water Management
2017/18 performance highlights

- Revenue: £34.5 million (2016/17: £32.6 million)
- Underlying operating profit*: £3.6 million (2016/17: £4.1 million)
- Underlying operating margin*: 10.3% (2016/17: 12.6%)
- Operating profit: £3.3 million (2016/17: £4.0 million)

* Prior to Wade acquisition costs of £0.2 million in 2017/18 and brand amortisation charges of £0.1 million in both years.

This was an important year for the strategic development of this division.

The acquisition of Wade International for £8.0 million on 31 January 2018 added a high quality, market leading range of surface water drainage solutions backed by a highly respected brand to complement our existing range of water management solutions. In addition to Alumasc Roofing, these comprise Alumasc Rainwater systems; Skyline soffit and coping systems; Harmer roof and through building drainage systems; and Gatic drainage systems for areas outside the building. Wade has performed well, in line with expectations, since acquisition and we now believe that the export potential for this business, especially when combined with Gatic's existing strong presence in the Middle and Far East, is greater than anticipated prior to acquisition.

With the acquisition of Wade, Alumasc has significantly enhanced its ability to provide full "Rain to Drain" solutions to manage the flow, control and attenuation of water through and around buildings.

Within the division, Alumasc Water Management Solutions (AWMS) had a resilient year despite some under recovery of input cost inflation in the first-half, with demand from building merchant customers remaining robust for solutions serving the new housebuilding and refurbishment sectors.

Rainclear, which has proven to be an excellent acquisition since joining Alumasc in 2012, continues to go from strength to strength, providing a specialist route to market for specialist installers in need of advice and strong customer service in the supply and use of high quality metal Rainwater systems.

Gatic, which sells mostly into large infrastructure projects, experienced some project delays and competitive margin pressure in its civil drainage business, but benefited from more solid demand for engineered access covers. After a record prior year for export sales, the year under review was more difficult and this impacted both revenues, marginal profit contribution and therefore operating margins. However, at the time of writing, the outlook for larger projects, including exports, in the 2018/19 financial year looks more positive.

Alumasc Water Management Solutions – Skyline, Convent Lane, Hampshire

Housebuilding & Ancillary Products

2017/18 performance highlights

- Revenue: £10.5 million (2016/17: £9.6 million)
- Underlying operating profit*: £1.7 million (2016/17: £1.6 million)
- Underlying operating margin*: 15.8% (2016/17: 16.5%)
- Operating profit: £1.4 million (2016/17: £1.6 million)

* Prior to factory move costs of £0.3 million in 2017/18.

2017/18 was a key year for the development of Timloc as the business relocated from two capacity constrained sites to a new single, purpose built, 88,000 square foot leased facility in Howden, East Yorkshire, close to the M62 motorway. The relocation process was seamless, and a great credit to the management team and all the workforce.

Timloc continues to benefit from a positive UK new build housing market. Revenue growth of 9.6% exceeded market growth again as Timloc's customer service driven model of supplying its building distribution customers with excellent next day delivery at attractive carriage paid prices being a great success, resulting in the business expanding its product portfolio to existing customers.

Alumasc continues to invest in Timloc enabling the business to introduce new products, such as expanding the relatively new Above the Roofline range, which is gaining further traction, and to increase automation and manufacturing efficiency.

Timloc expects to recover increased property costs of circa £0.5 million within its first year of operating the new factory and to continue its trajectory of profitable growth from that point onwards.

Timloc – eaves vent pack

Outlook

For the most part, Alumasc continues to operate in an uncertain UK economic and political environment, with the UK construction industry forecast to contract by one to two percent in 2018 and grow only by low single digit percentages in each of the following two years.

Against this background Alumasc remains well positioned to outperform the UK construction market over the medium term, given its robust business model, strong market positions and focus on the key strategic growth drivers of:

- managing the scarce resources of water and energy in the built environment, including developing international markets for these solutions;
- providing bespoke solutions tailored to customer needs supported by excellent customer service;
- developing high quality products and solutions and new business streams such as balconies and other new products that ease the construction process and lower the installed and life cycle costs of buildings; together with
- the acquisition of high-quality complementary businesses such as Wade.

Paul Hooper
Chief Executive

Strategic Report

FINANCIAL KPIs

The group's financial KPIs are summarised below:

Year-end Group Order Book (£m)

£22.4m

(2017: £28.6m)

Comment/explanation
Reflects a lower, but recovering, Levolux order book at year-end.

Group Revenues (£m)

£98.4m

(2017: £104.8m)

Comment/explanation
Lower third quarter 2017/18 revenues, due largely to external factors.

Underlying Operating Margin (%)

6.8%

(2017: 8.7%)

Comment/explanation
Reduced revenues gave rise to lower overhead recovery and reduced operating margins in the year.

Underlying Profit Before Tax (£m)

£6.5m

(2017: £9.0m)

Comment/explanation
Lower revenues at reduced operating margins led to lower profit.

Underlying Earnings per Share (pence)

14.4p

(2017: 20.1p)

Comment/explanation
Reduced underlying earnings per share reflects lower underlying profit before tax in the year.

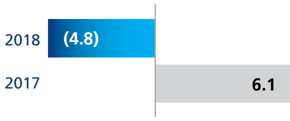
Average Trade Working Capital (as a percentage of sales)

13.6%

(2017: 11.3%)

Comment/explanation
The increase reflects lower revenues and the impact of project delays during the year on working capital management.

Net (Debt)/Cash (£m)



(£4.8m)

(2017: £6.1m net cash)

Comment/explanation
The net cash/debt movement reflects the acquisition of Wade for £8m and investments in capital projects and working capital.

Pension Deficit (IAS 19) (£m)

£15.1m

(2017: £20.6m)

Comment/explanation
The pension deficit improved due to company cash contributions during the year and more favourable market valuation assumptions at 30 June 2018.

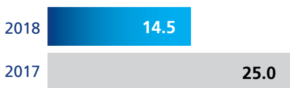
Year-end Shareholders' Funds (£m)

£24.4m

(2017: £20.4m)

Comment/explanation
Increase due to retained profit during the year and pension scheme valuation gains.

Return on Investment (post-tax) (%)



14.5%

(2017: 25.0%)

Comment/explanation
ROI reduced due to the lower profit for the year on a higher average capital base.

FINANCIAL REVIEW

"The group invested £10 million to grow the business, including the acquisition of Wade International and the fit-out of the new Timloc factory."

Andrew Magson
Group Finance Director

Our Performance:

EBITDA

£8.2m

Shareholders' Funds

£24.4m

Post-tax ROI

14.5%

Strategic Report

FINANCIAL REVIEW continued

Reconciliation of underlying to statutory profit before tax

Underlying profit before tax of £6.5 million exceeded statutory profit before tax of £5.4 million as reconciled in the table opposite:

The reconciling items were:

- Amortisation of acquired brands £0.2 million (2016/17: £0.3 million). This is a non-cash charge determined by management judgment in applying accounting standards. It does not affect the economic value of the group. The reduction in the charge compared to the prior year relates to the Rainclear brand becoming fully amortised in the earlier part of the year. This more than offsets the initial post-acquisition charge relating to the Wade brand acquired in January 2018. The full year amortisation charge relating to the Wade brand in 2018/19 and thereafter is expected to be £0.1 million pa. Details of the valuation of the Wade brand and other fair value adjustments made to the balance sheet of Wade at acquisition are set out in note 13 to the financial statements.
- IAS 19 net pension scheme finance costs of £0.5 million (2016/17: £0.6 million). This is a non-cash charge determined by a pensions actuary. It represents a year's unwind of the discount to present values of the group's pension deficit using AA-rated corporate bond yields as the discount rate. This charge is outside management's control. The year on year reduction in the charge relates to a lower corporate bond yield applicable at the beginning of the 2017/18 financial year.
- The loss on disposal of £0.2 million from the sale of the Scaffold and Construction Products business in July 2017 related to a non-transferable lease commitment that became onerous when the business was sold, and the legal costs of selling the business. These costs were excluded from underlying earnings as they were non-recurring costs.
- The profit of £0.4 million on disposal of an available for sale asset relates to the disposal of the group's long standing 20% trade investment in Amorim Isolamentos, a Portuguese cork producer. The gain on sale was excluded from underlying earnings as it was a non-recurring item.
- The £0.3 million cost of relocating the Timloc factory, described in more detail in the Chief Executive's review, was excluded from underlying earnings as it was a one-off cost.
- The £0.2 million cost, relating mainly to legal fees and stamp duty, associated with the acquisition of Wade International in January 2018 was also excluded from underlying earnings as it was a one-off cost.

Reconciliation of Underlying Profit Before Tax to Profit Before Tax	**2017/18 £m**	2016/17 £m
Underlying profit before tax	**6.5**	9.0
Brand amortisation	**(0.2)**	(0.3)
IAS 19 net pension scheme finance costs	**(0.5)**	(0.6)
Loss on disposal of the SCP business	**(0.2)**	–
Profit on disposal of available-for-sale assets	**0.4**	–
Timloc relocation costs	**(0.3)**	–
Wade acquisition costs	**(0.2)**	–
Statutory profit before tax	**5.4**	8.1

Taxation

The group's underlying effective tax rate was 20.2% (2016/17: 20.6%), slightly above the weighted average UK statutory rate of tax applicable to the group's financial year of 19% due to certain costs that are disallowable for tax purposes.

The group's effective tax rate on statutory profit before tax was 19.7% (2016/17: 19.5%), also above the weighted average UK statutory rate of tax applicable to the group's financial year, as a number of the non-underlying costs set out in the table above are not allowable for tax purposes.

We expect the group's underlying tax rate to be circa 20% in the 2018/19 financial year.

Earnings per share

Underlying earnings per share for the year was 14.4 pence (2016/17: 20.1 pence). The reduction was broadly consistent with the lower underlying profit before tax for the year for the reasons described in the Chief Executive's review.

Basic earnings per share of 12.0 pence (2016/17: 18.3 pence) reflected the reduction in statutory profit before tax for the year for the reasons described in the Chief Executive's review; together with the year on year change in the items shown in the reconciliation of underlying to statutory profit before tax, above; and changes in the group's overall tax rate for the year also described above.

Dividends

The Board has decided to recommend to shareholders an increased final dividend of 4.4 pence per share (2016/17: 4.3 pence), applicable to members on the share register on 5 October and to be paid on 31 October.

This takes the total dividend for the year to 7.35 pence (2016/17: 7.15 pence), an increase of 2.8%.

Alumasc's distributable reserves, available for the payment of dividends to shareholders, are disclosed in note 15 to the parent company financial statements. These amount to £9.4 million, without pension trustee consent, increasing to a maximum of £23.4 million with pension trustee consent. The approximate cash cost of the proposed final dividend for the 2017/18 financial year, which under accounting conventions is not yet deducted from these distributable reserves, is £1.6 million.

Alumasc does not have any dividend blocks in its active trading subsidiaries and therefore would expect to replenish parent company distributable reserves annually with dividends paid from the future profits generated by those subsidiary companies.

Alumasc has a progressive dividend policy that seeks to grow the dividend broadly in line with underlying earnings growth, having regard to the extent to which dividend payments are covered by underlying earnings after taking into account pension scheme funding commitments.

Investment in growth, cash flow and net debt

The group's overall net cash outflow for the year was £10.9 million. This included an investment of £10.0 million to grow the business, including £8.0 million for the acquisition of Wade International and £2.0 million relating to capital investment in excess of the depreciation charge for the year, including the fit-out cost of the new Timloc leased factory.

At 30 June 2018 the group had a modest level of net debt of £4.8 million (30 June 2017: net cash of £6.1 million).

The group invested a net £2.0 million in working capital during the year, mainly relating to:

- the strong final quarter trading performance where cash from sales made in the weeks prior to the year end was not collected until after 30 June; and
- the earlier phasing of inventory purchases to mitigate cost inflationary pressure during the year, which resulted in a lower than usual level of trade creditors at 30 June 2018.

Our rolling average working capital as a percentage of sales ratio increased to 13.6% in 2017/18 from 11.3% in the prior year reflecting the impact of numerous construction project delays beyond the group's control during the year which made working capital management more challenging than usual, and the earlier phasing of inventory purchases during the year already described.

Summarised Cash Flow Statement	2017/18 £m	2016/17 £m
EBITDA*	**8.2**	10.5
Underlying change in working capital	**(2.7)**	(3.7)
Short term changes in working capital on large construction contracts	**0.7**	(1.7)
Operating cash flow	**6.2**	5.1
Replacement capital expenditure	**(1.3)**	(0.9)
Interest	**(0.2)**	(0.1)
Tax	**(0.7)**	(0.8)
Pension deficit funding	**(3.2)**	(3.3)
Dividend payments	**(2.6)**	(2.4)
Sub total	**(1.8)**	(2.4)
Expansion capital expenditure	**(2.0)**	(0.2)
Wade acquisition consideration	**(8.0)**	–
SCP and Amorim disposal proceeds & others	**0.9**	0.1
Net cash flow	**(10.9)**	(2.5)
Net (debt)/cash at year end	**(4.8)**	6.1

* EBITDA: Underlying earnings before interest, tax, depreciation and amortisation.

Balance sheet and return on investment

The group's net assets and shareholders' funds increased from £20.4 million at the beginning of the financial year to £24.4 million at 30 June 2018, mainly reflecting the net actuarial gain on the pension deficit described below, together with retained profit after tax and dividend payments for the year.

The group defines its capital invested as the sum of shareholders' funds, together with the pension deficit (net of tax) and net debt. On this basis, capital invested increased from £31.5 million at the beginning of the financial year to £41.8 million at 30 June 2018, largely reflecting the acquisition of Wade International during the year for £8.0 million and investments in working capital and in property, plant and equipment to grow the business, all as described above.

The combination of the lower profit in the year and higher average capital invested led to a reduction in underlying post-tax return on investment from 25.0% in the prior year to 14.5% in 2017/18, still well ahead of our estimated weighted average cost of capital.

Pensions

The valuation of Alumasc's pension deficit for accounting purposes at 30 June 2018 using IAS 19 valuation conventions was £15.1 million. This was an improvement on the previous financial year end valuation of £20.6 million, largely reflecting the benefit of pension deficit recovery payments made by the group during the year of £2.7 million, together with actuarial gains arising from the slightly higher AA corporate bond discount rates and slightly lower long term inflation rates prevailing at 30 June 2018; together with more favourable current mortality assumptions, as set out in note 21 to the financial statements.

The group is taking an increasingly pro-active approach in managing its legacy defined pension obligations. Initiatives include:

- A proposal to merge the group's two legacy defined benefit pension schemes to reduce ongoing administration costs and improve efficiency. The merger is planned to take place in time to be reflected in the next formal triennial valuation of the schemes as at 31 March 2019.
- Taking opportunities to reduce gross scheme liabilities should scheme members, with independent advice as appropriate, choose to leave including the greater pension freedoms now available to them.
- Improving the efficiency of returns on scheme assets by switching approximately half of the return seeking portfolio, or approximately 15% of total assets invested, from actively managed to passive global equity index tracker schemes at significantly lower ongoing management costs.
- Reducing the volatility of scheme valuations through the use of derivatives and insurance products to hedge pension liabilities.

Banking facilities

Alumasc's banking facilities comprise:

- An unsecured committed five-year revolving credit facility of £12.5 million, expiring in August 2020
- Overdraft facilities, repayable on demand, of £3.5 million.

Going concern and viability

After 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 67 and the viability statement on page 30.

Andrew Magson
Group Finance Director
11 September 2018

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties	Mitigating actions taken	Change
Economic, construction market and Brexit 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.* *There is relatively high economic and political uncertainty at the current time, including surrounding the outcome of the Brexit negotiations.*	• Strategic positioning in markets/sectors anticipated to grow faster than the UK construction market. • Selected development of export sales opportunities, especially for Levolux (particularly in North America) and Alumasc Water Management (particularly in Europe, the Middle East and Far East). • Revenues are derived from a variety of end use construction markets (see page 19). • 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. These exposures are for the most part hedged. • Brexit developments being monitored closely. Strong relationships monitored and regular dialogue with key European suppliers. Contingency planning for key residual risk areas.	
Loss of key employees Comment *Generally turnover of key employees 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.	
Product/service differentiation relative to competition not developed or maintained Comment *Innovation and an entrepreneurial spirit is encouraged in all group companies. Almost 15% of group revenues 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 strategy meetings encourage innovation and "blue sky" thinking. • New product introduction/development KPI used to monitor progress. • Monitoring 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 and has a diversified customer base.*	• Develop and maintain strong customer relationships. • Product, system and service differentiation. • Project tracking and enquiry/quote conversion rate KPI. • Increasing use of, and investment in, customer relationship management (CRM) software. • Organisational and cultural flexibility to adapt to changing and emerging customer needs.	
Legacy defined benefit pension obligations Comment *Alumasc's pension obligations are material relative to its market capitalisation and shareholders' funds.*	• Continue to grow the business so the relative affordability of pension deficit 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.	
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.* *International supply chain risks are increasing through increased tariffs/duties, Brexit risks in Europe and potential closure of foundries in China for environmental reasons.*	• Annual strategic reviews, including supplier concentration, quality, reliability and sustainability. • Regular key supplier visits, good relationships maintained including quality control reviews and training. • Regular supplier quality, value for money and risk reviews. • Avoidance of strategic dependence on single sources of supply. • Contingency plans to manage Brexit and China sourcing risks.	

Key for change since last year

Increase Decrease No change

Risks and uncertainties	Mitigating actions taken	Change
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. • Critical plant and equipment is identified, with associated breakdown/recovery plans, including assessment of engineering spares held on site. • Business interruption insurance to cover residual risks.	
Strategic development risks and change projects *Comment* *There are execution risks around a number of current strategic change projects, including export development, business simplification projects, forthcoming factory moves and various ERP and CRM system implementations.*	• Key strategic change projects are governed by Operating Unit Boards, supported by independent specialist consultants where necessary, for example IT and property. • Project risk reviews and plans updated regularly. • 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 system testing, training and communication, with go-live delayed if implementation risk is judged to be too high.	
Product warranty/recall risks *Comment* *The group does not have a history of 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).	
Health and safety risks *Comment* *The group has a strong overall track record of health and safety performance, with the number of lost time accidents significantly reduced over recent 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 at Board level monthly. Appropriate remedial action taken. • Group health and safety best practice days are held twice a year, chaired by the Chief Executive. • Annual audits 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 good recent record in managing credit risks.*	• 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 limits. • 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 financial planning horizon.

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.

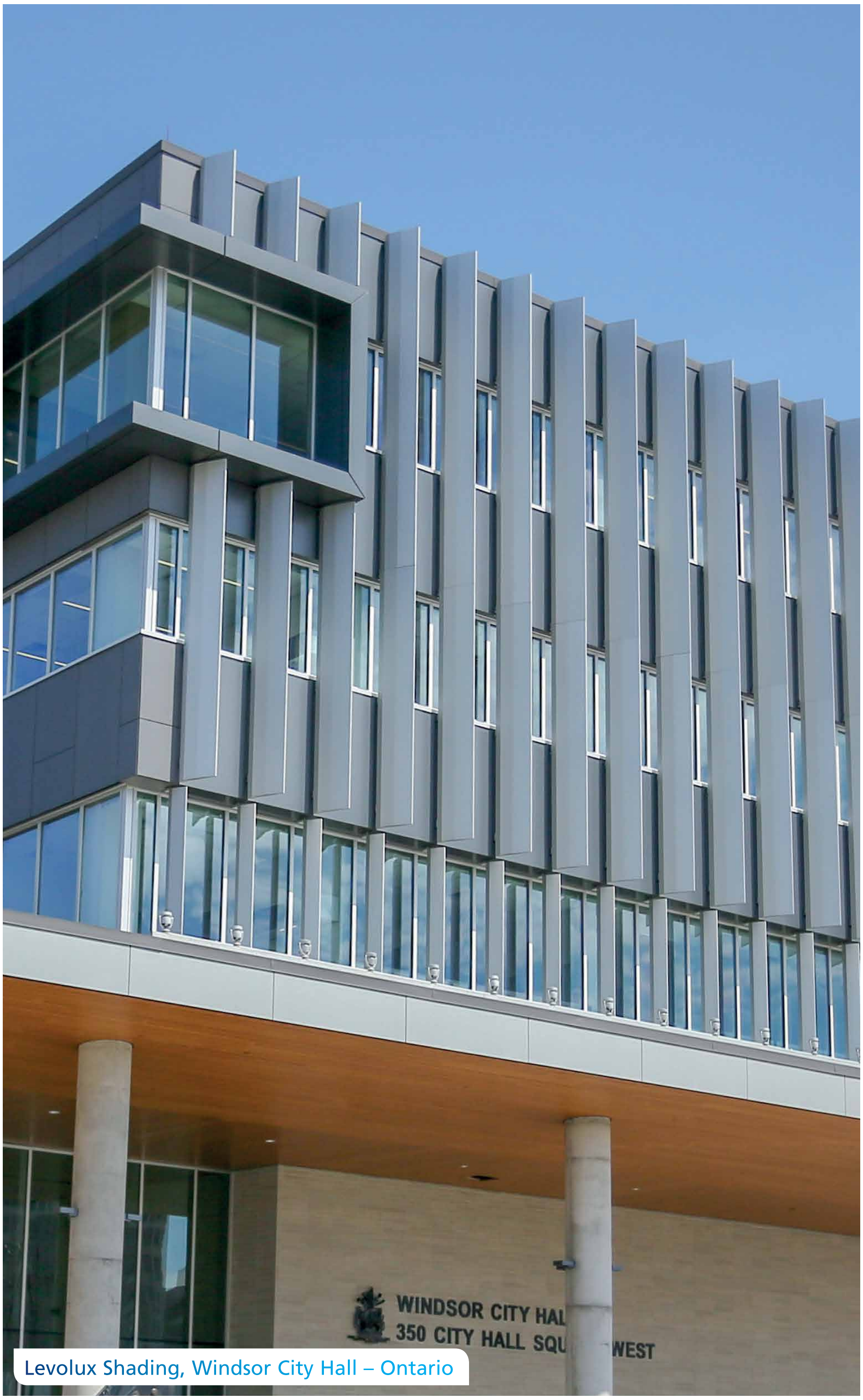
The Board has performed a robust assessment including sensitivity analyses on the base case plan by flexing a number of the main assumptions including those set out below, both individually and in combination, to illustrate the impact of potential downside risks that could affect the financial viability 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 28 to 29.

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 debt position of £4.8 million at 30 June 2018 and the group's committed financing facilities of £12.5 million, which the Board would currently expect to be able to re-finance on expiry in 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 2021.



Levolux Shading, Windsor City Hall – Ontario

CORPORATE AND SOCIAL RESPONSIBILITY

Health & Safety

The Alumasc Group plc places the highest priority on health and safety matters. 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 continues to hold regular health and safety best practice days. Each operating business or site has local health and safety committees that meet regularly and is subject to an annual health and safety audit, carried out by external consultants, with consequential action plans being monitored in Board meetings. All of our businesses/sites continue to improve on their excellent audit results with an embedded focus on seeking best practice.

The reporting of near misses has improved, with identified instances of near misses increasing by nearly 80% over the last year, largely due to a refreshed initiative to encourage employees to be more aware of health and safety issues whilst working. This has also resulted in a significant reduction in the number of accidents resulting in lost days, down 60% in 2017/18 compared with 2016/17. Our principal health and safety KPI, the performance rate index (a relative measure capturing the total number of lost time and other safety incidents, relating the result to the overall number of hours worked), improved to 4.3 from 5.7 in the previous year. The improvement in health and safety performance over the last year is consistent with the longer term trend, resulting from prioritisation, focus and continuous improvement actions taken by both management and employees over many years. Following prior initiatives of strengthening risk assessments, safe systems of work and training in those areas of our businesses judged to be those capable of causing the most serious incidents, work continues to ensure that improvements are continually made.

Employee matters

Role	Male	Female	Total
Non-Executive Director	5	–	5
Executive Director	2	–	2
Senior managers	42	7	49
Employees	366	114	480
	415	**121**	**536**

As a group, we are committed to promoting diversity and providing equal opportunity to all areas of the business from recruitment, employment and career progression to learning and development. We recognise the benefit of calling on the widest range of knowledge, skills and experience and we use a broad spectrum of recruitment advertising and methods of attraction (for example, press advertising, internet job sites, Jobcentre Plus, agencies) to try and reach all relevant potential applicants within the members of society and local community. 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. Those who are disabled are given equal treatment with the able-bodied. Should employees become disabled after joining the company, every effort is made to ensure that employment continues and appropriate training is given. A formal Equality and Diversity Policy has been approved by the group Board and applies to all our businesses.

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. Some of our businesses issue quarterly internal newsletters with a mix of company updates and employee related news such as charitable events that employees have participated in.

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.

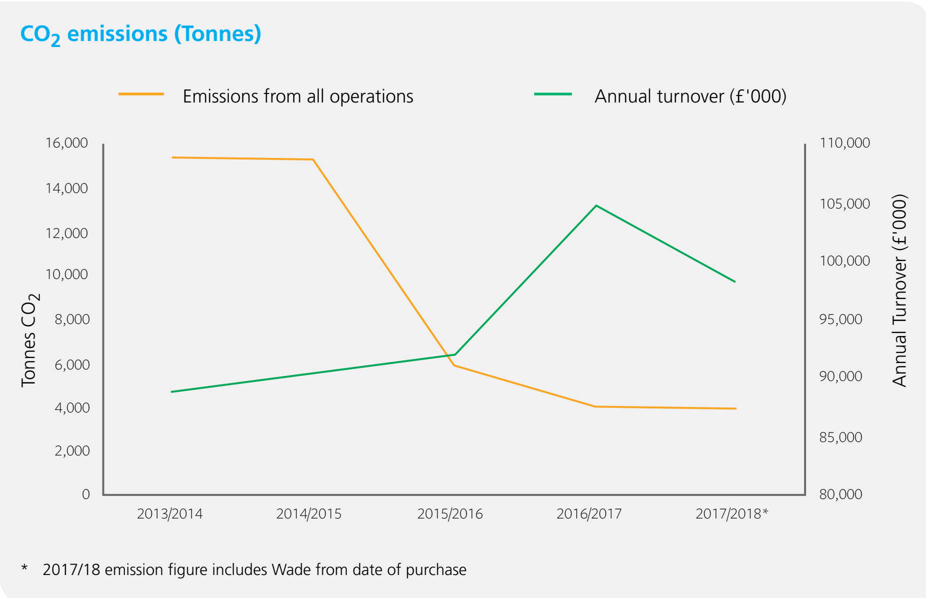
Many of our building products businesses are strongly focused on providing effective solutions to enhance sustainability in the built environment. The group has established leading positions in water management, through brands such as Alumasc Water Management Solutions, Wade, Gatic, Alumasc Roofing and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

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.

Strategic Report

CORPORATE AND SOCIAL RESPONSIBILITY continued



Carbon Management & Greenhouse gas ("GHG") emissions

The group continues to work with Carbon Footprint Limited, the carbon and sustainability management specialists, to improve our environmental and sustainability credentials. We continue to reduce carbon emissions including:

- Moving our old, energy inefficient Timloc factories to a single new purpose built energy efficient building that has reduced its electricity usage by around 19%; and
- Acquisition of typically low capital intensity, specialist building product businesses, such as Wade International, whose factory has roof-top solar panels, generating power for its manufacturing operations, with the surplus sold back to the national grid.

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.

The group's strategy of becoming a focussed supplier of premium building products has enabled the group to reduce its overall CO_2 emissions by just under 74% over the last five years to 4,054 tonnes in 2017/18 from 15,245 tonnes in 2013/14, see the graph above, whilst growing revenues over that period.

Whilst the majority of our reduction in CO_2 emissions have resulted from the sale of our engineering businesses, our businesses also saw a reduction in electricity usage in 2017/18 of 22% when measured against 2016/17 across the group. This demonstrates the effect of continuing process efficiencies on group emissions as a whole. The full statutory report on greenhouse gas emissions can be found in the Directors' Report on page 54.

Community

In addition to the wider community benefits arising from our environmental programme, the group is committed to supporting local community initiatives and a number of charitable donations have been made throughout the year by our subsidiaries including to football and rugby clubs and European Rally in aid of The Teenage Cancer Trust and The Rainy Day Trust. Group donations in the year amounted to £1,949 (2016/17: £1,237).

Human Rights and Modern Slavery Act 2015

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.

Following the enactment of the Modern Slavery Act 2015, Alumasc has introduced a new Modern Slavery and Human Trafficking Policy. 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 all countries where the group operates. The group expects its suppliers to hold their own suppliers to the same high standards. The latest statement is available at www.alumasc.co.uk.

The group does have policies on the related topics of equal employment rights policies and communication with employees as highlighted earlier in this report. It also has the following policies in place:

- Business Ethics policy;
- Anti-Bribery and Corruption policy;
- Equality and Diversity policy; and
- Whistleblowing policy.

"Driving from Dover to Monte Carlo for charity – passing through Belgium, Germany, Switzerland and Italy en-route crossing their fingers they didn't break down!"

Pavestone Rally

Alumasc Water Management Solutions ("AWMS") took up the challenge to enter the Pavestone Rally in aid of The Rainy Day Trust and The Teenage Cancer Trust. The 2017 Rally event raised over £100,000 with AWMS raising over £1,000 with the help from its customers and suppliers.

Over 30 cars took part, crossing through ten countries between 7 and 10 September 2017. The AWMS team of four were tasked to "buy a banger" costing under £500 and create something that will grab people's attention and then drove from Dover to Monte Carlo – passing through Belgium, Germany, Switzerland and Italy en-route, crossing their fingers they didn't break down!

The 2017 rally event raised

>£100k

Alumasc raised

>£1,000

How many cars took part

>30

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

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

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

Philip Gwyn MA (Cantab)
Non-Executive Director

Appointed: 1984
Experience: Philip Gwyn, who has served as a Non-Executive Director of the group since its foundation in 1984, retired on 30 June 2018.

A R N

Kirstan Boynton ACIS, MSc
Company Secretary

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

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One North Fourth Street
Milton Keynes MK9 1NE

Investment Bankers
DC Advisory Partners
5 King William Street
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Bankers
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Ashton House
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Milton Keynes MK9 2LD

HSBC Bank plc
4th Floor
120 Edmund Street
Birmingham B3 2QZ

Solicitors
Freeths LLP
6 Bennetts Hill
Birmingham B2 5ST

Pinsent Masons LLP
3 Colmore Circus
Birmingham B4 6BH

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 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 40 to 43 and the Directors' Remuneration Report on pages 44 to 52, explains how the Directors seek to apply the requirements of the Code to procedures within the group. The Board is responsible for the overall governance of the group. Its responsibilities include setting the strategic direction of the group, providing leadership to put the strategy into action and to supervise the management of the business.

Board of Directors

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 40 to 43

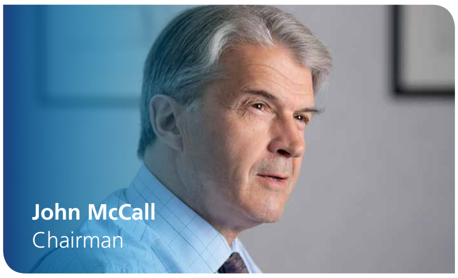
Remuneration Committee

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 44 to 52

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.



Statement of compliance

During the year ended 30 June 2018 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. Mr Gwyn retired from the Board at the end of the financial year and a replacement is being sought who is expected to meet the independence requirements of the code. The Board has reviewed the role of each of the Non-Executive Directors who are continuing to serve 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 currently 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 three Non-Executive Directors. Jon Pither is the Senior Independent Director. Philip Gwyn retired as a Non-Executive Director with effect from 30 June 2018.

In accordance with the articles of association, any Director appointed during the year 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, Andrew Magson retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. In addition, Jon Pither 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 34 and 35 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 40.

(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 44.

(iii) Nomination 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. Following the retirement of Mr Gwyn, the Committee has started the process to recruit a new Non-Executive Director, appointing an external recruitment agency, with no connection to the company, to assist in the identification of suitable candidates. 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 (8 meetings)	Audit Committee (3 meetings)	Remuneration Committee (2 meetings)	Nomination Committee (2 meetings)
J S McCall	Chairman	8	2†	2†	2
J P Pither	Deputy Chairman	8	3	2	2
P H R Gwyn*	Non-Executive Director	4	2	1	1
R C C Saville	Non-Executive Director	8	3	2	2
D Armfield	Non-Executive Director	8	3	2	2†
G P Hooper	Chief Executive	8	3†	N/A	N/A
A Magson	Group Finance Director	8	3†	N/A	N/A

† By invitation as an attendee.
* Retired 30 June 2018.

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 individual enquiries from shareholders on a wide range of issues.

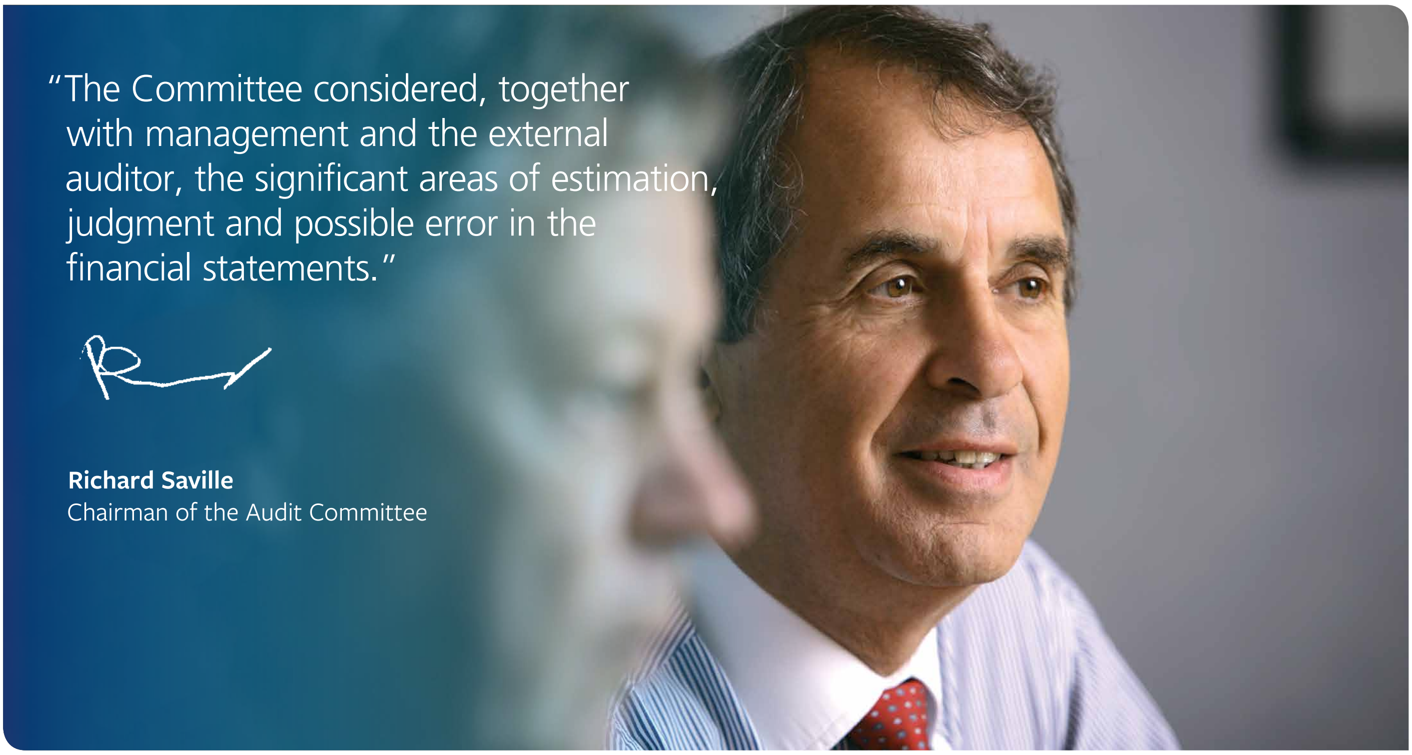
There is regular dialogue with individual institutional shareholders, as well as general presentations after the announcement of results. The Board receives regular updates on all the meetings and communications with major shareholders, who are offered the opportunity to meet with the Non-Executive Directors 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



Dear Shareholders

I am pleased to present the Audit Committee's report for the year ended 30 June 2018. 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 38.

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 and preparations for the introduction of new accounting standards;
- 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.

Activities of the Committee in the 2017/18 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 planning the approach to the forthcoming audit tender process;
- 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; and
- review of management's preparations for the introduction of IFRS 15, "Revenue Recognition", in particular its likely application to accounting for construction contracts; IFRS 9, "Financial Instruments"; and IFRS 16, "Leases". IFRS 9 and IFRS 15 will apply to the group's financial statements for the 2018/19 financial year onwards, and IFRS 16 for the group's 2019/20 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 67. 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 28 and 29, 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 21 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) Valuation of acquired assets and liabilities of Wade International Limited

The Committee reviewed the acquisition accounting for Wade International, including the judgments taken in fair valuing the tangible and intangible assets of the business at acquisition. These judgments were taken based on the advice of independent valuation experts.

(iv) 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 level 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 the financial year under review KPMG carried out non-audit advisory services relating to Alumasc's forthcoming adoption of IFRS 15, "Revenue Recognition". The fee for this work was £8k and was approved by the committee on the basis it was not significant in the context of the overall audit fee. No non-audit services were provided by KPMG in the prior financial year.

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

The audit for Alumasc's financial year ended 30 June 2018 was KPMG's tenth. Therefore under current regulations the external audit will be put out to tender before the 2018/19 audit process commences. KPMG will be invited to re-tender for the work.

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 28 and 29. 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, 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 28 and 29. 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 67 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 30.

Richard Saville
Chairman of the Audit Committee

Governance

DIRECTORS' REMUNERATION REPORT

Statement by the Chairman

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ending 30 June 2018. 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 company'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. As described in the Strategic Report, the 2017/18 financial year was a strategically important one for Alumasc but more challenging than expected from a trading perspective.

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

- Preparation of the new Long Term Incentive Plan (2018 LTIP) to be put to shareholders at the 2018 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 current long term incentive plan ("LTIP") and executive share option scheme ("ESOS") awards to be made in October 2018; and
- Decisions on the achievement of the performance criteria in relation to the ESOS and LTIP awards maturing in November 2018 and December 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.

2018 LTIP

A summary of the proposed rules for the 2018 LTIP is contained in the Annual General Meeting notice. The full rules of the LTIP will be available for inspection at the office of Deloitte LLP as detailed in the AGM notice 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.

Jon Pither
Chairman of the Remuneration Committee

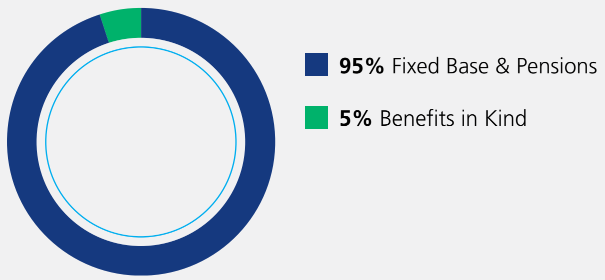
Remuneration Committee membership

The Remuneration Committee members who served during the year were:

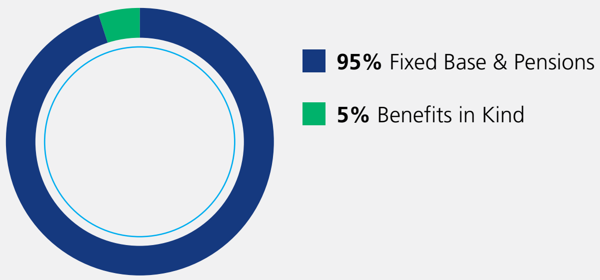
- Jon Pither (Chairman)
- Philip Gwyn
- Richard Saville
- David Armfield

Remuneration Dashboard

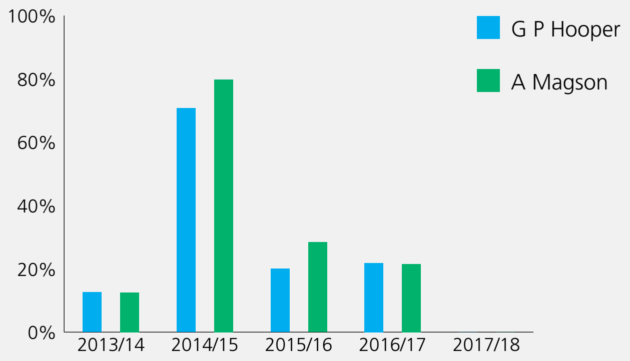
Mix of Remuneration Executive Directors 2017/18



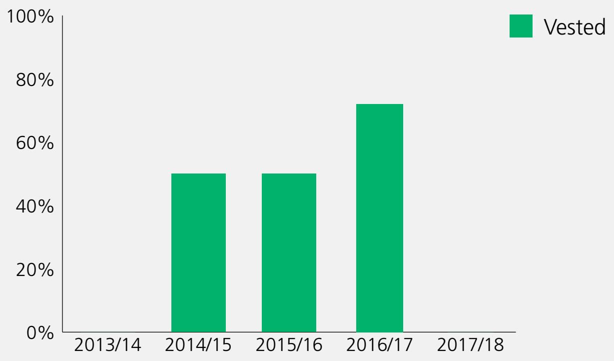
Mix of Remuneration Chief Executive 2017/18



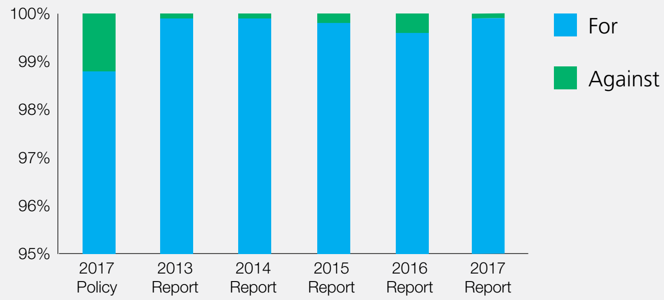
Bonus Levels as a Percentage of Salary



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 2018.

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 Annual General Meeting on 25 October 2018.

Governance

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration

The following sections show how the remuneration policy approved in 2017 was applied in the year ending 30 June 2018 and, where appropriate, will be applied in the following year. The information provided on pages 44 to 49 of the Directors' Remuneration Report is subject to audit.

Single total figure of remuneration

The remuneration of the Non-Executive Directors for the years 2017/18 and 2016/17 is made up as follows:

	Base salaries/fees		Benefits in kind		Single figures of total remuneration	
Director	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000
John McCall	**100**	100	**4**	4	**104**	104
Jon Pither	**40**	40	**–**	–	**40**	40
Philip Gwyn*	**35**	35	**–**	–	**35**	35
Richard Saville	**40**	40	**–**	–	**40**	40
David Armfield	**35**	35	**–**	–	**35**	35
Total	**250**	250	**4**	4	**254**	254

* Retired 30 June 2018.

The Non-Executive Director fees were reviewed in 2018. No further increases are proposed for the 2018/19 year.

The remuneration of the Executive Directors for the years 2017/18 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	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17^ £000	**2017/18 £000**	2016/17 £000
Paul Hooper	**265**	257	**–**	56	**16**	17	**51**	51	**–**	129	**332**	510
Andrew Magson	**186**	181	**–**	39	**13**	12	**27**	27	**–**	60	**226**	319
Total	**451**	438	**–**	95	**29**	29	**78**	78	**–**	189	**558**	829

^ Re-stated values based on the vesting of the 2015 LTIP award at a price of 128 pence on 13 March 2018.

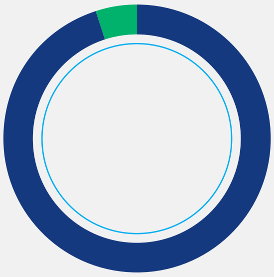
For the year to 30 June 2018 the minimum level at which the annual bonus would become payable was set at underlying profit before tax ("PBT") of £8.3 million. On the basis of actual underlying PBT from all operations of £6.5 million, the target for the profit linked bonus was not met and therefore no annual bonus was awarded to Mr Hooper or 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 2015 LTIP award, which has a performance period for the three financial years ending 30 June 2018, were set to incentivise significant further growth in the group's underlying EPS compared with the 2014/15 financial year. These metrics comprised an earnings target based on Basic EPS and a total shareholder return ("TSR") target.

In order for any part of the award to vest a threshold level of basic earnings per share of 15.8 pence had to be achieved in 2017/18, at which 25% of the award would be payable. Two thirds of the remaining 75% of the award was payable on a straight line basis if the group's basic EPS was between 15.8 and 19.4 pence per share, with the remaining 25% payable on a straight line basis if the TSR fell within the median and upper quartile. The group's basic EPS for the 2017/18 year was 12.0 pence per share, therefore the award lapsed and no shares have vested.

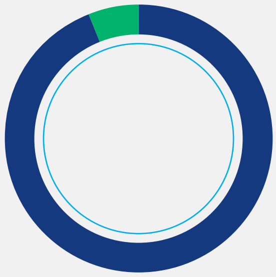
**Mix of remuneration
Paul Hooper 2017/18**



95% Fixed Base & Pensions

5% Benefits in Kind

**Mix of remuneration
Andrew Magson 2017/18**



94% Fixed Base & Pensions

6% Benefits in Kind

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 (2016/17: £nil).

Payments for loss of office

There were no payments in relation to loss of office during the year (2016/17: £nil).

Scheme interests awarded during the year

LTIP awards were granted in October 2017 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	115,425	£200,262	25%	3 years
Andrew Magson	2008 LTIP	50% of base salary	54,194	£94,027	25%	3 years

† Based on share price of 173.5 pence on the day of grant.

The performance measures for these awards over the three-year period will be benchmarked against the 2016/17 basic EPS from continuing operations in that year of 18.3 pence per share.

Governance

DIRECTORS' REMUNERATION REPORT continued

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 above threshold performance is achieved, then the following tables explain how vesting levels above the threshold level will relate to performance achieved:

If basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in retail prices index ("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%

If 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 2018	At 30 June 2017
John McCall	**4,359,668**	4,359,668
Jon Pither	**298,986**	280,736
Philip Gwyn*	**3,057,605**	3,057,605
Paul Hooper	**460,478**	330,237
Andrew Magson	**133,926**	100,103
Richard Saville	**83,000**	53,000
David Armfield	**69,400**	35,000

* Retired 30 June 2018.

The Directors' shareholdings are beneficial with the exception of 434,000 shares (2017: 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 161,411 ordinary shares. The market value of the shares held in trust as at 30 June 2018 was £217,905.

Long Term Incentive Plans

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

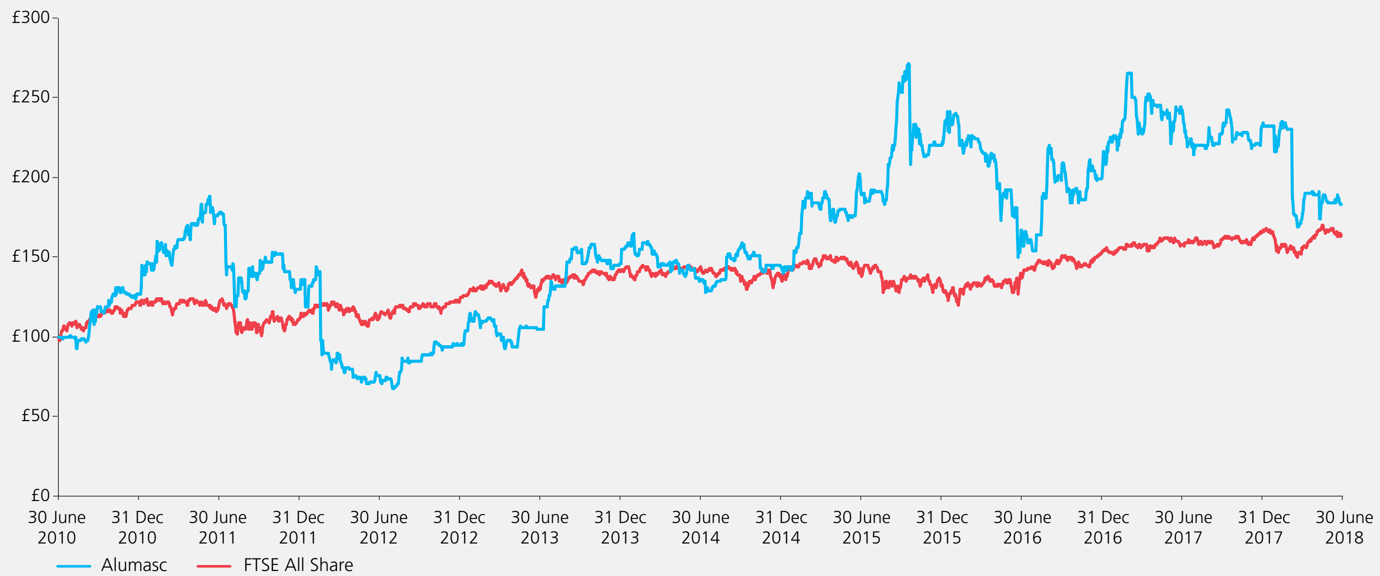
					of which				
	Date of award	Market price at award date*	Earliest exercise date	**Interest as at 1 July 2017**	vested in year	exercised in year	were granted in year	lapsed in year	**Interest as at 30 June 2018**
Paul Hooper									
	Mar 2015	155.5p	Mar 2018	**140,154**	100,898	100,898	–	39,256	**–**
	Dec 2015	177.5p	Dec 2018	**99,734**	–	–	–	–	**99,734**
	Sept 2016	157.5p	Sept 2019	**122,510**	–	–	–	–	**122,510**
	Oct 2017	173.5p	Oct 2020	**–**	–	–	115,425	–	**115,425**
Total 2008 Plan				**362,398**	100,898	100,898	115,425	39,256	**337,669**
Andrew Magson									
	Mar 2015	155.5p	Mar 2018	**64,865**	46,696	46,696	–	18,169	**–**
	Dec 2015	177.5p	Dec 2018	**46,808**	–	–	–	–	**46,808**
	Sept 2016	157.5p	Sept 2019	**57,521**	–	–	–	–	**57,521**
	Oct 2017	173.5p	Oct 2020	**–**	–	–	54,194		**54,194**
Total 2008 Plan				**169,194**	46,696	46,696	54,194	18,169	**158,523**

* The market price at the award date is based on the price on the day 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

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 %
2017/18	**332**	**0%**	**0%**
2016/17*	510	22%	72%*
2015/16	493	20%	50%
2014/15	633	71%	50%
2013/14	323	13%	0%

* Adjusted to reflect actual figures following the vesting of the 2015 LTIP award in March 2018.
† 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.

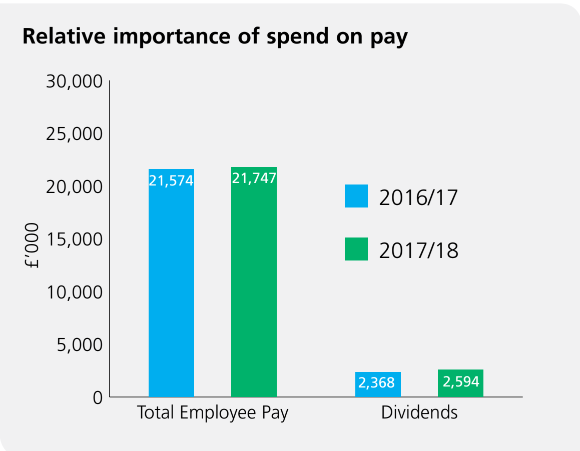
Percentage change in Chief Executive's remuneration

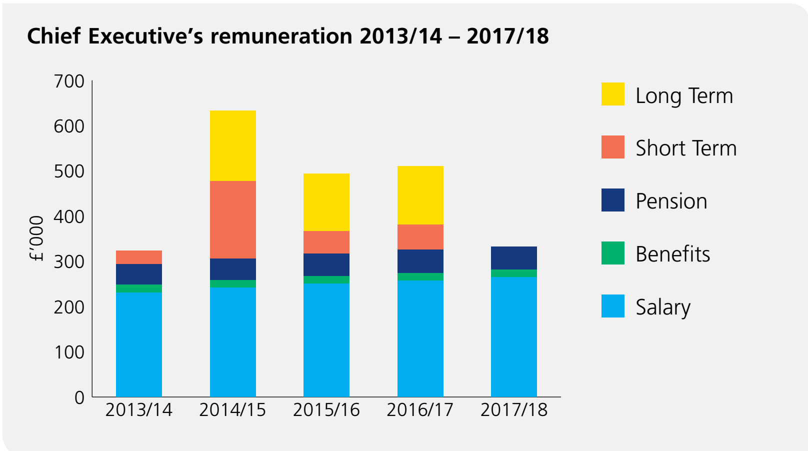
The table below shows the percentage change in remuneration between the years ended 30 June 2017 and 30 June 2018 for the CEO and all group employees. Remuneration is defined for these purposes as wages and salaries (including variable remuneration) and pension costs. Whilst all employees in general received a 2 to 3% cost of living pay rise in 2017, changes in the mix of employees across the group have impacted the overall reported increase in salary per employee.

	CEO	Employees
Salary	3.1%	0.4%
Benefits	-3.5%	–
Bonus	-100.0%	-38.9%
Total	**-14.7%**	**-2.6%**

Relative importance of spend on pay

	Total employee pay £000	Dividends £000
2016/17	21,574	2,368
2017/18	**21,747**	**2,594**





Statement of implementation of Remuneration Policy in 2018/19

The following sections show how the Remuneration Policy will be applied in 2018/19.

Base salary

Neither the Chief Executive nor the Group Finance Director base salaries have been raised for the 2018/19 financial year. This will be reviewed later in the year.

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 2018/19 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 2018/19 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 2018/19 report.

Long Term Incentive Plan

It is intended that awards under the 2008 LTIP will be made in October 2018 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 the 18.3 pence per share base level achieved in the 2016/17 financial year, in view of the reduction in earnings per share in 2017/18.

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 retail prices index (“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

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 44. The Committee met twice during the year and a record of the meeting attendance by Committee members is set out on page 38. 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 in July 2017 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 general meeting
At last year's AGM (2017) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes cast	% of votes cast
For	20,729,189	99.9
Against	13,979	0.1
Total votes cast (for and against)	20,743,168	100
Votes withheld*	249,000	n/a
Total votes cast (including withheld votes)	20,992,168	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 11 September 2018 and signed on its behalf by:

Jon Pither
Chairman
Remuneration Committee

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 2018.

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 2018 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 55. The Strategic report can be found on pages 2 to 33.

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 36 to 39 and is 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 34 to 35.

Results and dividends

The group reported underlying profit before tax of £6.5 million (2016/17: £9.0 million) and the profit before tax for the year of £5.4 million (2016/17: £8.1 million). The Directors recommend a final dividend of 4.4 pence (2016/17: 4.3 pence) per ordinary share payable on 31 October 2018 to members on the register at the close of business on 5 October 2018 which, together with the interim dividend, makes a total of 7.35 pence for the year (2016/17: 7.15 pence).

The company operates a dividend re-investment plan, details of which are available from Equiniti Registrars.

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 48.

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, educational or professional backgrounds. An analysis of our employees by gender at 30 June 2018 can be found on page 31.

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 2016/17 data has been recalculated to exclude the SCP business, which was sold on 31 July 2017, and both years also include Wade International for a full year, although it was acquired by the group on 31 January 2018 as required under the mandatory disclosure rules. The group continues to improve its emissions both in absolute terms and relative to the size of the business.

	Tonnes of CO_2e	
Total Group Emissions	2016/17	2017/18
Scope 1	1,914	1,828
Scope 2	1,875	1,652
Scope 3	481	574
Total (scopes 1 & 2 only)	3,789	3,480
Total (scopes 1, 2 & 3)	4,270	4,054
Scope 1 & 2 emissions normalised to per employee (tCO_2e)	8.4	6.2
Scope 1 & 2 emissions normalised to per £million revenue (tCO_2e)	42.5	34.4

Footnote:
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 (2016/17: £0).

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 (2016/17: £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. This will be KPMG's 10th year in office and therefore, in accordance with legislation, an audit tendering process will be conducted during the year, and KPMG will be part of that process.

Annual General Meeting

The notice convening the AGM, to be held on 25 October 2018, 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 advisors.

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	111	Additional information for shareholders
Directors' interests	48	Directors' Remuneration Report
Long term incentive plans	49	Directors' Remuneration Report
Financial risk management	84	Note 20 and the significant accounting policies sections, Financial Statements
Future developments	2-33	Strategic report[1]
Health and safety and employee related policies	31	Strategic report: Corporate & Social Responsibility Report[1]
Major shareholdings	111	Additional information for shareholders
Movements in share capital	90	Note 23, Financial statements
Purchase of own shares	111	Additional information for shareholders
Share capital – structure, voting, restrictions and other rights	111	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 2018 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 2018 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 11 September 2018.

On behalf of the Board

Paul Hooper
Chief Executive

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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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 group 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

Overview		
Materiality: group financial statements as a whole	£320,000 (2017: £370,000) 4.7% (2017: 4.6%) of normalised group profit before tax from continuing operations	
Coverage	96% (2017: 99%) of group profit before tax from continuing operations	
Risks of material misstatement	**vs 2017**	
Recurring risks	Post retirement benefits	◀▶
	Accounting for long term contracts	◀▶
	Recoverability of parent company's investment in subsidiaries	◀▶
Event driven	Accounting for acquisition of Wade International Limited	**New**

1 Our opinion is unmodified

We have audited the financial statements of The Alumasc Group plc ("the company") for the year ended 30 June 2018 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 2018 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 for the 10 financial years ended 30 June 2018. 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, 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.

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of the Alumasc Group plc

2 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Valuation of defined benefit obligation **Gross liability** £113.9 million (2017 gross liability: £119.7 million) *Refer to page 41 (Audit Committee Report), page 70 (accounting policy) and page 87 (financial disclosures).*	**Subjective valuation:** Significant estimates are made in valuing 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 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. **Our results** • We found the resulting estimate of the gross pension liability to be acceptable (2017: acceptable).
Accounting for long term contracts **Revenue for Architectural Screening, Solar Shading & Balconies** £22.0 million (2017 revenue: £24.4 million) *Refer to page 41 (Audit Committee Report), page 71 (accounting policy) and page 83 (financial disclosures).*	The group adopts long term contract accounting in respect of the Architectural Screening, Solar Shading & Balconies segment. **Subjective estimate:** Where the outcome of a long-term contract can be estimated reliably the recognition of revenue and profit 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. Surveys of work performed pose a significant risk for our audit due to the high degree of estimation involved. Incorrect estimation of the stage of completion using surveys could result in a material error in the level of revenue recognised by the group. **Accounting treatment** To determine whether the outcome can be estimated reliably, consideration needs to be given as to whether the contract revenue can be measured reliably and it is probable that the economic benefits associated with the contract will flow to the entity. This process involves significant judgments, in particular where there are contract variations and claims. The inclusion of these amounts in the contract forecast where the above conditions are not met could result in a material error in the level of profit or loss recognised by the group.	Our procedures included: • **Control design:** testing the design and implementation of the group's controls over the forecasting process for long term contract revenue; • **Tests of detail:** assessing whether the amounts recognised in the financial statements for a sample of contracts were in line with the stage of completion assessment. This included, where relevant, analysing post year end certification and correspondence with customers; • **Tests of detail:** assessing the appropriateness of claims and variations accounted for during the period by analysing correspondence with customers regarding contract variations and claims and obtaining post year end agreements where available for a sample of contracts; • **Historical comparisons:** assessing the reasonableness of the group's forecasts 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 and estimates involved in arriving at contract revenues. **Our results** • We found revenue from long term contracts to be acceptable (2017: acceptable).

2 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Valuation of brand intangible identified on acquisition of Wade International Limited **Brand acquired on acquisition** £1.6 million; *Refer to page 41 (Audit Committee Report), page 68 (accounting policy) and page 80 (financial disclosures).*	**Subjective valuation:** The acquisition of Wade International Limited is material for the group. Acquisition accounting, in particular the identification and valuation of acquired intangibles, can be complex and involves subjective judgments and estimates which require special audit consideration due to the likelihood and potential magnitude of misstatements of intangible assets recognised.	Our procedures included: • **Our valuations expertise:** involving valuation specialists to challenge the methodology applied to the valuation exercise used to determine the nature and value of intangible assets recognised, and assess the key assumptions underlying the valuation, being royalty rate and discount rate, by comparison to comparable external benchmarks and market-derived data; and • **Assessing transparency:** considering the adequacy of the group's disclosures of the acquisition in the Annual Report. **Our results** • We found the resulting valuation of the brand intangible recognised on acquisition of Wade International Limited to be acceptable.
Recoverability of parent company's investment in subsidiaries **Investments** £72.5 million; (2017: £64.7 million) *Refer to page 98 (accounting policy) and page 101 (financial disclosures).*	**Forecast-based valuation** The carrying amount of the parent company's investment in other group companies represents 98% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Benchmarking assumptions:** challenging the assumptions used in the cash flows included in the budgets based on our knowledge of the group and the markets in which the subsidiaries operate; and • **Historical comparisons:** assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts. **Our results** • We found the group's assessment of the recoverable amount of the parent company's investment in subsidiaries to be acceptable (2017: acceptable).

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of the Alumasc Group plc

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 £320,000 (2017: £370,000), determined with reference to a benchmark of group profit before tax normalised to exclude acquisition costs and any gains or losses on disposal of subsidiaries as disclosed in note 4, averaged over the last three years due to fluctuations in the construction market, of £6.8 million, (2017: group profit before tax), of which it represents 4.7% (2017: 4.6%).

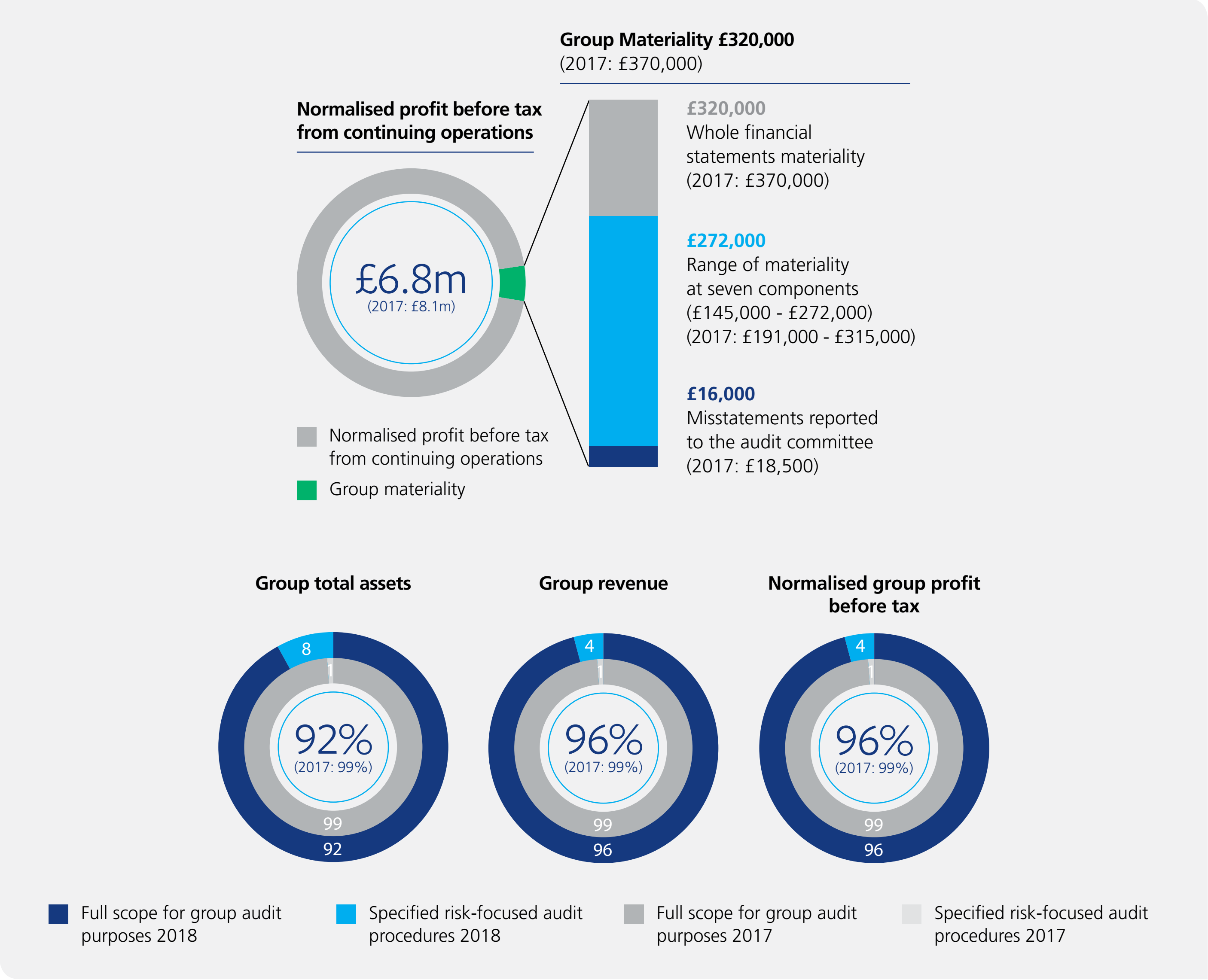
Materiality for the parent company financial statements as a whole was set at £272,000 (2017: £315,000), determined with reference to a benchmark of company total assets, of which it represents 0.4% (2017: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £16,000 (2017: £18,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's nine (2017: nine) reporting components we subjected seven (2017: eight) to full scope audits for group purposes and two (2017: one) to specified risk-focused procedures over revenue and trade receivables, all conducted by the group team. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated below.

The group team used component materiality ranging from £145,000 to £272,000 (2017: £191,000 to £315,000), having regard to the mix of size and risk profile of the group across the components.



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
- the related statement under the Listing Rules set out on page 67 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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.

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of the Alumasc Group plc

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 56, 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 or other irregularities (see below), 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.

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific area of health and safety recognising the nature of the group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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
1 North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

11 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2017/18 £000	2016/17 £000
Revenue	3, 4	**98,407**	104,761
Cost of sales		**(68,304)**	(72,022)
Gross profit		**30,103**	32,739
Selling, general & administrative expenses		**(24,023)**	(23,864)
Operating profit	4, 5	**6,080**	8,875
Finance expenses	8	**(706)**	(752)
Profit before taxation	5	**5,374**	8,123
Tax expense	9	**(1,057)**	(1,583)
Profit for the period		**4,317**	6,540
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Actuarial gain/(loss) on defined benefit pensions, net of tax	21, 9	**2,280**	(792)
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	20, 9	**(220)**	170
Exchange differences on retranslation of foreign operations		**2**	34
		(218)	204
Other comprehensive gain/(loss) for the period, net of tax		**2,062**	(588)
Total comprehensive profit for the period, net of tax		**6,379**	5,952
Earnings per share:		**Pence**	Pence
Basic earnings per share	11	**12.0**	18.3
Diluted earnings per share	11	**11.9**	18.0
Alternative performance measures:			
Underlying profit before tax (£'000)	5	**6,456**	9,011
Underlying earnings per share (pence)	11	**14.4**	20.1

Reconciliations of underlying to statutory profit and earnings per share are provided in notes 5 and 11 respectively.

Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**2018 £000**	**2018 £000**	2017 £000	2017 £000
Assets					
Non-current assets					
Property, plant and equipment	12	**10,661**		5,315	
Goodwill	13	**18,705**		16,488	
Other intangible assets	14	**3,913**		2,364	
Available-for-sale assets		**–**		17	
Deferred tax assets	9	**2,574**		3,501	
			35,853		27,685
Current assets					
Inventories	15	**10,440**		10,508	
Trade and other receivables	16	**23,755**		22,459	
Cash and cash equivalents	26	**4,656**		9,014	
			38,851		41,981
Total assets			**74,704**		69,666
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings	19, 26	**(9,468)**		(2,938)	
Employee benefits payable	21	**(15,140)**		(20,596)	
Provisions	22	**(1,525)**		(890)	
Deferred tax liabilities	9	**(905)**		(595)	
			(27,038)		(25,019)
Current liabilities					
Trade and other payables	17	**(22,413)**		(23,497)	
Provisions	22	**(100)**		(157)	
Corporation tax payable		**(405)**		(494)	
Derivative financial liabilities	20	**(327)**		(62)	
			(23,245)		(24,210)
Total liabilities			**(50,283)**		(49,229)
Net assets			**24,421**		20,437
Equity					
Called up share capital	23	**4,517**		4,517	
Share premium	24	**445**		445	
Capital reserve – own shares	24	**(241)**		(541)	
Hedging reserve	24	**(271)**		(51)	
Foreign currency reserve	24	**86**		84	
Profit and loss account reserve		**19,885**		15,983	
Total equity			**24,421**		20,437

Paul Hooper
Director

Andrew Magson
Director

11 September 2018

Company number 1767387

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2017/18 £000	2016/17 £000
Operating activities			
Operating profit		**6,080**	8,875
Adjustments for:			
Depreciation	6, 12	**1,204**	958
Amortisation	6, 14	**434**	425
Gain on disposal of property, plant and equipment		**(18)**	(2)
Loss on disposal of business		**218**	–
Gain on disposal of available-for-sale assets		**(426)**	–
Decrease/(increase) in inventories		**528**	(270)
Increase in receivables		**(1,618)**	(2,700)
Decrease in trade and other payables		**(1,200)**	(1,994)
Increase/(decrease) in provisions		**242**	(585)
Cash contributions to retirement benefit schemes	21	**(3,203)**	(3,200)
Share based payments		**160**	157
Cash generated by operating activities		**2,401**	1,664
Tax paid		**(679)**	(800)
Net cash inflow from operating activities		**1,722**	864
Investing activities			
Purchase of property, plant and equipment		**(3,042)**	(909)
Payments to acquire intangible fixed assets		**(229)**	(147)
Proceeds from sales of plant and equipment		**26**	4
Acquisition of subsidiary undertaking, prior to payment for cash acquired		**(7,807)**	–
Net proceeds from sale of business activity		**767**	–
Proceeds from sale of available-for-sale assets		**443**	–
Net cash outflow from investing activities		**(9,842)**	(1,052)
Financing activities			
Interest paid		**(185)**	(120)
Equity dividends paid		**(2,594)**	(2,368)
Draw down of revolving credit facility	26	**6,500**	1,000
Exercise of share based incentives		**39**	116
Net cash inflow/(outflow) from financing activities		**3,760**	(1,372)
Net decrease in cash and cash equivalents	26	**(4,360)**	(1,560)
Net cash and cash equivalents brought forward		**9,014**	10,540
Net decrease in cash and cash equivalents		**(4,360)**	(1,560)
Effect of foreign exchange rate changes		**2**	34
Net cash and cash equivalents carried forward	26	**4,656**	9,014

Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	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 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	10	–	–	–	–	–	(2,368)	(2,368)
Share based payments	25	–	–	–	–	–	157	157
Own shares used to satisfy exercise of share awards		–	–	390	–	–	–	390
Exercise of share based incentives		–	–	–	–	–	(274)	(274)
At 1 July 2017		4,517	445	(541)	(51)	84	15,983	20,437
Profit for the period		**–**	**–**	**–**	**–**	**–**	**4,317**	**4,317**
Exchange differences on retranslation of foreign operations		**–**	**–**	**–**	**–**	**2**	**–**	**2**
Net loss on cash flow hedges		**–**	**–**	**–**	**(265)**	**–**	**–**	**(265)**
Tax on derivative financial liability		**–**	**–**	**–**	**45**	**–**	**–**	**45**
Actuarial gain on defined benefit pensions, net of tax		**–**	**–**	**–**	**–**	**–**	**2,280**	**2,280**
Dividends	10	**–**	**–**	**–**	**–**	**–**	**(2,594)**	**(2,594)**
Share based payments	25	**–**	**–**	**–**	**–**	**–**	**160**	**160**
Own shares used to satisfy exercise of share awards		**–**	**–**	**300**	**–**	**–**	**–**	**300**
Exercise of share based incentives		**–**	**–**	**–**	**–**	**–**	**(261)**	**(261)**
At 30 June 2018		**4,517**	**445**	**(241)**	**(271)**	**86**	**19,885**	**24,421**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 2018, 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 1 to 33. 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 19.

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 £3.5 million for another year. At 30 June 2018 the group's net debt was £4.8 million (2017: £6.1 million net cash).

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 30.

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 standards, amendments and interpretations are effective for the period beginning on or after 1 July 2017 and have been adopted for the group financial statements where appropriate with no material impact on the disclosures made by the group:

Amendments to IAS 7: Disclosure Initiative.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses.

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 2018 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 21).

Revenue recognised on construction contracts is determined by the assessment of the stage of completion of each contract. Contract revenue includes an assessment of contract variations, claims and incentive payments when their recovery is considered probable and the amount can be estimated reliably. Judgment is therefore required in the application of the group's policy regarding revenue and profit recognition relating to:

(i) the inclusion of potential contract variations, claims and incentive payments prior to these being fully is agreed; and/or

(ii) differences arising, timing or otherwise, between the assessment of internal quantity surveyors and those of our customers as to the level of work performed.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

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 greenroofs, 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.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

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.

2 Summary of significant accounting policies (continued)

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.

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.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2 Summary of significant accounting policies (continued)

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. IFRS 9 and IFRS 15 are applicable to Alumasc's accounting period commencing 1 July 2018, and IFRS 16 to the accounting period commencing 1 July 2019.

Under IFRS 9, the group will elect to recognise the full amount of credit losses that would be expected to be incurred over the full recovery period of trade receivables and contract assets recorded under IFRS 15. From the assessments performed to date the group does not expect this to have a material impact on the group's recorded assets.

IFRS 15 will impact revenue recognition throughout the group, but is likely to have a more significant impact on the Architectural Screening, Solar Shading & Balconies operating segment as this business supplies bespoke products and performance obligations are satisfied over a period of time. An input cost methodology is therefore deemed a more appropriate measure of revenue recognition rather than the current stage of completion method. The extent of the impact is yet to be fully quantified and audited and will in any case depend on the type and terms of the specific construction contracts undertaken in each financial year and the stage of completion of these contracts at the period end date.

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 2018/19 the group will confirm its transition date, approach and related quantitative information.

3 Revenue

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

	2017/18 £000	2016/17 £000
Revenue arising from:		
Sales of goods	**75,069**	79,451
Recognised on construction contracts	**23,338**	25,310
Revenue (per statement of comprehensive income)	**98,407**	104,761
Rental income	**32**	32
Total income	**98,439**	104,793

4 Segmental analysis

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.

Since the publication of Alumasc's 2017 Report and Accounts there has been a change to internal management reporting and responsibilities to the Chief Operating Decision Maker in respect of the Rainclear business, and therefore this business is now reported under the Water Management segment, previously it was reported in the Roofing & Walling segment. The segmental analysis of comparative data has been re-presented to reflect this change.

The group sold the SCP business on 31 July 2017 and as such revenues from this business of £288,000 (30 June 2017: £4,223,000), and 30 June 2017 assets and liabilities of £1,381,000 and £528,000 respectively have been excluded from the segmental analysis below in both 2017/18 and 2016/17 financial years. The business operated at break-even levels in the year prior to its sale. This business was previously reported as part of the Roofing & Walling segment.

Analysis by reportable segment 2017/18

	Revenue			
	External £000	**Inter-segment £000**	**Total £000**	**Segmental operating result £000**
Architectural Screening, Solar Shading & Balconies	21,957	–	21,957	786
Roofing & Walling	31,225	–	31,225	1,812
Water Management	34,454	21	34,475	3,567
Housebuilding & Ancillary Products	10,483	–	10,483	1,660
Sub-total	**98,119**	**21**	**98,140**	**7,825**
Inter-segment elimination/unallocated costs	–	(21)	(21)	(1,157)
Total*	98,119	–	98,119	6,668

* Total excludes the SCP business sold on 31 July 2017 as described above.

	£000
Segmental operating result	6,668
Brand amortisation	(239)
Loss on disposal of the SCP business	(218)
Profit on disposal of available-for-sale assets	426
Timloc relocation costs	(322)
Wade acquisition costs	(235)
Total operating profit	**6,080**

			Capital expenditure			
	Segment assets £000	**Segment liabilities £000**	**Property, plant & equipment £000**	**Other intangible assets £000**	**Depreciation £000**	**Amortisation £000**
Architectural Screening, Solar Shading & Balconies	19,647	(5,317)	100	21	63	258
Roofing & Walling	14,475	(6,998)	120	2	203	–
Water Management	22,908	(7,431)	491	157	610	132
Housebuilding & Ancillary Products	9,426	(3,612)	2,187	57	305	43
Sub-total	**66,456**	**(23,358)**	**2,898**	**237**	**1,181**	**433**
Unallocated	8,248	(26,925)	182	–	23	1
Total	**74,704**	**(50,283)**	**3,080**	**237**	**1,204**	**434**

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

4 Segmental analysis (continued)

Analysis by reportable segment 2016/17

	Revenue			
	External £000	Inter-segment £000	Total £000	Segmental operating result £000
Architectural Screening, Solar Shading & Balconies	24,399	–	24,399	1,989
Roofing & Walling	34,008	10	34,018	2,775
Water Management	32,573	–	32,573	4,112
Housebuilding & Ancillary Products	9,558	4	9,562	1,573
Sub-total	**100,538**	**14**	**100,552**	**10,449**
Inter-segment elimination/unallocated costs	–	(14)	(14)	(1,306)
Total*	**100,538**	**–**	**100,538**	**9,143**

* Total excludes the SCP business sold on 31 July 2017, as described above.

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

			Capital expenditure			
	Segment assets £000	Segment liabilities £000	Property, plant & equipment £000	Other intangible assets £000	Depreciation £000	Amortisation £000
Architectural Screening, Solar Shading & Balconies	19,839	(5,261)	18	46	73	251
Roofing & Walling	14,591	(9,426)	211	–	141	2
Water Management	13,582	(6,101)	336	76	428	125
Housebuilding & Ancillary Products	7,315	(2,409)	447	17	283	47
Sub-total	**55,327**	**(23,197)**	**1,012**	**139**	**925**	**425**
Unallocated & Discontinued	14,339	(26,032)	13	8	33	–
Total	**69,666**	**(49,229)**	**1,025**	**147**	**958**	**425**

Analysis by geographical segment 2017/18

	United Kingdom £000	**Europe £000**	**North America £000**	**Middle East £000**	**Far East £000**	**Rest of World £000**	**Total £000**
Sales to external customers	**85,550**	**3,035**	**5,552**	**839**	**2,849**	**294**	**98,119**
Segment non-current assets	**33,279**	**–**	**–**	**–**	**–**	**–**	**33,279**

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	83,387	3,747	7,953	630	2,359	2,462	100,538
Segment non-current assets	24,176	–	–	–	–	–	24,176

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.

Strategic Report
Governance
Financial Statements

5 Underlying to statutory profit reconciliation

	2017/18		2016/17	
	Operating profit £000	**Profit before tax £000**	Operating profit £000	Profit before tax £000
Underlying profit	**6,668**	**6,456**	9,143	9,011
Brand amortisation	**(239)**	**(239)**	(268)	(268)
IAS 19 net pension scheme finance costs (note 7)	**–**	**(494)**	–	(620)
Loss on disposal of the SCP business	**(218)**	**(218)**	–	–
Profit on disposal of available-for-sale assets	**426**	**426**	–	–
Timloc relocation costs	**(322)**	**(322)**	–	–
Wade acquisition costs	**(235)**	**(235)**	–	–
Statutory profit	**6,080**	**5,374**	8,875	8,123

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.

In addition, in 2017/18 management is presenting the following four items as non-underlying as they are non-recurring items that are judged by management to be significant enough to distort the understanding of the year-on-year evolution of the underlying trading performance of the business:

- the loss on disposal of the Scaffold and Construction Products ("SCP") business, which was sold on 31 July 2017;
- the profit on disposal of the group's share of Amorim Isolamentos S.A, previously an available-for-sale asset, on 21 November 2017;
- costs of relocating the Timloc business to new purpose built leased premises; and
- acquisition costs relating to the purchase of Wade International Limited on 31 January 2018.

6 Expenses by nature

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

	2017/18 £000	2016/17 £000
Raw materials and consumables	**49,920**	53,599
Depreciation of property, plant and equipment	**1,204**	958
Intangible assets amortisation	**195**	157
Brand amortisation	**239**	268
Gain on disposal of property, plant and equipment	**(18)**	(3)
Unsettled foreign exchange losses/(gains)	**45**	(22)
Employee benefit expense	**23,989**	23,754
Operating lease payments	**1,779**	1,480
Income from property operating leases	**(32)**	(32)
Research and development	**224**	176
Auditor's remuneration:		
Audit of these financial statements	**66**	64
Audit of financial statements of subsidiaries pursuant to legislation	**76**	66
Non-audit services	**8**	–
Other operating charges	**14,632**	15,421
	92,327	95,886

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7 Employee costs and numbers

	2017/18 £000	2016/17 £000
Employee benefit expense from continuing operations:		
Wages and salaries	**21,141**	20,977
Social security	**2,242**	2,180
Defined contribution pension costs (note 21)	**606**	597
Sub-total	**23,989**	23,754
IAS 19 net defined benefit pension scheme finance costs	**494**	620
Total	**24,483**	24,374

	2017/18 Number	2016/17 Number
Average number of employees	**531**	511

8 Net finance costs

	2017/18 £000	2016/17 £000
Finance costs – Bank overdrafts	**33**	39
– Revolving credit facility	**179**	93
	212	132
– IAS 19 net pension scheme finance costs	**494**	620
	706	752

9 Tax expense

(a) Tax on profit on ordinary activities
Tax charged in the statement of comprehensive income

	2017/18 £000	2016/17 £000
Current tax:		
UK corporation tax	**559**	1,117
Overseas tax	**33**	11
Amounts over provided in previous years	**(2)**	(22)
Total current tax	**590**	1,106
Deferred tax:		
Origination and reversal of temporary differences	**491**	478
Amounts under provided in previous years	**5**	78
Rate change adjustment	**(29)**	(79)
Total deferred tax	**467**	477
Total tax expense	**1,057**	1,583
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial gains on pension schemes	**467**	152
Cash flow hedge	**(45)**	37
Tax charged to other comprehensive income	**422**	189
Total tax charge in the statement of comprehensive income	**1,479**	1,772

9 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 19.7% is higher than (2016/17: 19.5% was lower than) the standard rate of corporation tax in the UK of 19.0% (2016/17: 19.75%). The differences are reconciled below:

	2017/18 £000	2016/17 £000
Accounting profit before tax	**5,374**	8,123
Current tax at the UK standard rate of 19.0% (2016/17: 19.75%)	**1,021**	1,604
Expenses not deductible for tax purposes	**62**	2
Rate change adjustment	**(29)**	(79)
Tax over provided in previous years – current tax	**(2)**	(22)
Tax under provided in previous years – deferred tax	**5**	78
	1,057	1,583

(c) Unrecognised tax losses

The group has agreed tax capital losses in the UK amounting to £20 million (2017: £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 (2017: £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 (2017: £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 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)
Charged/(credited) to the statement of comprehensive income – current year	**58**	**(15)**	**(41)**	**–**	**2**	**460**
(Credited)/charged to the statement of comprehensive income – prior year	**(12)**	**17**	**–**	**–**	**5**	**–**
(Credited)/charged to equity	**–**	**–**	**–**	**(45)**	**(45)**	**467**
Acquisition of subsidiary	**50**	**–**	**298**	**–**	**348**	**–**
At 30 June 2018	**435**	**(30)**	**556**	**(56)**	**905**	**(2,574)**

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 (2017: £3.2 million) have not been recognised in respect of net capital losses of £19 million (2017: £19 million), see note 9 (c).

(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 both the 30 June 2017 and 30 June 2018 balance sheet dates.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

10 Dividends

	2017/18 £000	2016/17 £000
Interim dividend for 2018 of 2.95p paid on 6 April 2018	**1,056**	–
Final dividend for 2017 of 4.3p paid on 31 October 2017	**1,538**	–
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
	2,594	2,368

A final dividend of 4.4 pence per equity share, at a cash cost of £1,583,000, has been proposed for the year ended 30 June 2018, payable on 31 October 2018. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

11 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:

	2017/18 £000	2016/17 £000
Net profit attributable to equity holders of the parent	**4,317**	6,540

	000s	000s
Weighted average number of shares	**35,830**	35,663
Dilutive potential ordinary shares – employee share options	**361**	556
	36,191	36,219

Calculation of underlying earnings per share:

	2017/18 £000	2016/17 £000
Reported profit before taxation	**5,374**	8,123
Brand amortisation	**239**	268
IAS 19 net pension scheme finance costs	**494**	620
Loss on disposal of the SCP business	**218**	–
Profit on disposal of available-for-sale assets	**(426)**	–
Timloc relocation costs	**322**	–
Wade acquisition costs	**235**	–
Underlying profit before taxation	**6,456**	9,011
Tax at underlying group tax rate of 20.2% (2016/17: 20.6%)	**(1,304)**	(1,856)
Underlying earnings	**5,152**	7,155
Weighted average number of shares	**35,830**	35,663
Underlying earnings per share	**14.4p**	20.1p

12 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 2016	3,128	235	273	11,209	14,845
Additions	49	–	178	798	1,025
Disposals	–	–	(5)	(420)	(425)
At 1 July 2017	3,177	235	446	11,587	15,445
Additions	**16**	**841**	**66**	**2,157**	**3,080**
Acquisition through business combination	**2,651**	**–**	**–**	**827**	**3,478**
Reclassification	**–**	**138**	**(81)**	**(57)**	**–**
Disposals	**–**	**–**	**(58)**	**(575)**	**(633)**
At 30 June 2018	**5,844**	**1,214**	**373**	**13,939**	**21,370**
Accumulated depreciation and impairment losses					
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 1 July 2017	893	235	254	8,748	10,130
Depreciation charge for year	**148**	**20**	**16**	**1,020**	**1,204**
Reclassification	**–**	**2**	**(2)**	**–**	**–**
On disposals	**–**	**–**	**(57)**	**(568)**	**(625)**
At 30 June 2018	**1,041**	**257**	**211**	**9,200**	**10,709**
Net book value at 30 June 2018	**4,803**	**957**	**162**	**4,739**	**10,661**
Net book value at 30 June 2017	2,284	–	192	2,839	5,315
Net book value at 1 July 2016	2,326	15	23	2,886	5,250

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

13 Goodwill

	2018 £000	2017 £000
Cost:		
At 1 July	**17,211**	17,211
Acquisition of Wade	**2,217**	–
At 30 June	**19,428**	17,211
Impairment:		
At 1 July and 30 June	**723**	723
Net book value at 30 June	**18,705**	16,488

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

	2018 £000	2017 £000
Alumasc Roofing	**3,820**	3,820
Timloc	**2,264**	2,264
Levolux	**10,179**	10,179
Rainclear	**225**	225
Wade	**2,217**	–
At 30 June	**18,705**	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% (2017: 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 11% and 12% (2017: 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 2018 was similar to the rate used in 2017.

The surplus headroom above the carrying value of goodwill at 30 June 2018 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.

13 Goodwill (continued)

Business combinations

On 31 January 2018 the group acquired 100% of the share capital of Wade International Limited ("Wade"), a leading manufacturer and supplier of high quality metal drainage products and access covers with a well-established premium brand, for an enterprise value of £8,000,000.

An analysis of the provisional fair value of the Wade net assets acquired and the fair value of the consideration paid is set out below:

	Book value £000	Fair value adjustments £000	Fair value to group £000
Net assets at date of acquisition:			
Property, plant and equipment	2,651	827	3,478
Inventories	770	99	869
Trade and other receivables	619	(40)	579
Cash	482	–	482
Trade and other payables	(492)	–	(492)
Provisions	(200)	(50)	(250)
Deferred tax liabilities	(50)	(298)	(348)
Net assets	3,780	538	4,318
Goodwill			2,217
Brand acquired on acquisition			1,554
Software acquired on acquisition			200
			8,289
Satisfied by:			
Enterprise value			**8,000**
Working capital completion adjustment			**(193)**
Cash consideration prior to payment for cash acquired			**7,807**
Payment for cash acquired			**482**
Total purchase consideration			**8,289**

In addition to the cash consideration above, the group incurred £235,000 of acquisition costs relating to stamp duty and legal fees.

From the date of acquisition to 30 June 2018 Wade reported revenue of £2,242,000 and profit of £592,000 which, after the post-acquisition reversal of the acquisition accounting adjustment to revalue inventories to fair value less costs to sell of £99,000, shown in the table above, resulted in a net profit to the group in the 2017/18 financial year of £493,000.

If the combination had taken place at the beginning of the year, 1 July 2017, the revenue for the group for the 2017/18 financial year would have been £101,482,000 and the profit before taxation would have been £6,203,000.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

14 Other intangible assets

	Brands £000	Computer software £000	Total £000
Cost:			
At 1 July 2016	4,289	2,158	6,447
Additions	–	147	147
At 1 July 2017	4,289	2,305	6,594
Additions	**–**	**237**	**237**
Acquisition of subsidiaries	**1,554**	**200**	**1,754**
Disposals	**–**	**(387)**	**(387)**
At 30 June 2018	**5,843**	**2,355**	**8,198**
Accumulated amortisation:			
At 1 July 2016	2,265	1,540	3,805
Amortisation for the year	268	157	425
At 1 July 2017	2,533	1,697	4,230
Amortisation for the year	**239**	**195**	**434**
On disposals	**–**	**(379)**	**(379)**
At 30 June 2018	**2,772**	**1,513**	**4,285**
Net book value at 30 June 2018	**3,071**	**842**	**3,913**
Net book value at 30 June 2017	1,756	608	2,364
Net book value at 1 July 2016	2,024	618	2,642

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

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

The Wade brand is being amortised over a life of 25 years from February 2018.

15 Inventories

	2018 £000	2017 £000
Raw materials	**3,373**	2,747
Work in progress	**370**	748
Finished goods	**6,697**	7,013
	10,440	10,508

During the year the group's inventory provision reduced by £25,000 (2017: increased by £199,000). At 30 June 2018 the group's inventory provision was £1,110,000 (2017: £1,135,000). Included within raw materials were biological assets of £48,000 (2017: £76,000).

16 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	**15,202**	14,626
Construction contracts	**6,615**	6,266
Other receivables	**432**	384
Prepayments and accrued income	**1,506**	1,183
	23,755	22,459

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 2018, trade receivables at nominal value of £297,000 (2017: £204,000) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	2018 £000	2017 £000
At 1 July	**204**	249
Charge for the year	**221**	8
Amounts written off	**(128)**	(53)
At 30 June	**297**	204

Included within the total provision for impairment is £77,000 (2017: £69,000) in relation to provisions against construction contracts.

17 Trade and other payables

	2018 £000	2017 £000
Trade payables	**16,776**	17,043
Other taxation and social security	**2,064**	1,820
Other payables	**974**	783
Construction deposits received on account	**578**	893
Accruals	**1,756**	2,231
Deferred income	**265**	727
	22,413	23,497

18 Construction contracts

Details of amounts due from and to customers for contract work as at 30 June are included in notes 16 and 17. For contracts in progress at 30 June 2018, the amount of contract costs incurred plus recognised profits less recognised losses to date, (i.e. contract revenue recognised), was £13,420,000 (2017: £8,129,000). These contracts were on average 47% complete at 30 June 2018 (2017: 29%).

19 Borrowings

	2018 £000	2017 £000
Non-current liabilities:		
Non-current instalments due on bank loan	**9,468**	2,938

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.

At 30 June 2018 the group also had £2 million (2017: £2 million) of bank overdraft facilities repayable on demand.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

20 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 2018		30 June 2017	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Financial assets:				
Cash and cash equivalents	**4,656**	**4,656**	9,014	9,014
Trade receivables	**15,202**	**15,202**	14,626	14,626
Construction contracts	**6,615**	**6,615**	6,266	6,266
Other receivables	**432**	**432**	384	384
	26,905	**26,905**	30,290	30,290
Financial liabilities:				
Bank loans	**9,468**	**9,468**	2,938	2,938
Trade and other payables	**19,771**	**19,771**	20,784	20,784
Derivative financial liabilities	**327**	**327**	62	62
	29,566	**29,566**	23,784	23,784

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 2018 and 2017 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 2018					
Interest bearing loans and borrowings	**–**	**46**	**138**	**9,711**	**9,895**
Trade and other payables	**5,463**	**12,653**	**1,310**	**345**	**19,771**
	5,463	**12,699**	**1,448**	**10,056**	**29,666**
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

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 debt position at 30 June 2018 was £4.8 million (2017: net cash of £6.1 million).

Details of the group's approach to capital structure are given within the Financial Review on page 27.

20 Financial instruments (continued)

Liquidity risk management (continued)

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

	2018 £000	2017 £000
Floating rate interest bearing financial liabilities:		
In two to five years	**9,468**	2,938
	9,468	2,938

Interest rate risk

The group's marginal pre-tax cost of debt finance at interest rates in place at 30 June 2018 under the banking facilities in existence at that time was approximately 1.2% (2017: 1.0%).

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.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact of floating rate borrowings):

	Basis points	Effect on profit before tax
Increase	+50	(38)
Decrease	-50	38

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 as at the balance sheet date. In addition the group may from time to time have credit exposures relating to bespoke inventories. The group's cash deposits and derivative transactions 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 2018						
Trade receivables	**15,202**	**12,632**	**1,973**	**246**	**50**	**301**
Construction contracts	**6,615**	**6,523**	**47**	**9**	**–**	**36**
Other receivables	**432**	**424**	**–**	**8**	**–**	**–**
	22,249	**19,579**	**2,020**	**263**	**50**	**337**
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

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

20 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 2018 or 30 June 2017 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:

				2018				2017
	Receivable 000	**Payable 000**	**Cash 000**	**Net total 000**	Receivable 000	Payable 000	Cash 000	Net total 000
Euros	**426**	**(844)**	**221**	**(197)**	928	(2,248)	372	(948)
US Dollars	**1,267**	**(1,837)**	**450**	**(120)**	2,592	(1,129)	1,583	3,046
Hong Kong Dollars	**3,979**	**(81)**	**1,462**	**5,360**	1,112	(33)	3,462	4,541

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 Sterling		
		Exchange rate change	US Dollar £000	Euro £000	Hong Kong Dollar £000
2018	**Increase**	**+10%**	**(39)**	**18**	**47**
	Decrease	**-10%**	**47**	**(22)**	**(58)**
2017	Increase	+10%	145	(75)	41
	Decrease	-10%	(178)	92	(50)

Hedging activities

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

	2018 £000	2017 £000
Forward foreign exchange contracts	**(327)**	(62)

At 30 June 2018 the group had forward foreign exchange contracts with principal amounts equivalent to £11,646,000 (2017: £13,048,000). The forward foreign exchange contracts hedge foreign currency cost and 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 18 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.

21 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, £606,000 (2017: £597,000) was in respect of defined contribution schemes. At 30 June 2018 there was an accrual of £93,000 payable in respect of defined contribution schemes (2017: £67,000).

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 company cash contributions agreed with the Pension Trustees is £3.2 million per annum, to include deficit reduction contributions and scheme running expenses, over a 10-11 year period from April 2016. These contribution levels are reviewed every three years with the next review due in 2019.

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.

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

	The Alumasc Group Scheme 2018 %	**The Benjamin Priest Group Scheme 2018 %**	The Alumasc Group Scheme 2017 %	The Benjamin Priest Group Scheme 2017 %
Discount rate	**2.75**	**2.75**	2.60	2.60
Expected rate of deferred pension increases	**2.10**	**2.10**	2.15	2.15
Future pension increases	**1.80-3.60**	**1.80-3.60**	1.85-3.65	1.85-3.65
Retail Price Index inflation rate	**3.10**	**3.10**	3.15	3.15
Consumer Price Index inflation rate	**2.10**	**2.10**	2.15	2.15

	Years	**Years**	Years	Years
Post retirement mortality				
Current pensioners at 65 – male	**21.7**	**20.9**	21.9	21.0
Current pensioners at 65 – female	**23.1**	**22.2**	23.6	22.8
Future pensioners at 65 in 2038 – male	**23.5**	**22.6**	23.3	22.5
Future pensioners at 65 in 2038 – female	**24.8**	**23.8**	24.9	24.1

A discount rate of 2.75% has been used in calculating the present value of liabilities of the pension schemes at 30 June 2018. 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 3.1% and a Consumer Price Index inflation rate of 2.1% have been used in calculating the present value of liabilities of the pension schemes at 30 June 2018. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £640,000 before tax.

In valuing the liabilities of the pension schemes at 30 June 2018, 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 2018 would have increased by approximately £5,639,000 before tax.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

21 Retirement benefit obligations (continued)

Defined benefit schemes (continued)

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

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Scheme assets at fair value:					
Equities	**40,966**	40,190	34,342	42,378	40,949
Government bonds	**13,681**	13,459	10,953	9,016	8,224
Corporate bonds and insured annuities	**12,041**	12,539	11,974	10,820	10,302
Multi-asset fund	**23,853**	24,676	25,710	19,836	21,557
Property	**6,783**	7,896	8,075	7,213	4,762
Cash	**1,387**	362	1,764	902	779
	98,711	99,122	92,818	90,165	86,573
Present value of scheme liabilities	**(113,851)**	(119,718)	(115,486)	(111,100)	(104,495)
Defined benefit pension deficit	**(15,140)**	(20,596)	(22,668)	(20,935)	(17,922)

Of the above assets, all have a quoted market price with the exception of £1,943,000 of insured annuities (2017: £2,510,000) and £800,000 of property (2017: £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:

	2017/18 £000	2016/17 £000
Included in net finance cost:		
Net pension scheme finance costs	**(494)**	(620)
Included in other comprehensive income:		
Actuarial (loss)/gain on plan assets	**(535)**	6,404
Actuarial gain/(loss) on retirement benefit obligations	**3,282**	(7,044)
	2,747	(640)
Total recognised in the statement of comprehensive income	**2,253**	(1,260)

The actual return on plan assets for 2017/18 was a gain of £2,011,000 (2016/17: gain of £9,101,000).

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

	2018 £000	2017 £000
At 1 July	**(119,718)**	(115,486)
Interest cost	**(3,040)**	(3,317)
Benefits paid	**5,625**	6,129
Actuarial gain/(loss)	**3,282**	(7,044)
At 30 June	**(113,851)**	(119,718)

21 Retirement benefit obligations (continued)

Defined benefit schemes (continued)

Changes in the fair value of plan assets before taxation are as follows:

	2018 £000	2017 £000
At 1 July	**99,122**	92,818
Expected return on plan assets	**2,546**	2,697
Actuarial (loss)/gain	**(535)**	6,404
Contributions by employer	**3,203**	3,332
Benefits paid	**(5,625)**	(6,129)
At 30 June	**98,711**	99,122

The cumulative amount of actuarial losses recognised since 1 July 2004 in the group statement of comprehensive income is £15,896,000 (2016/17: losses of £18,643,000).

22 Provisions

	Dilapidations £000 Note (i)	Warranty £000 Note (ii)	Total £000
At 1 July 2016	999	543	1,542
Credit for the year	(246)	(38)	(284)
Utilised	–	(211)	(211)
At 1 July 2017	753	294	1,047
Charge for the year	**392**	**19**	**411**
Acquisition of subsidiary	**200**	**50**	**250**
Utilised	**(35)**	**(48)**	**(83)**
At 30 June 2018	**1,310**	**315**	**1,625**
At 30 June 2018			
Current liabilities	**–**	**100**	**100**
Non-current liabilities	**1,310**	**215**	**1,525**
	1,310	**315**	**1,625**
At 30 June 2017			
Current liabilities	75	82	157
Non-current liabilities	678	212	890
	753	294	1,047

(i) Dilapidations

The provision is in respect of a number of the group's properties where the group has obligations to make good dilapidations and required restoration. The non-current liabilities are estimated to be payable over periods from one to fifteen 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.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

23 Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid:		
36,133,558 (2017: 36,133,558) ordinary shares of 12.5p each	**4,517**	4,517

24 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 161,411 (2017: 361,789) ordinary own shares held by the company. The market value of shares at 30 June 2018 was £217,905 (2017: £672,928). These are held to help satisfy the exercise of awards under the company's Long Term Incentive Plans. During the year 200,378 shares with a cost of £300,000 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.

25 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 44 to 52.

	As at 1 July 2017	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 2018**	Weighted average exercise price (pence)
LTIP(i)	690,205	n/a	282,629	n/a	(170,378)	n/a	(61,973)	n/a	**740,483**	n/a
ESOS(ii)	440,000	1.58	210,000	1.74	(40,000)	1.30	(70,000)	1.73	**540,000**	1.64

	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

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

ESOS

For the share options outstanding at 30 June 2018 the weighted average remaining contractual life is 7.9 years (30 June 2017: 8.1 years). The exercise price of the options outstanding ranges between 103 pence and 188 pence. 110,000 share options are exercisable at 30 June 2018 (30 June 2017: 70,000).

LTIP

None of the November 2015 LTIP awards will vest in November 2018.

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.

25 Share based payments (continued)

	ESOS		LTIP	
	Black Scholes 2018	Black Scholes 2017	**Black Scholes 2018**	Black Scholes 2017
Share price at grant date	**174p**	158p	**174p**	158p
Exercise price	**174p**	158p	**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%**	4.1%	**4.1%**	4.1%
Fair value per option	**21p**	19p	**153p**	139p

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 2018 was £160,000 (2016/17: £200,000). Of this, £89,000 (2016/17: £146,000) is in respect of key management personnel, which are the Directors of The Alumasc Group plc.

26 Movement in cash net of borrowings

	Cash and cash equivalents £000	**Bank loans £000**	**Net cash/(debt) £000**
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 1 July 2017	9,014	(2,938)	6,076
Cash flow movements	**(4,360)**	**(6,500)**	**(10,860)**
Non-cash movements	**–**	**(30)**	**(30)**
Effect of foreign exchange rates	**2**	**–**	**2**
At 30 June 2018	**4,656**	**(9,468)**	**(4,812)**

27 Financial commitments

(i) Capital commitments

At 30 June 2018, £395,000 (2017: £665,000) of capital expenditure had been authorised and £nil (2017: £144,000) 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 2018 £000	**Plant and vehicles 2018 £000**	Property 2017 £000	Plant and vehicles 2017 £000
Less than one year	**1,289**	**427**	1,469	594
Between one and five years	**3,224**	**507**	4,622	731
After five years	**4,771**	**–**	4,994	–
	9,284	**934**	11,085	1,325

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

27 Financial commitments (continued)

(ii) Operating lease commitments (continued)

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

	Property 2018 £000	Property 2017 £000
Less than one year	**32**	32

28 Related party disclosure

The group's principal subsidiaries are listed below:

Principal subsidiaries	Principal activity	Country of incorporation	% of equity interest and votes held 2018	2017
Alumasc Exterior Building Products Limited	Building products	England	**100**	100
Alumasc Limited	Building products	England	**100**	100
Levolux Limited	Building products	England	**100**	100
Wade International Limited	Building products	England	**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 44 to 52.

29 Contingent liabilities

At the balance sheet date there existed contingent liabilities amounting to £300,000 (2017: £300,000) in relation to outstanding Guarantees and £55,000 (2017: £184,000) in relation to outstanding Performance Bonds.

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	2018 £000	2017 £000
Assets			
Non-current assets			
Property, plant & equipment	5	**643**	485
Investments in group companies	6	**72,494**	64,687
Deferred tax assets	9	**217**	219
		73,354	65,391
Current assets			
Trade and other receivables	7	**758**	3,474
Total assets		**74,112**	68,865
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	10, 18	**(9,468)**	(2,938)
Amounts due to subsidiary undertakings	19	**(14,808)**	(6,800)
Provisions	13	**(110)**	(59)
Deferred tax liabilities	9	**(124)**	(67)
Employee benefits payable	12	**(843)**	(1,052)
		(25,353)	(10,916)
Current liabilities			
Bank overdraft	18	**(6,273)**	(9,688)
Trade and other payables	8	**(1,435)**	(1,811)
Derivative financial liabilities	11	**(361)**	(72)
		(8,069)	(11,571)
Total liabilities		**(33,422)**	(22,487)
Net assets		**40,690**	46,378
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	**(241)**	(541)
Hedging reserve	15	**(300)**	(60)
Profit and loss account reserve	15	**23,398**	29,146
Shareholders' funds		**40,690**	46,378

Paul Hooper
Director

Andrew Magson
Director

11 September 2018

Company number 1767387

Financial Statements

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2017/18 £000	2016/17 £000
Operating activities			
Operating (loss)/profit		**(2,634)**	5,321
Adjustments for:			
Depreciation	5	**23**	33
Decrease in receivables		**2,716**	1,680
Increase/(decrease) in trade and other payables		**7,636**	(466)
Movement in provisions		**51**	–
Cash contributions to retirement benefit schemes	12	**(144)**	(141)
Share based payments		**160**	157
		7,808	6,584
Tax received		**57**	76
Net cash inflow from operating activities		**7,865**	6,660
Investing activities			
Purchase of property, plant and equipment		**(181)**	(14)
Acquisition of subsidiary undertaking, prior to the payment for cash acquired		**(7,807)**	–
Net cash outflow from investing activities		**(7,988)**	(14)
Financing activities			
Interest paid		**(407)**	(348)
Equity dividends paid	4	**(2,594)**	(2,368)
Draw down of amounts borrowed	18	**6,500**	1,000
Exercise of share based incentives		**39**	116
Net cash inflow/(outflow) from financing activities		**3,538**	(1,600)
Net increase in cash and cash equivalents	18	**3,415**	5,046
Net cash and cash equivalents brought forward		**(9,688)**	(14,734)
Net increase in cash and cash equivalents		**3,415**	5,046
Net cash and cash equivalents carried forward	18	**(6,273)**	(9,688)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	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 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
Acquisition of own shares	–	–	–	–	390	–	–	390
Exercise of share based incentives	–	–	–	–	–	–	(274)	(274)
At 1 July 2017	4,517	445	2,265	10,606	(541)	(60)	29,146	46,378
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(3,129)**	**(3,129)**
Net loss on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**(289)**	**–**	**(289)**
Tax on derivative financial liability	**–**	**–**	**–**	**–**	**–**	**49**	**–**	**49**
Actuarial gain on defined benefit pensions, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**76**	**76**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(2,594)**	**(2,594)**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**160**	**160**
Issue of own shares	**–**	**–**	**–**	**–**	**300**	**–**	**–**	**300**
Exercise of share based incentives	**–**	**–**	**–**	**–**	**–**	**–**	**(261)**	**(261)**
At 30 June 2018	**4,517**	**445**	**2,265**	**10,606**	**(241)**	**(300)**	**23,398**	**40,690**

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 loss for the year after tax was £3,129,000 (2017: profit of £4,984,000).

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 1 to 33. 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 £3.5 million for another year. At 30 June 2018 the group's net debt was £4.8 million (2017: net cash of £6.1 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 30.

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 standards, amendments and interpretations are effective for the period beginning on or after 1 July 2017 and have been adopted for the company financial statements where appropriate with no material impact on the disclosures made by the company:

Amendments to IAS 7: Disclosure Initiative.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses.

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.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2018

3 Expenses by nature

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

	2017/18 £000	2016/17 £000
Auditors' remuneration – audit of the financial statements of the company	**17**	17

4 Dividends

	2017/18 £000	2016/17 £000
Interim dividend for 2018 of 2.95p paid on 6 April 2018	**1,056**	–
Final dividend for 2017 of 4.3p paid on 31 October 2017	**1,538**	–
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
	2,594	2,368

A final dividend of 4.4 pence per equity share, at a cash cost of £1,583,000, has been proposed for the year ended 30 June 2018, payable on 31 October 2018. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

5 Property, plant & equipment

	Freehold land and buildings £000	**Long leasehold property £000**	**Plant and equipment £000**	**Total £000**
Cost:				
At 1 July 2016	749	235	318	1,302
Additions	–	–	14	14
At 1 July 2017	749	235	332	1,316
Additions	**–**	**–**	**181**	**181**
At 30 June 2018	**749**	**235**	**513**	**1,497**
Depreciation:				
At 1 July 2016	275	220	303	798
Charge for the year	11	15	7	33
At 1 July 2017	286	235	310	831
Charge for the year	**12**	**–**	**11**	**23**
At 30 June 2018	**298**	**235**	**321**	**854**
Net book value:				
At 30 June 2018	**451**	**–**	**192**	**643**
At 30 June 2017	463	–	22	485
At 1 July 2016	474	15	15	504

Included within freehold land and buildings is land of £336,000 (2017: £336,000) which is not depreciated.

6 Investments in group companies

	£000
Cost:	
At 1 July 2016 and 30 June 2017	75,622
Acquisitions in year	14,289
At 30 June 2018	**89,911**
Provisions:	
At 1 July 2016 and 30 June 2017	10,935
Provided in year	6,482
At 30 June 2018	**17,417**
Net book value:	
At 30 June 2018	**72,494**
At 1 July 2016 and 30 June 2017	64,687

On 31 January 2018 the company acquired the entire share capital of Wade International Limited for net consideration of £7,807,000.

At 30 June 2018 the principal subsidiary undertakings and related classes of business are as follows: Alumasc Exterior Building Products Limited (building products), Alumasc Limited (building products), Levolux Limited (building products) and Wade International 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

	2018 £000	2017 £000
Other receivables	**120**	94
Prepayments and accrued income	**638**	740
Receivables due from subsidiary undertakings	**–**	2,640
	758	3,474

8 Trade and other payables

	2018 £000	2017 £000
Other payables	**803**	963
Accruals	**632**	848
	1,435	1,811

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 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)
Charged to the statement of comprehensive income	**(22)**	**(14)**	**–**	**(36)**	**(57)**
(Charged)/credited to equity	**(15)**	**–**	**49**	**34**	**–**
At 30 June 2018	**142**	**14**	**61**	**217**	**(124)**

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.

10 Borrowings

	2018 £000	2017 £000
Non-current liabilities:		
Non-current instalments due on bank loan	**9,468**	2,938

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.

At 30 June 2018 the group also had £2 million (2017: £2 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 2018		30 June 2017	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	**120**	**120**	2,734	2,734
Financial liabilities:				
Bank overdraft	**6,273**	**6,273**	9,688	9,688
Bank loans	**9,468**	**9,468**	2,938	2,938
Trade and other payables	**16,243**	**16,243**	8,611	8,611
Derivative financial liabilities	**361**	**361**	72	72
	32,345	**32,345**	21,309	21,309

11 Financial instruments (continued)

Financial assets and liabilities (continued)

Trade and other receivables exclude prepayments and accrued income, which do not meet the definition of a financial asset. 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 2018 and 2017 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 2018					
Interest bearing loans and borrowings	**–**	**46**	**6,411**	**9,711**	**16,168**
Trade and other payables	**20**	**1,141**	**73**	**15,009**	**16,243**
	20	**1,187**	**6,484**	**24,720**	**32,411**
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

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 2018 was £15.7 million (2017: £12.6 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 debt at 30 June 2018 of £4.8 million (2017: net cash resources of £6.1 million).

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

	2018 £000	2017 £000
Floating rate interest bearing financial liabilities:		
In less than one year	**6,273**	9,688
In two to five years	**9,468**	2,938
	15,741	12,626

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.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2018

11 Financial instruments (continued)

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 2018					
Other receivables	**120**	**112**	**8**	**–**	**–**
	120	**112**	**8**	**–**	**–**
At 30 June 2017					
Other receivables	94	81	–	13	–
Receivables due from subsidiary undertakings	2,640	2,640	–	–	–
	2,734	2,721	–	13	–

Foreign currency risk

The group has transactional currency exposures as disclosed 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 2018 or 30 June 2017 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:

	2018 £000	2017 £000
Forward foreign exchange contracts	**(361)**	(72)

At 30 June 2018 the company had forward foreign exchange contracts with principal amounts equivalent to £6,421,000 (2017: £4,668,000). 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 18 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.

12 Retirement benefit obligations

Defined contribution schemes

£89,000 (2017: £85,000) was charged to operating profit in the statement of comprehensive income for defined contribution pension scheme contributions. At 30 June 2018 there was an accrual of £85,000 payable in respect of defined contribution schemes (2017: £67,000).

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 a part of a plan that shares risks between various group entities under common control. In determining the allocation of net 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:

	2018 %	2017 %
Discount rate	**2.75**	2.60
Expected rate of deferred pension increases	**2.10**	2.15
Future pension increases	**1.80-3.60**	1.85-3.65
Retail Price Index inflation rate	**3.10**	3.15
Consumer Price Index inflation rate	**2.10**	2.15

	Years	Years
Post retirement mortality:		
Current pensioners at 65 – male	**21.7**	21.9
Current pensioners at 65 – female	**23.1**	23.6
Future pensioners at 65 in 2038 – male	**23.5**	23.3
Future pensioners at 65 in 2038 – female	**24.8**	24.9

A discount rate of 2.75% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2018. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £72,000 before tax.

A Retail Price Index inflation rate of 3.1% and a Consumer Price Index inflation rate of 2.1% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2018. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £26,000 before tax.

In valuing the liabilities of the pension scheme at 30 June 2018, 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 2018 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:

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Equities	**1,730**	1,701	1,412	1,731	1,707
Gilts	**620**	609	470	376	343
Bonds and insured annuities	**503**	513	392	376	429
Multi-asset fund	**1,024**	1,048	1,253	903	899
Property and cash	**332**	345	391	377	231
Total market value of assets	**4,209**	4,216	3,918	3,763	3,609
Actuarial value of liability	**(5,052)**	(5,268)	(5,087)	(4,739)	(4,438)
Defined benefit pension deficit	**(843)**	(1,052)	(1,169)	(976)	(829)

Of the above assets, all have a quoted market price with the exception of £86,000 of insured annuities (2016/17: £98,000) and £33,000 of property (2016/17: £33,000).

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2018

12 Retirement benefit obligations (continued)

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 pension plan, before taxation, are as follows:

	2017/18 £000	2016/17 £000
Included in net finance cost:		
Net pension scheme finance costs	**(26)**	(32)
Included in other comprehensive income:		
Actuarial (loss)/gain on plan assets	**(23)**	277
Actuarial gain/(loss) on retirement benefit obligations	**114**	(284)
	91	(7)
Total recognised in the statement of comprehensive income	**65**	(39)

The actual return on plan assets for 2017/18 was a gain of £85,000 (2016/17: gain of £391,000).

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

	2018 £000	2017 £000
At 1 July	**(5,268)**	(5,087)
Interest cost	**(134)**	(146)
Benefits paid	**236**	249
Actuarial gain/(loss)	**114**	(284)
At 30 June	**(5,052)**	(5,268)

Changes in the fair value of plan assets before taxation are as follows:

	2018 £000	2017 £000
At 1 July	**4,216**	3,918
Expected return on plan assets	**108**	114
Actuarial (loss)/gain	**(23)**	277
Contributions by employer	**144**	156
Benefits paid	**(236)**	(249)
At 30 June	**4,209**	4,216

The cumulative amount of net actuarial losses recognised since 1 July 2014 in the statement of comprehensive income is £401,000 (2016/17: losses of £492,000).

13 Provisions

	£000
At 1 July 2016 and 30 June 2017	59
Charge for the year	51
At 30 June 2018	**110**

The company has provided £110,000 (2017: £59,000) in relation to the anticipated cost of dilapidations required under the terms of the lease of business premises.

14 Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid:		
36,133,558 (2017: 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 161,411 (2017: 361,789) ordinary own shares held by the company. The market value of shares at 30 June 2018 was £217,905 (2017: £672,928). These are held to help satisfy the exercise of awards under the company's Long Term Incentive Plans. During the year 210,378 shares with a cost of £300,000 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

The company's profit and loss account reserve shown on the balance sheet is £23,398,000 (2017: £29,146,000). 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). Therefore the Directors consider that £9,398,000 of the company profit and loss account reserve is distributable.

Cumulative actuarial losses relating to defined benefit pension schemes of £989,000 (2017: losses of £1,080,000) have been deducted in calculating the distributable reserves figure above.

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 44 to 52.

	As at 1 July 2017	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 2018**	Weighted average exercise price (pence)
LTIP[(i)]	531,592	n/a	169,619	n/a	(147,594)	n/a	(57,425)	n/a	**496,192**	n/a
ESOS[(ii)]	60,000	1.54	10,000	1.74	(10,000)	1.30	(10,000)	1.88	**50,000**	1.55

	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

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

ESOS

For the share options outstanding at 30 June 2018 the weighted average remaining contractual life is 7.4 years (30 June 2017: 7.9 years). The exercise price of the options outstanding ranges between 129 pence and 188 pence. 20,000 share options are exercisable at 30 June 2018 (30 June 2017: 10,000).

LTIP

None of the November 2015 awards will vest in November 2018.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2018

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 2018	Black Scholes 2017	**Black Scholes 2018**	Black Scholes 2017
Share price at grant date	**174p**	158p	**174p**	158p
Exercise price	**174p**	158p	**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%**	4.1%	**4.1%**	4.1%
Fair value per option	**21p**	19p	**153p**	139p

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 2018 is £160,000 (2016/17: £200,000).

17 Financial commitments

(i) Capital commitments

The company had no capital commitments at the year end (2017: £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 2018 £000	**Plant 2018 £000**	Property 2017 £000	Plant 2017 £000
Less than one year	**20**	**1**	20	1
Between one and five years	**80**	**4**	80	1
After five years	**1,027**	**–**	1,047	–
	1,127	**5**	1,147	2

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

	Property 2018 £000	Property 2017 £000
Less than one year	**32**	32

18 Movement in net borrowings

	Bank overdrafts £000	Bank loans £000	Net borrowings £000
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 1 July 2017	9,688	2,938	12,626
Cash flow movements	**(3,415)**	**6,500**	**3,085**
Non-cash movements	**–**	**30**	**30**
At 30 June 2018	**6,273**	**9,468**	**15,741**

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 2018 was a £14,808,000 liability (2017: £6,800,000 liability).

The increase in the non-current intercompany position at 30 June 2018 is due to a write off of an intercompany receivable from two of the company's dormant subsidiaries, Alumasc Precision Limited and Benjamin Priest Limited.

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 44 to 52.

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 (2017: none) of the overdraft facilities guaranteed by the company.

Financial Statements

FINANCIAL SUMMARY

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Income Statement Summary							
Revenue	**71,094**	**85,291**	**80,301**	**90,295**	**92,233**	**104,761**	**98,407**
Underlying operating profit	**3,234**	**7,133**	**6,645**	**8,314**	**8,476**	**9,143**	**6,668**
Underlying operating margin	*4.5%*	*8.4%*	*8.3%*	*9.2%*	*9.2%*	*8.7%*	*6.8%*
Net interest cost on borrowings	(706)	(767)	(521)	(592)	(215)	(132)	(212)
Underlying profit before tax	**2,528**	**6,366**	**6,124**	**7,722**	**8,261**	**9,011**	**6,456**
Non-underlying items*	(889)	(2,984)	(1,168)	(1,434)	(1,502)	(888)	(1,082)
Profit before taxation	**1,639**	**3,382**	**4,956**	**6,288**	**6,759**	**8,123**	**5,374**
Taxation	(372)	(1,025)	(1,016)	(1,483)	(1,581)	(1,583)	(1,057)
Profit for the year from continuing operations	**1,267**	**2,357**	**3,940**	**4,805**	**5,178**	**6,540**	**4,317**
Discontinued operations – (loss)/profit after tax	(854)	(471)	101	(429)	1,306	–	–
Profit for the year	**413**	**1,886**	**4,041**	**4,376**	**6,484**	**6,540**	**4,317**
Underlying earnings per share (pence)	**4.9**	**13.3**	**13.0**	**16.9**	**18.4**	**20.1**	**14.4**
Basic earnings per share – continuing operations (pence)	**3.6**	**6.6**	**11.1**	**13.5**	**14.5**	**18.3**	**12.0**
Basic earnings per share (pence)	**1.2**	**5.3**	**11.3**	**12.3**	**18.2**	**18.3**	**12.0**
Dividends per share (pence)	**2.0**	**4.5**	**5.0**	**6.0**	**6.5**	**7.15**	**7.35**
Balance Sheet Summary at 30 June							
Shareholders' funds	18,928	22,443	17,042	15,929	16,580	20,437	24,421
Net debt/(cash)	13,229	7,687	7,666	(914)	(8,632)	(6,076)	4,812
Pension deficit (net of associated deferred tax asset)	11,050	7,748	14,338	16,748	18,588	17,095	12,566
Discontinued operations	(13,219)	(12,169)	(11,037)	(2,969)	–	–	–
Capital invested – continuing operations	29,988	25,709	28,009	28,794	26,536	31,456	41,799
Underlying return on capital invested (post-tax)**	7.4%	19.0%	18.8%	22.8%	24.3%	25.0%	14.5%
Underlying tax rate	31.6%	25.7%	24.2%	22.0%	20.8%	20.6%	20.2%

Notes

* Non-underlying costs comprise brand amortisation and IAS 19 pension costs in all years an impairment charge in 2012/13 and restructuring costs in 2011/12. In 2017/18 non-underlying items also includes profit on sale of available-for-sale investments, loss on sale of SCP, Wade acquisition costs and Timloc relocation costs.

** Underlying operating profit after tax from continuing operations calculated using the underlying tax rate, as a percentage of average capital invested.

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 25 October 2018 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 23 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 53, 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 48, 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 2018:

	Ordinary shares	% of issued share capital
AXA Investment Management	3,300,000	9.13
Hargreaves Lansdown Asset Management	2,254,239	6.24
Unicorn Asset Management	1,800,000	4.98
NN Investment Partners	1,625,000	4.50
Fortezza Finanz	1,595,000	4.41
Mrs E L O'Loughlin	1,550,962	4.29
Chelverton Asset Management	1,426,000	3.95
Interactive Investor	1,161,666	3.21
Acorn Income Fund	1,100,000	3.04

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 2018:

	Number of shareholders	Number of ordinary shares
Shareholding range:		
1 – 999	370	173,946
1,000 – 9,999	481	1,215,280
10,000 – 99,999	126	3,634,244
100,000 – 999,999	42	15,003,174
1,000,000 and over	8	16,106,914
	1,027	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 of the 2017 Annual Report and Accounts, 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.

Financial Statements

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2018 Annual General Meeting ("AGM") of The Alumasc Group plc (the "company") will be held at The Alumasc Group plc, Station Road, Burton Latimer, Northamptonshire, NN15 5JP at 11am on Thursday 25 October 2018 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 2018**

2 **To receive the report of the Remuneration Committee for the year ended 30 June 2018**

3 **To declare a final dividend of 4.4 pence per share**

4 **To re-elect Andrew Magson as a Director**

5 **To re-elect Jon Pither as a Director**[1,2]

6 **To re-elect Richard Saville as a Director**[1,2,3]

7 **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 AGM 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. Resolutions 8 and 9 shall be proposed as Ordinary Resolutions and Resolutions 10, 11 and 12 shall be proposed as Special Resolutions.

8 Adoption of the Alumasc Long Term Incentive Plan 2018

That:

(a) the rules of the Alumasc Long Term Incentive Plan 2018 in the form produced to the meeting and initialled by the Chairman of the meeting for purposes of identification (the "LTIP"), the principal terms of which are summarised in the Appendix to this Notice of Annual General Meeting, be and they are hereby approved, and the Directors be and they are hereby generally authorised to adopt the LTIP and do all acts and things that they consider necessary or expedient to give effect to the LTIP ; and

(b) the Directors be and are hereby authorised to adopt further schemes based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the LTIP.

9 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.

10 Disapplication of statutory pre-emption rights: general

That the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by resolution 9 and/or to sell ordinary shares held by the company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

(i) allotments for rights issues and other pre-emptive issues; and

(ii) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (i) above) up to a nominal amount of £225,834. This amount to be not more than five per cent of the issued ordinary share capital (excluding treasury shares) of the company as at the latest practicable date prior to publication of the notice of meeting.

Such authority to expire at the end of the next AGM of the company (or, if earlier, at the close of business on 24 October 2019).

11 Disapplication of statutory pre-emption rights: acquisition or capital investment

That if resolution 9 granting authority to allot shares is passed, the Board be authorised in addition to any authority granted under the first disapplication resolution to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

(i) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £225,834. This amount to be not more than five per cent of the issued ordinary share capital (excluding treasury shares) of the company as at the latest practicable date prior to publication of the notice of meeting; and

(ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

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 2018;

(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 24 October 2019, 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 26 October 2017.

By order of the Board

Kirstan Boynton
Company Secretary

11 September 2018

Registered Office
Burton Latimer
Kettering
Northamptonshire
NN15 5JP
Registered No
1767387

NOTICE OF ANNUAL GENERAL MEETING continued

Explanatory notes to the Resolutions 4, 5, 6, 7, 8, 9, 10, 11 and 12 to be proposed at the 2018 AGM

Resolution 4 - Re-election of Andrew Magson
Your Board recommends that Andrew Magson be re-elected as a Director.

Resolutions 5 and 6 – Re-election of Jon Pither and Richard Saville
Your Board recommends that Jon Pither 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 Code, they offer themselves for re-election.

The Board has concluded that the three 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 is set out on pages 34 and 35 of the 2018 Annual Report.

Resolution 7 – Re-appointment of KPMG as Auditors of the company
Resolution 7 proposes the reappointment of KPMG LLP as the auditor of the company. Resolution 7 authorises the Audit Committee to agree the remuneration of the company's auditor.

During the 2018/19 financial year, the Board will undertake a tender process for the provision of the external auditor. KPMG LLP will participate in the tender. Further information may be found on page 42 of the 2018 Annual Report.

Resolution 8 – New Long Term Incentive Scheme
Please see the appendix to the AGM notice for details of the new scheme to be approved by shareholders at the AGM.

The rules of the LTIP will be available for inspection at the office of Deloitte LLP (Company Secretarial Department), Athene Place, 66 Shoe Lane, London EC4A 3BQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the close of the AGM, and will also be available at the place of the AGM for at least 15 minutes before and during the meeting.

Resolution 9 – 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 2018). This authority will lapse at the conclusion of the next AGM, unless renewed earlier. The Directors have no present intention to exercise the authority proposed to be conferred by Resolution 10.

Resolutions 10 and 11 – Disapplication of statutory pre-emption rights
Special resolutions 10 and 11 will allow the Directors to allot equity securities for cash pursuant to the authority under ordinary resolution 9, or by way of a sale of treasury shares, without in the first instance offering them to existing shareholders in proportion to their holdings.

The authority sought will authorise the Directors to issue shares in connection with: (a) a rights issue or other pre-emptive offer and otherwise to issue shares for cash up to a nominal value of £225,834 which includes the sale on a non pre-emptive basis of any shares the company holds in treasury for cash. This amount represents just under 5% of the total ordinary share capital in issue at 31 August 2018 (being the latest practicable date prior to publication of this Notice); and in addition, (b) the financing (or re-financing, if the authority is to be used within 6 months after the original transaction) for an acquisition or other capital investment which the Board determines to be as contemplated by the Pre-Emption Group's Statement of Principles, to issue shares for cash up to a nominal value of £225,834 which includes the sale on a non pre-emptive basis of any shares the company holds in treasury for cash. This amount also represents just under 5% of the total ordinary share capital in issue at 31 August 2018.

This disapplication authority is in line with guidance with the Pre-Emption Group's Statement of Principles. The authority will expire at the conclusion of the 2019 AGM of the company or, if earlier, on 24 October 2019.

The authority sought under this resolution provides the company with greater flexibility in pursuing its strategy of building a focussed premium building products company which should generate long-term growth for shareholders. It is the current intention to renew this authority annually.

The Directors have no present intention of exercising their authority under resolutions 10 and 11.

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 2018). 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 24 October 2019, unless renewed earlier.

Notes to the Notice of Annual General Meeting

1) A member may appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the company but must attend the AGM to represent you. A proxy could be the Chairman, another Director of the company or another person who has agreed to represent you.

2) To be valid, any proxy form or other instrument appointing a proxy and power of attorney or other authority, if any, under which it is signed or a notarial certified or office copy of such power or authority must be received by post or (during normal business hours only) by hand by Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA not later than 48 hours before the time fixed for the meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent a member from attending and voting at the meeting instead of the proxy if they so wish. Amended instructions must also be received by Equiniti by the deadline for receipt of proxy forms. A member must inform Equiniti in writing of any termination of the authority of a proxy.

3) As an alternative to completing and returning the printed form of proxy, a member may submit your proxy appointment electronically by accessing www.sharevote.co.uk where full details of the procedure are given. For security purposes, members will need their voting ID, task ID and shareholder reference number as printed on the form of proxy in order to validate the submission of their proxy appointment on-line. Any such proxy appointment must be received not later than 48 hours before the time fixed for the meeting or any adjournment thereof. To appoint more than one proxy electronically, please contact Equiniti on 0371 384 2030 (from overseas +44 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales)).

4) If a member has more than one holding registered in his/ her name he/she should receive no more than one copy of the Annual Report and one form of proxy which will be valid in respect of all his/her shareholdings. A form of proxy is enclosed. To request a form of proxy please contact Equiniti on 0371 384 2030 (from overseas +44 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales)).

5) Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 ('CA2006') to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the 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.

6) The statement of rights of shareholders in relation to the appointment of proxies in notes 1, 2 and 3 above to this Notice of Annual General Meeting does not apply to Nominated Persons. The rights described in these sections can only be exercised by the shareholders of the company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the company) on matters relating to their investments in the company.

7) The company specifies that only those shareholders registered in the register of members of the company as at 6.30pm on 23 October 2018 (or, in the event of any adjournment, at 6.30pm on the date which is two days before the time of the adjourned meeting) shall be entitled to attend (in person or by proxy) or vote at the meeting or any adjourned meeting in respect of the number of shares registered in their name at that time.

   Changes to entries on the register of members made after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Financial Statements

NOTICE OF ANNUAL GENERAL MEETING continued

Notes to the Notice of Annual General Meeting continued

8) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 25 October 2018 and any adjournment(s) thereof by using the procedure described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions as described in the CREST manual (available at www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or relates to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt for proxy appointments specified in the Notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

9) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided that they do not do so in relation to the same shares.

10) As at 31 August 2018 (being the last practicable business day prior to the publication of this Notice) the company's issued share capital consists of 36,133,558 ordinary shares, carrying one vote each.

11) Copies of the service contracts of Executive Directors, letters of appointment for Non-Executive Directors, Directors' deeds of indemnity and a copy of the company's articles of association are available for inspection at the company's registered office on each business day during normal business hours and will also be available at the place of the AGM from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

12) It is possible that, pursuant to requests made by members of the company under Section 527 of the CA2006, the company may be required to publish on its website a statement setting out any matter relating to: (a) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the CA 2006.

    Where the company is requested to place a statement on a website under Section 527 of the CA 2006 it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website.

    The business which may be dealt with at the AGM includes any statement that the company has been required under Section 527 of the CA 2006 to publish on its website.

13) A member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with Section 319A of the CA 2006. The company must cause to be answered any such question but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

14) A copy of this Notice of Annual General Meeting and other information required by Section 311A of the CA 2006 can be found at www.alumasc.co.uk.

15) Members who have general queries about the meeting should address such questions, in the first instance, to the company's Registrars, Equiniti 0371 384 2030 (from overseas +44 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales)). Members may not use any electronic address provided in this Notice of Annual General Meeting or any related documents to communicate with the company for any purposes other than those expressly stated.

16) Voting at the meeting on all resolutions will be conducted by way of a show of hands. As soon as practicable following the meeting, the results of the voting at the meeting and the number of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions proposed at the meeting will be announced via a Regulatory Information Service and also placed on the company's website.

Appendix

THE ALUMASC LONG TERM INCENTIVE PLAN 2018

The Alumasc Long Term Incentive Plan 2018 (the "LTIP") is a discretionary share plan which will be administered by the Board of Directors or a committee appointed by the Board, and references in this summary to the Board should be read accordingly. Decisions in relation to the participation in the LTIP by Executive Directors of the company will be taken by the Remuneration Committee of the Board of Directors. The LTIP is proposed as a replacement for the company's previous long term incentive plan which expires for the purposes of new awards on 23 October 2018.

A summary of the principal terms of the LTIP is set out below.

1 Eligibility

Any employee (including an Executive Director) of the company or any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Board.

2 Form of awards

An award under the LTIP may be in the form of:

a) an option to acquire ordinary shares in the company for an exercise price of nil (a "Nil-Cost Option"); or

b) a conditional right to acquire ordinary shares in the company at no cost (a "Conditional Award").

In this summary, Nil-Cost Options and Conditional Awards are together referred to as "Awards".

3 Grant of Awards

Awards may be granted within the six week period following approval of the LTIP by shareholders, the announcement of the company's results for any period, the day on which a Directors' remuneration policy is approved by shareholders of the company, or on any day on which the Board determines that exceptional circumstances exist. However, if the company is restricted from granting Awards during any such period, Awards may be granted in the period of six weeks following the relevant restriction being lifted.

4 Individual limit

A participant shall not be granted an Award (other than an Award granted to facilitate the recruitment of the participant) in respect of any financial year of the company over shares with a market value (as determined by the Board) in excess of 100% of his annual base salary.

5 Overall limits

Awards may be granted over newly issued shares, treasury shares or shares purchased in the market.

In any ten year period, the number of shares which may be issued under the LTIP and under any other employees' share plan adopted by the company may not exceed 10% of the issued ordinary share capital of the company from time to time.

In any ten year period, the number of new shares which may be issued under the LTIP and under any other discretionary employees' share plan adopted by the company may not exceed 5% of the issued ordinary share capital of the company from time to time.

Treasury shares will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

6 Performance conditions

Awards will ordinarily be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Award which will vest at the end of a performance period. The Board will have discretion to grant Awards which are not subject to performance conditions, although Awards granted to Executive Directors (other than awards granted to facilitate the recruitment of an executive director) must be subject to performance conditions. A performance period will usually be three years long.

A performance condition may be amended or substituted if an event occurs which causes the Board to consider such action to be appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

7 Vesting, release and exercise

Awards subject to a performance condition will normally vest as soon as practicable following the end of the performance period to the extent that the performance condition has been satisfied. Awards not subject to a performance condition will usually vest on the third anniversary of the grant date (or on such other date or dates as the Board determines).

Awards may be subject to a "holding period" of up to two years following vesting, as determined by the Board. An Award which is subject to a holding period will be released (so that the participant is entitled to acquire the shares) following the end of the holding period. Alternatively, Awards may be granted on the basis that the participant is entitled to acquire shares following vesting but that (other than as regards sales to cover tax liabilities) the Award is not released (so that the participant is able to dispose of shares) until the end of the holding period. Awards which are not subject to a holding period will ordinarily be released at vesting.

Options will normally be exercisable until the tenth anniversary of the grant date, or such earlier date as the Board determines.

Appendix

THE ALUMASC LONG TERM INCENTIVE PLAN 2018 continued

8 Settlement of Awards

Before shares have been delivered, the Board may decide to pay a cash amount equal to the value of some or all of the shares the participant would otherwise have received.

9 Malus and clawback

At any time prior to the vesting of an Award, the Board may cancel the Award or impose further conditions on it. These malus provisions may be applied in the event of a material error or misstatement of the company's 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 after the vesting of an Award, the Board may cancel the relevant Award or impose further conditions on it (if shares have not been delivered in respect of it) or may require the participant to make a payment to the company in respect of some or all of the shares acquired. These clawback provisions may be applied in the event of material misstatement of the company's results, information coming to light which, had it been known, would have affected the vesting decision, or gross misconduct by the participant.

10 Cessation of employment

If a participant ceases employment by reason of death, redundancy, retirement, injury, disability, or for any other reason at the discretion of the Board (except where a participant is summarily dismissed), any unvested Award the participant holds (or any vested but unreleased Award) will usually continue and be released at the normal release vesting date unless the Board determines that the Award will be released as soon as reasonably practicable following the date on which the participant ceases to be employed by the group (or at some other time, such as following the vesting date in the case of an Award which would otherwise be subject to a holding period).

The Board will decide the extent to which an unvested Award vests in these circumstances, taking into account the extent to which any performance condition is satisfied at the end of the performance period or, as appropriate, the date on which the participant ceases to be employed by the group and, unless the Board determines otherwise, the proportion of the performance period (or vesting period in the case of an Award not subject to a performance condition) that has elapsed at cessation.

If a participant ceases to be employed with the group in any other circumstances, any Award he holds, whether vested or unvested, shall lapse on the date on which the participant ceases employment.

11 Corporate events

In the event of a change of control of the company unvested Awards will ordinarily vest and be released (and vested but unreleased Awards will be released) as soon as reasonably practicable. The Board will determine the extent to which Awards will vest taking into account the extent to which any performance condition has been satisfied, and, unless the Board determines otherwise, the proportion of the performance period (or vesting period in the case of an Award not subject to a performance condition) that has elapsed at the date of the relevant event. Alternatively, the Board may permit, or in the case of an internal reorganisation, require Awards to be exchanged for equivalent Awards which relate to shares in another company.

If other events occur such as a winding-up of the company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of shares, the Board may determine that Awards will vest and be released on the same basis as in the event of a change of control.

12 Adjustments

In the event of a variation of the company's share capital or a demerger, delisting, special dividend, rights issue or other event, which may, in the Board's opinion, affect the current or future value of shares, the number of shares subject to an Award and/or any performance condition attached to Awards, may be adjusted.

13 Amendment, termination and further terms of the LTIP

The Board may amend the LTIP at any time, provided that the approval of the company's shareholders in a general meeting will be required for any amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the shares or cash comprised in an Award and the impact of any variation of capital.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

The LTIP will usually terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

Awards are not transferable (other than on death). No payment will be required for the grant of an Award. Awards will not form part of pensionable earnings.

LIST OF SUBSIDIARIES

The group's subsidiary undertakings as at 30 June 2018 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	
Wade International 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 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	
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	
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	
MR Limited	Dormant	
Powke Limited	Dormant	
Rainclear Systems Ltd	Dormant	
Roof-Pro Limited	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	
Timloc Building Products Limited	Dormant	
Wade International (UK) Limited	Dormant	
Wade Drainage Products Limited	Dormant	
Wergs Limited	Dormant	
Yenots Limited	Dormant	

Company Information

THE ALUMASC GROUP – BUSINESSES AND OPERATING LOCATIONS

Architectural Screening, Solar Shading & Balconies

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 & 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

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

Rainclear Systems
Unit 34 A
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

Metal drainage & access covers
Wade International
Third Avenue
Halstead
Essex CO9 2SX
Tel: +44 (0) 1787 475151
Fax: +44 (0) 1787 475579
Email: sales@wadeint.co.uk
Web: www.wade.eu

Civil drainage systems
Elkington Gatic
Hammond House
Holmestone Road
Poulton Close
Dover
Kent CT17 0UF
Tel: +44 (0) 1304 203545
Fax: +44 (0) 1304 215001
Email: info@gatic.com
Web: www.gatic.com

Engineered access covers
Elkington Gatic
Hammond House
Holmestone Road
Poulton Close
Dover
Kent CT17 0UF
Tel: +44 (0) 1304 203545
Fax: +44 (0) 1304 215001
Email: info@gatic.com
Web: www.gatic.com

Housebuilding & Ancillary Products

Ventilation products, access panels/ doors cavity closers/dry roof verge products
Timloc Building Products
Timloc House
Ozone Park
Howden
East Riding of Yorkshire DN14 7SD
Tel: +44 (0) 1405 765567
Fax: +44 (0) 1405 720479
Email: sales@timloc.co.uk
Web: www.timloc.co.uk

Design and Production
www.carrkamasa.co.uk

ckd

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

The Alumasc Group plc
Burton Latimer, Kettering
Northamptonshire NN15 5JP
Tel: +44(0) 1536 383844
Fax: +44(0) 1536 725069
info@alumasc.co.uk
www.alumasc.co.uk