



The Alumasc Group plc
Report and Accounts 2019

Premium building products,
systems and solutions.



Welcome

WE ARE ALUMASC

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

We behave with integrity, building strong relationships and trust with our customers.

We have an entrepreneurial approach, and deliver on our promises.

Group Revenues* (£m)

£90.1m

(2018: £87.0m)

2019	90.1
2018	87.0
2017	88.4
2016	73.0
2015	70.0

Underlying Earnings per Share* (pence)

12.4p

(2018: 13.4p)

2019	12.4
2018	13.4
2017	19.1
2016	15.1
2015	12.6

Dividends per Share (pence)

7.35p

(2018: 7.35p)

2019	7.35
2018	7.35
2017	7.15
2016	6.5
2015	6.0

* From continuing operations. A reconciliation of underlying to statutory profit before tax is provided in note 5 to the Group financial statements.



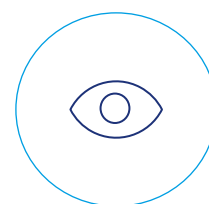
The world we live in

Alumasc contributes to the world we live in by providing high quality products and systems, many of which manage the scarce resources of water and energy in the built environment, where possible using recyclable materials.



Where we operate

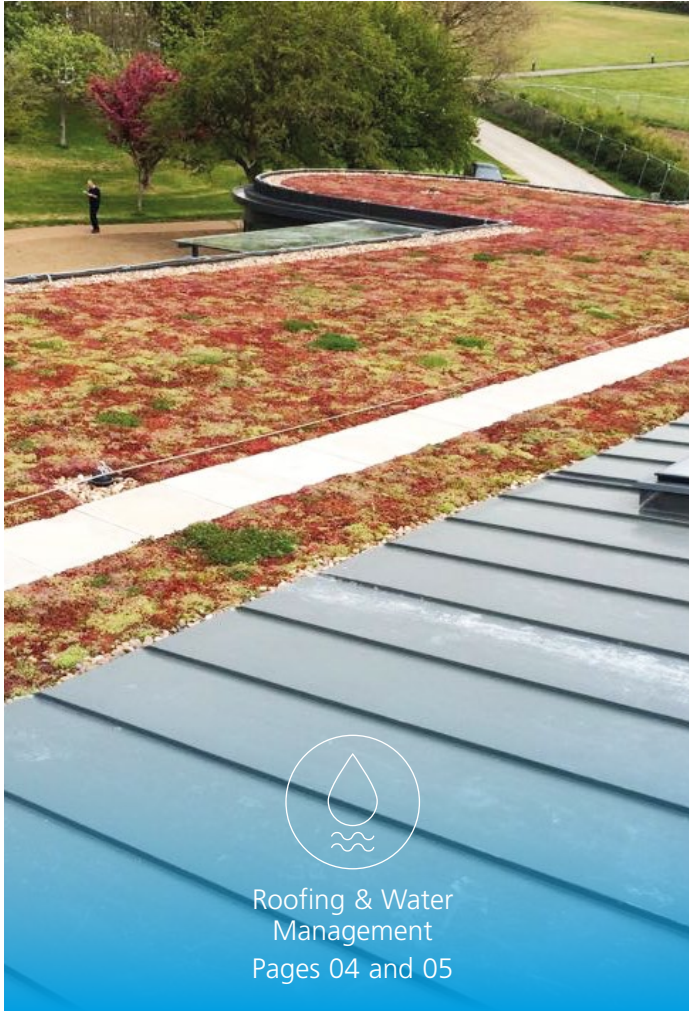
Alumasc is a UK based business and 90% of our sales are in the UK. We are developing selective export markets in North America and in the Middle/Far East, although Alumasc products are already sold globally.



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.

OUR OPERATING DIVISIONS



Roofing & Water Management
Pages 04 and 05



Architectural Screening,
Solar Shading & Balconies
Pages 06 and 07



Housebuilding
Products
Pages 08 and 09

Strategic Report

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The latest online...

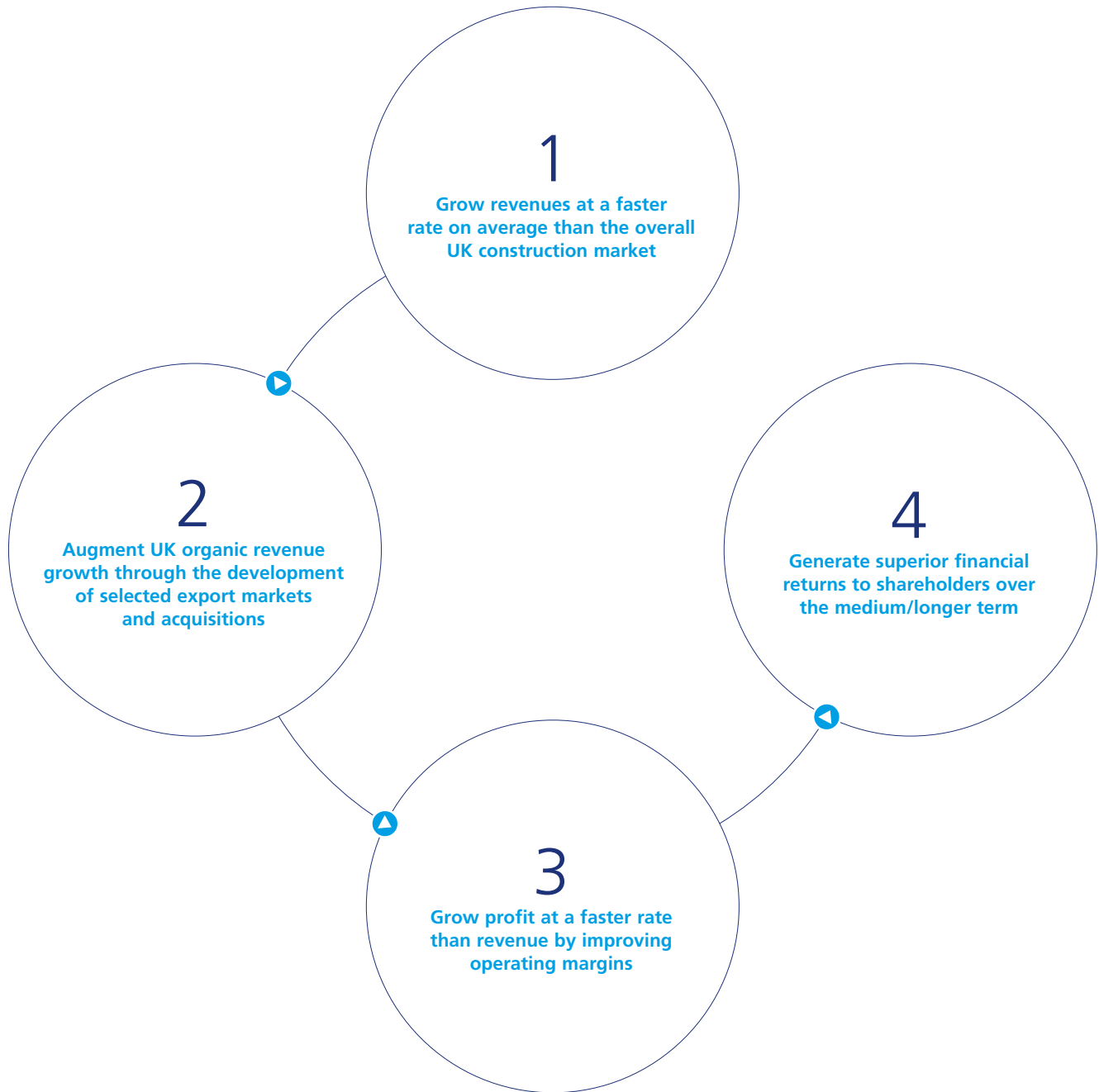
Certain information and topics may be covered in greater detail online. The arrow below indicates where further detail may be found.

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

www.alumasc.co.uk

Our Strategy & Business Model

OUR STRATEGIC OBJECTIVES



1

We have a track record of outperforming UK construction market growth by circa 2% p.a.

2

We are investing to grow export revenues in North America for Architectural Screening and Solar Shading Systems and in the Middle/ Far East for Water Management products and systems

3

Operating margin improvement is being underpinned by better overhead recovery as revenues grow and through cost savings and efficiency initiatives

4

Superior financial returns:

- Revenue growth
- Operating margin growth
- Strong returns on investment

OUR BUSINESS MODEL

Build specialised brands in growth markets

Specified products

Almost 80% of Group revenues are driven by specification & regulation

International market development

Export revenues are around 10% of Group sales

Structural growth

Over 80% of Group revenues relate to long term structural growth drivers

Manage these to optimise opportunities

- Empower talented people
- Leverage strong brands
- Continuous innovation & development
- Strong customer service
- Invest in strategic priorities
- Drive intra-group revenue and cost synergies

Success

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

Long-term structural growth drivers

1: Water management

2: Energy management

3: Bespoke architectural solutions

4: Ease of construction

See pages 04 to 09

Our Business Segments

ROOFING & WATER MANAGEMENT

- Innovative, high performance flat roof systems, waterproofing and green roof systems
- Products that manage and attenuate water originating inside and outside buildings including integrated "Rain to Drain" solutions for the built environment

Our brands



Growth drivers

Roofing:

- Architectural specification
- Building regulations

Water Management:

- Legislation aimed at conservation, attenuation and control of water
- Structural engineering specifications
- Building regulations

Operations and supply chain

- Partial UK in-house manufacture
- Partial external supply chain including suppliers in Europe and North America

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 products including solar shading/screening systems, balconies & balustrades and water management solutions
- Development of further synergies in our "Rain to Drain" strategy following last year's acquisition of Wade
- Increase divisional export sales with focus on systems using Gatic and Wade products
- Grow operating margins through new product introductions, improving customer service and operational efficiency

Routes to market

- Roofing – mainly via preferred installers
- Water management – via merchants and distributors; some via preferred installers



For more information on these brands through links on our segment page:

www.alumasc.co.uk/operations/water-management



Stage of construction cycle

Mid



**Alumasc Water
Management Solutions**

Tottenham Hotspur's new state of the art stadium

AWMS played an integral part in Tottenham Hotspur's new state of the art £1 billion stadium.

This was an exciting project for the AWMS team that featured a comprehensive 'Rain to Drain' offer with the specification of various brands. Gatic special Stainless Steel CastSlot and PaveSlot drainage channels were installed around the stadium to provide discreet high capacity linear drainage, as well as the installation of Gatic engineered Access Covers and Assist Lift Covers. In addition, Harmer SML Below Ground cast iron drainage systems were installed in combination with Wade cast iron floor gullies.



Our Business Segments *continued*

ARCHITECTURAL SCREENING, SOLAR SHADING & BALCONIES

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

Our brand



Growth drivers

- Architectural specification
- Building regulations relating to energy management

Operations and supply chain

- Partial UK manufacture providing fabrication, assembly and finishing operations
- Diversified specialist supply chain of mainly UK and European based suppliers

Opportunities and potential

- Business development opportunities arising from the new Alumasc Building Envelope specification sales approach together with Alumasc Roofing
- Development of embryonic UK balconies & balustrading business
- Development of North American export business
- Growth in operating margins through operational efficiencies and increasing the proportion of design and supply only; versus design, supply and install project work

Routes to market

- Direct to main building contractors in the UK
- Via general contractors and installing sub-contractors in North America



For more information on these brands through links on our segment page:

▶ www.alumasc.co.uk/operations/architectural-screening-solar-shading-balconies



Stage of construction cycle





LEVOLUX Architectural Screening,
Solar Shading & Balconies

San Antonio multi-storey car park – external screening solution

The Village at San Antonio Center in California replaces a 50-year-old shopping centre with a new mixed-use development, including a large multi-storey car park which benefits from a distinctive Levolux External Screening Solution.

A bespoke screening structure was required to soften the visual impact of the building by concealing unsightly structures under a veil of curved or twisted fins. The client selected their preferred design as one that resembles fabric draped across the building.

The custom screening solution supplied by Levolux comprises more than 1,800 vertical fins, each formed from 15mm thick, extruded aluminium plate. The fins, which have a maximum width of 600mm and a length of up to 3.1 metres, are individually water jet cut along their length to create the required curved profile. Working to very small tolerances, Levolux ensured all vertical fins were aligned perfectly, set at 510mm centres.

To enhance the overall aesthetic, Levolux supplied all vertical fins for the project in a highly durable and attractive silver-grey powder coating.

Our Business Segments *continued*

HOUSEBUILDING PRODUCTS

- Premium housebuilding products

Our brand



Growth drivers

- Growth in UK house building demand and current under supply of houses
- Legislation and building regulations

Operations and supply chain

- Nearly all in-house manufacture

Opportunities and potential

- Outperformance relative to the UK construction market with continued market share growth through product range development and best in class customer service
- Leveraging strong sales channels through product portfolio development and excellent customer service
- Margin improvement through operational efficiency and additional operational flexibility, utilising the new factory commissioned in early 2018 and significant investment in new machines and automation in 2019

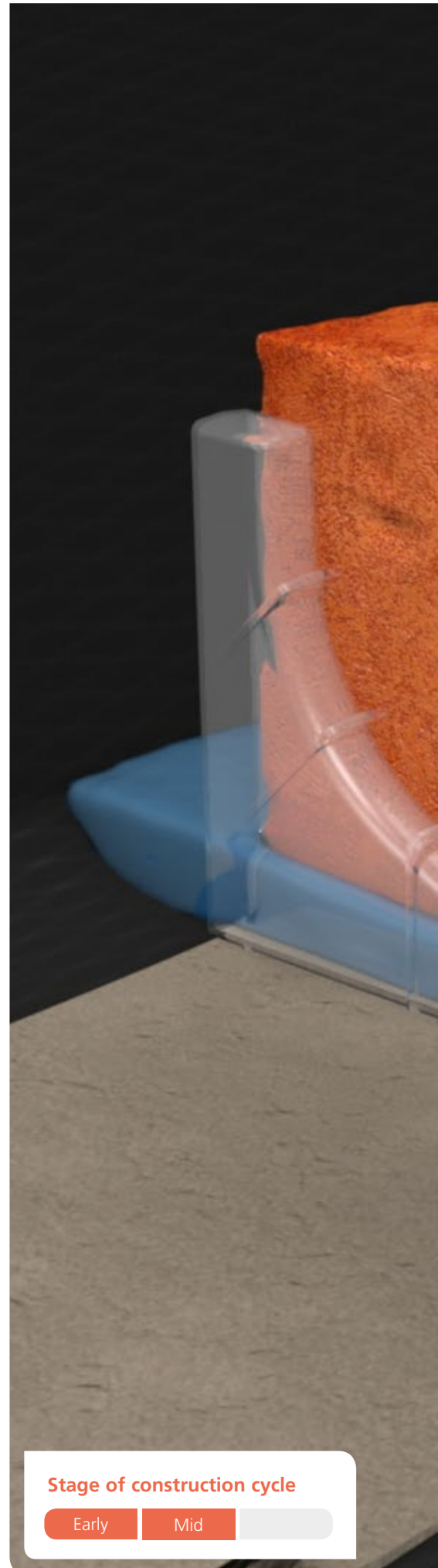
Routes to market

- Merchants and distributors
- House builder specification



For more information on these brands through links on our segment page:

▶ www.alumasc.co.uk/operations/housebuilding-products



Stage of construction cycle

Early

Mid



Housebuilding Products

Product innovation and service from Timloc: InvisiWeep

Timloc Building Products is one of the UK's leading manufacturers of plastic injection moulded building products. To ensure continued growth ahead of the UK construction market, Timloc continuously innovates, improves, and invests in people and in plant and equipment.

Timloc's recent move to a state-of-the-art 88,000 sq ft manufacturing and distribution facility in Howden, East Yorkshire has significantly benefited product development, with several new or improved products launched within the last 12 months.

A key example of Timloc's continued innovation is the development of InvisiWeep (pictured) – the almost invisible wall weep. InvisiWeep can be used in a situation where water must be discharged from an external cavity wall and InvisiWeep provides a much smaller opening on the face of the wall for an improved aesthetic appearance. Many National Housebuilders have already specified the product in their latest designs.

Timloc continues to be extremely proud of its British heritage and has been tried, tested and trusted by its customers for over 50 years. Timloc understands the demands of today's construction and merchant markets and has established a reputation for consistently delivering exceptional levels of customer service.

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

Chairman's Statement



"We believe Alumasc will be in a strong position to exploit future market recovery."

John McCall
Chairman

Summary

In the year under review, our Roofing, Water Management and Housebuilding products businesses, representing 80% of Group revenues, performed well, growing revenues and profits, and delivered their strategic objective of outperforming the industry benchmark.

This was against the backdrop of growing political and economic uncertainty, which had a negative impact on business generally, and commercial construction in particular. Our business most exposed to this sector – Levolux – experienced numerous project delays as a consequence, and incurred losses as a result.

Swift action has been taken to mitigate these and a plan to restructure the business was announced in June 2019. Levolux continues to offer great potential in the UK and international markets and is one of Alumasc's strongest brands.

In light of the resilient performance by the majority of our business, our plans for development in the short and longer term and the strength of our balance sheet, the Board is recommending an unchanged final dividend of 4.4p per share which, if approved, gives an unchanged total dividend of 7.35p per share for the full year.

The year under review

In the full year, Group revenues increased by 4% to £90.1 million, while underlying profit before tax fell by 7% to £5.6 million.

Alumasc again achieved its strategic objective of growing revenues faster than the UK construction market, with our Roofing & Water Management and Housebuilding products divisions, together representing 80% of the Group, significantly outperforming. This growth did not translate into increased overall profit for the year due to the operating losses incurred at Levolux, reflecting the decline in UK commercial construction activity and project delays during the period. A significant strategic refocusing and restructuring of Levolux was announced in June, aimed at returning the business to sustainable profit as soon as possible. Details are in the Chief Executive's review.

Other operational highlights of the year included:

- The Wade drainage business acquired in January 2018 was strongly earnings enhancing in its first full year in the Group, with surplus space at its freehold property utilised to enable us to save property rental costs elsewhere.
- Capital investment of £2.4 million was made during the year, some £0.7 million in excess of the depreciation charge, reflecting our confidence in the growth potential of Timloc, our housebuilding products business, and our Water Management business in particular. These investments meet our key investment criteria of increasing manufacturing capacity while improving efficiency and reducing cost.
- We continued to benefit from our innovation and new product development programmes. New product launches included Timloc's InvisiWeep, a virtually invisible wall weep, and the Adapt-Air system, which provides an integrated wall ventilation solution; and Gatic's launch of new generation access cover and slotdrain products.
- The factors which underlie Timloc's reputation for excellent customer service are being implemented elsewhere in the Group.

The Group had modest net debt of £5.1 million at 30 June 2019, with committed banking facilities of £20 million. The Group's legacy pension liabilities had reduced to £13.0 million at 30 June 2019, the lowest for some time.

Our previously announced plans to continue to drive efficiency and reduce fixed costs across the Group, planned to benefit the 2019/20 financial year by £2 million, are on track to be delivered.

Strategic developments

Following the acquisition of Wade, a business complementary to our Water Management Division, during the previous financial year, the Board took the decision to sell our Facades business in October 2018 to a purchaser providing a stronger strategic fit. The freehold manufacturing and warehousing facilities at St Helens were retained and are central to our plans for site rationalisation.

This move streamlined Alumasc's portfolio into three new operating divisions effective from 1 July 2019: Building Envelope, Water Management and Housebuilding Products. This in turn enables the operational team to focus on the significant cross selling opportunities that exist across Alumasc's strong client base while exploiting operational efficiencies.

Timloc's activities were successfully consolidated for the first full year onto its new site at Howden, East Yorkshire and, as highlighted above, significant investment was made in manufacturing facilities in support of its service-led housebuilding product range.

Following the acquisition of Wade, related manufacturing activities have been transferred to its freehold site from leasehold properties elsewhere, accompanied by service enhancing investment.

In addition to the commercial gains being targeted from the more integrated selling approach, the rationalisation of property usage is a significant contributor to the Group's previously announced plans to reduce total fixed costs by £2 million in the new financial year, without compromising capacity or service.

By the end of 2019/20, we will have achieved our objective of reducing the number of operational sites from ten to six, saving some £0.6 million of leased property costs in the process.

Board succession

Richard Saville, who served as a Director of The Alumasc Group for 17 years, many as Chairman of The Audit Committee, retired during the year. My colleagues and I wish to express our sincere thanks to Richard for his support and wisdom.

Two Non-executive appointments were made during the year: Stephen Beechey, an executive director of The Wates Group, and Vijay Thakrar, whose career included partnerships at Deloitte and Ernst & Young, will bring valuable new perspectives to our Board and I welcome them on your behalf.

I am delighted to announce that Gilbert Jackson and Michael Leaf, Divisional Managing Directors of our Roofing and Housebuilding Products divisions respectively, have today accepted the invitation of the Board to become Directors of the Alumasc Group. We believe that these appointments will help to accelerate the delivery of the exciting plans that exist for their businesses and will benefit our deliberations on further Group developments.

Corporate actions

During the year, the Board decided to relist Alumasc's shares on the AIM market, providing a more suitable base for the development of the business and a broader spectrum of investor interest. This was achieved on 25 June 2019.

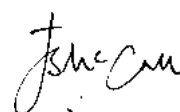
Earlier in the year, the Company's two legacy pension schemes were merged, saving duplication and cost, and enabling the desirable restructuring of operations to take place.

In addition to the physical rearrangements referred to above, a simplification of the Group's corporate structure is under way, reducing administration and aligning legal structure with our commercial organisation.

Prospects

Given the mixed forecasts for UK construction while economic and political uncertainty prevails, the Board has taken mitigating steps both in the shorter term and to ensure that Alumasc will be in a strong position to exploit future market recovery.

In these circumstances, we stay close and listen to our customers and, where we have identified opportunities to add greater value, we are revising our product ranges and investing to reinforce excellent service as our key differentiator.



John McCall
Chairman

Chief Executive's Review



“Alumasc again achieved its strategic objective of growing Group revenues faster than the UK construction market.”

Paul Hooper
Chief Executive

Financial highlights

Group performance:	2018/19	2017/18	% change
Revenue (£m)*	90.1	87.0	+4%
Underlying profit before tax (£m)*	5.6	6.0	-7%
Statutory profit before tax (£m)	3.9	5.4	-27%
Underlying earnings per share (pence)	12.4	13.4	-7%
Basic earnings per share (pence)	10.1	12.0	-16%
Dividends per share (pence)	7.35	7.35	–

Note:

Roofing & Water Management and Housebuilding Products segments:

	2018/19	2017/18	% change
Revenue (£m)	71.3	65.1	+10%
Underlying operating profit (£m)	7.7	6.6	+16%

* Revenue and profit from continuing operations, excluding the revenues and profits of Alumasc Facades prior to its disposal on 31 October 2018 and its classification as a discontinued operation. A reconciliation of underlying to statutory profit before tax is provided in note 5 to the Group financial statements.

Overview

In recent years, the Alumasc management team's strategy has been to re-position the Group to become a dedicated supplier of premium building products to the UK construction industry and to seek opportunities to grow internationally.

Review of Financial Performance:

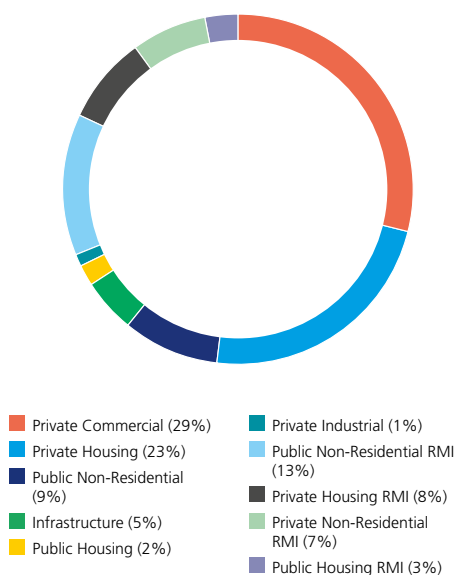
Alumasc's performance for the year was resilient against the background of a flat overall UK construction market which was impacted by the uncertain economic and political environment. The impact of this environment was reflected in a 7% reduction in activity in the UK commercial new build construction sector, which is an important end use market for the Group (see the chart opposite).

Despite this, Alumasc achieved its strategic objective of growing Group revenues faster than the UK construction market. Revenue growth was 4%. Adjusting for selling price inflation, sales volume growth was circa 2%, representing an outperformance of circa 2% against a broadly flat UK construction market.

This revenue growth did not translate into an overall improvement in profit due to operating losses incurred in our Architectural Screening, Solar Shading & Balconies division, Levolut. This division, which represents approximately 20% of Group revenues, impacted the Group's underlying profit before tax negatively by 32% and is the sole reason why the Group's overall underlying profit before tax was 7% lower than in the prior year.

Following a strategic review, a significant restructuring of this business was announced in June 2019. Further detail is set out in the Strategic Development section opposite.

End use analysis – 2018/19



Significant progress was made in the Group's core Roofing & Water Management and Housebuilding Products divisions, which represent circa 80% of Group revenues. In these divisions revenue growth of 10% was considerably ahead of the UK construction market, with underlying operating profit growth of 16% exceeding revenue growth mainly due to the effect of operational gearing. Excluding the full year benefit of the successful acquisition of Wade International in January 2018, like-for-like revenues in these divisions were ahead by 5% with underlying profits up 7%.

Strategy and performance against strategic objectives

Alumasc's strategy is to:

1. Grow revenues on average faster than UK construction market growth by building specialised positions in growth markets

In 2018/19 the Group continued its track record over recent years of growing revenues ahead of the UK construction market on average.

2. Augment UK revenue growth through the development of selected export markets

Due to the timing of larger projects and project delays, export revenues, which were circa 10% of overall Group revenues, reduced by 25% against the prior year. However, market intelligence supports our view that there is meaningful growth potential in Levolux's North American markets and for Alumasc Water Management in the Middle and Far East.

Prudent investment therefore continues to be made in local and export sales resources to realise this sales potential.

3. Grow profit at a faster rate than revenue by improving operating margins

Overall the Group's underlying operating margins reduced from 7.2% to 6.5% in the year reflecting the operating losses incurred at Levolux. In the remaining 80% of the Group operating margins improved from 10.1% to 10.7%. The Group has, in recent months, announced cost saving plans of approximately £2 million which should, other things equal, benefit operating margins in 2019/20 by around 2 percentage points.

Accelerating strategic development

Management has increased the pace at which it is executing its priorities for strategic development. These are as follows:

1. Levolux business improvement plan

The overriding strategic priority that emerged in the second half year was the necessity to return Levolux to sustainable profit as soon as possible. Following a change of management and a strategic review, the Board announced in June 2019 that the revised strategy involves a re-focus of the business to those areas where it can clearly differentiate and add most value to customers and shareholders, including developing the more profitable areas of the business, simplifying operational delivery and reducing risk. The key elements are to:

- incorporate Levolux solar shading, screening and balconies as major constituents in a new "Alumasc Building Envelope" division, providing integrated solutions for developers and specifiers seeking high quality roofing and walling systems. A new, collaborative divisional sales approach will increase Levolux's existing market reach and leverage existing strong customer relationships.
- focus on design and supply activities, as is the case in the rest of the Alumasc Group. In-house installation will only be offered where this service is particularly valuable to customers and Levolux. The expectation over time is that this will improve margin mix and enhance profit margins.

- invest in local technical sales resources to accelerate growth in the profitable Levolux business in North America. Current revenues in this market are circa £3 million pa.
- undertake a significant restructuring of the existing Levolux operational and overhead cost base, with fixed cost savings of £1 million expected in the Group's 2019/20 financial year, and further significant annualised savings in 2020/21. This will include the relocation of the business from Levolux's current two leasehold sites to Alumasc's freehold facility in St Helens. One-off restructuring costs of £2.5 million were booked in the 2018/19 financial year in connection with the above.

Alumasc continues to believe that Levolux is a business with great future potential and is one of the Group's strongest brands.

2. Develop further opportunities for specification cross selling, including the development of a "building envelope" division

In light of the strategic review of Levolux described above, we believe there is a further beneficial significant opportunity for the Group to increase sales by offering an integrated "Building Envelope" of exterior building products facilitating the integration of walling, roofing, balconies, solar shading and integrated aluminium detailing which not only provides a full external envelope solution but also mitigates both client's and contractor's risks by ensuring that the horizontal and vertical planes are detailed to remove tolerance and interfacing detail issues.

The wider well known Alumasc system brands will be brought together to provide a single source solution whilst working with clients, their agents and installers to design out construction risk along with a combined strength to provide cost savings through the avoidance of post construct legacy issues and providing certainty through build cost engineering to planned models.

The Group's management structure and specification sales teams have been re-aligned to approach the market in this way. The Group's divisional structure and segmentation of results will change in 2019/20 reports to reflect this and Alumasc's three operating divisions in future will comprise Building Envelope; Water Management; and Housebuilding Products.

Chief Executive's Review *continued*

3. Implementation of a more cost-efficient operating structure

Following the restructuring of Gatic described in our interim report and in the operational review section below, and the restructuring of Levolux described above, by the end of the 2019/20 financial year we will have achieved our previously announced objective of reducing the number of operational sites in the Group from ten to six. In doing so we will have saved circa £0.6 million per year in leased property costs through better utilisation of the Group's freehold properties.

Further, the Group has simplified both its internal legal and pensions structure. The Group's two legacy defined benefit pension schemes were merged in March 2019, which reduced the Group's pension deficit by £0.3 million and will save over £100k pa in pension scheme running costs. The pension scheme merger, in turn, enabled the combination of three of the Group's four active trading subsidiaries into one in June 2019.

Finally, as previously announced, the Group successfully completed the re-listing of its shares on the Alternative Investment Market "AIM" in June 2019.

4. Prioritising and focusing investment to drive profitable growth

Alumasc continues to invest to exploit the significant growth potential of our businesses.

Capital investment is focused on those of our businesses with greatest manufacturing activity: Timloc, our Housebuilding Products business, and our Water Management business. Over the last two years capital investment has exceeded depreciation by £2.7 million reflecting the Board's confidence in future growth potential, and the plan is to invest in excess of depreciation again in the 2019/20 financial year. Of the Group's 2018/19 capital spend of £2.4 million, some £2.1 million was focused on these businesses, with £1 million spent at Timloc on new machinery and automation to improve efficiency and reduce cost; and £0.6 million in new Gatic Slotdrain manufacturing plant and machinery following the successful relocation of manufacturing to Wade's freehold premises. Investment of over £1 million has been committed in the Water Management division to renew tooling held at strategic suppliers in the Far East to enable reduced manufacturing cost, improved efficiency, better product quality and to assist our supply partners in reducing carbon emissions.

The benefit of this investment is evident in the continued strong performance of these businesses, both in terms of revenue growth and margin improvement, and we continue to assess further projects with attractive payback characteristics.

Revenue investment in new people is focused on expanding our sales reach both in the newly formed Building Envelope division in the UK and in growing Levolux and Water Management divisional export sales.

Performance overview

(a) Continuing Operations

Revenue analysis

An analysis of the Group's year on year revenue growth from continuing operations is set out below:

% change 2018/19 versus 2017/18:	Total
Roofing & Water Management	+10%
Housebuilding Products	+9%
Sub-total	+10%
Architectural Screening, Solar Shading & Balconies	-15%
Total Group (headline)	+4%

Note:

Roofing & Water Management like-for-like*	+5%
Group like-for-like*	-

* Like-for-like information is adjusted for full year impact in 2018/19 of the acquisition of Wade in January 2018. UK like-for-like revenues excluding Wade grew by 4%.

Revenue

The table above illustrates that across the Group, except for the Architectural Screening, Shading and Balconies division (Levolux), Alumasc achieved revenue growth rates in excess of the UK construction market despite the downturn in new build commercial construction activity.

This outperformance can be attributed to the Group's strategy of investing in businesses with strong market positions in specialised growth markets, including products and systems that manage the scarce resources of water and energy in the built environment.

The revenue reduction at Levolux reflects its strong alignment with the commercial new build market sector where UK output reduced by 7% over the period, exacerbated by project delays. These were associated with ongoing economic and political uncertainties and restricted credit availability across the building

5. Improving the Group's quality of earnings and operating margins through the proactive management of our portfolio of businesses

Although the Group did not make any further acquisitions in the year under review, in the last two years through the acquisition of the Wade drainage business and divestment of the Scaffolding Products and Alumasc Facades businesses, the Group has acquired net incremental operating profits of £0.7 million for a net purchase consideration of £2.5 million. This represents a pro forma pre-tax return on investment of 28%. Whilst we continue to seek to grow the Group through bolt-on acquisitions we have no plans to make further divestments.

contracting sector in the UK. Levolux is the only business in Alumasc that installs its own products and therefore has this degree of exposure to building contracting. This model is now being changed, following the recent strategic review of the business, to retain Levolux's differentiated design offering whilst reducing margin risk.

Gross margins

Gross margins reduced from 30.9% in 2017/18 to 29.8% in 2018/19 due to lower margin realisation at Levolux, reflecting lower recovery of fixed costs due to lower than expected revenues in part due to project delays; a higher proportion of lower margin balcony and balustrading work in the period; lower margins in the Gatic brand in the first half year; and higher annualised property costs at Timloc following its relocation to a larger factory in December 2017. Gatic's margins recovered in the second half following successful selling price increases.

Net operating expenses

Net operating expenses were well controlled during the year and amounted to 23.3% of revenues compared with 23.8% in the prior year. As the cost saving actions described in this report bear fruit, we expect this ratio to decrease further in the 2019/20 financial year.

Underlying operating profit

Underlying operating profit was £5.9 million compared with £6.2 million in the previous year. The reduction was entirely attributable to Levolux, where the operating losses incurred more than offset profitable growth in the rest of the Group.

Bank interest

Bank interest costs of £0.3 million were a little higher than in the previous year (£0.2 million) due to modestly higher levels of average net debt during the year following the debt-funded acquisition of Wade for £8.0 million in January 2018, which was not fully offset by the disposal of Alumasc Facades for £4.5 million in October 2018.

Underlying profit before tax

Underlying profit before tax was £5.6 million (2017/18: £6.0 million), reflecting the reduced underlying operating profit and higher bank interest charge.

Non-underlying, non-recurring items

Non-underlying and non-recurring items (relating to continuing operations) amounted to a £4.6 million net cost in the period compared with a £0.9 million net cost in the prior year. In 2018/19, the larger items in this category were restructuring and relocation costs of £3.0 million, mainly associated with the cost reduction programmes at Levolux and Gatic; net one off pension scheme charges of £0.8 million largely relating to the UK High Court decision in October in respect of guaranteed minimum pensions equalisation; and £0.2 million in connection with the re-listing of Alumasc's shares on the AIM market. Further details are given in the Financial Review.

(b) Discontinued Operations and profit (after tax) for the year

The net after tax gain from discontinued operations, reflecting the trading profit of the Alumasc Facades business prior to its disposal in October 2018 and the gain realised on the disposal transaction itself, was £2.9 million. The post-tax operating profit generated by Alumasc Facades in the prior year was £0.4 million.

The Group's resulting overall statutory profit (after tax) for the year was £3.6 million (2017/18: £4.3 million).

Operational review

(a) Roofing & Water Management

Performance in this division benefited from the full year effect of the successful Wade acquisition in January 2018; growth in revenues in the Gatic brand driven by a number of larger projects in the UK infrastructure sector during the year; and the successful launch in the latter part of the prior year of new generation Access Cover and Slotdrain products. Wade was strongly earnings enhancing in its first full year in the Group.

The margin pressures in the Gatic brand experienced in the first half year were addressed by selling price increases in November 2018, which led to a full recovery of margin in the second half year.

Production of Gatic Slotdrain transferred successfully from leased premises in Dover to Wade's freehold premises in Halstead, Essex in June 2019. This is expected to yield circa £0.6 million of cost savings in 2019/20.

Elsewhere in the division, both Alumasc Roofing and Alumasc Water Management Solutions contributed solid performances, each matching prior year revenues. Alumasc Roofing worked hard to successfully evolve its mix of revenues towards refurbishment work from new build where commercial demand was lower in the 2018/19 financial year, reflecting market conditions.

Roofing & Water Management

2018/19 performance highlights

- Revenue: £59.9 million (2017/18: £54.6 million)
- Underlying operating profit*: £5.9 million (2017/18: £4.9 million)
- Underlying operating margin*: 9.9% (2017/18: 9.0%)
- Operating profit: £5.3 million (2017/18: £4.6 million)

* Prior to restructuring costs of £0.5 million in 2018/19, brand amortisation charges of £0.1 million in both years and Wade acquisition costs of £0.2 million in 2017/18.



Chief Executive's Review *continued*

As stated at the interim stage, a review of capacity at Alumasc Water Management Solutions concluded that with relatively modest capital spend at existing facilities there is no immediate need to relocate to a new site, saving significant capital cost relative to earlier plans.

During the year divisional sales teams were consolidated to promote more effectively our "Rain to Drain" strategy, where Alumasc offers solutions to manage and control the flow of water through buildings from the roof to the ground thereby alleviating pressure on public drainage systems and reducing risks of flash flooding from increasingly intense rainfall events. Action is also being taken to simplify product ranges across the division to reduce complexity and increase focus on the most profitable lines whilst exiting areas not making an adequate contribution.

The one-off costs of moving to a simplified divisional structure from the relocation of Slotdrain production and moving to a shared overhead structure at Wade and Gatic is the principal reason why divisional statutory operating profit was lower than underlying operating profit for the year.

(b) Architectural Screening, Solar Shading & Balconies

Following the reduction in revenues and the significant operating losses incurred in the Levolux business during the year, a major restructuring programme was announced in June 2019 to recover profitability in this business as described in the strategic development section above.

Levolux's challenging year stemmed from a combination of:

- lower commercial new build demand impacting UK architectural screening and solar shading project revenues;
- project delays, both prior to and after receipt of sales orders, that we believe reflects the impact of the uncertain economic and political environment on customer investment decisions, exacerbated by the ongoing lack of credit in the UK building contracting industry;
- increasing competition for architectural screening and solar shading in the UK; and
- margin realisation issues in our embryonic balconies business that impacted the first half year in particular.



Architectural Screening, Solar Shading & Balconies

2018/19 performance highlights

- Revenue: £18.8 million (2017/18: £22.0 million)
- Underlying operating (loss)/profit*: £(1.1) million (2017/18: £0.8 million)

- Underlying operating margin*: (5.9)% (2017/18: 3.6%)
- Operating (loss)/profit: £(3.7) million (2017/18: £0.6 million)

* Prior to restructuring costs of £2.5 million in 2018/19 and brand amortisation charges of £0.2 million in both years.

In future, Levolux will focus increasingly on design and supply work and only install where the customer recognises the value that we add from this activity and our risks can be better managed. We see significant opportunity for growth in architectural screening and solar shading in the USA, particularly California, and we intend to invest further in local sales resources to help realise this potential. We also see significant growth potential in balconies and balustrading, driven by increasing demand for apartments in the private rented sector. However, we need to do further work to prove we can execute this work at acceptable profit margins and a number of options are under evaluation to resolve this.

We believe that future demand for Levolux products more generally and conversion rates from customer enquiries to orders will both be enhanced by the business becoming part of the Building Envelope division benefiting from the integrated specification sales strategy described above and the larger combined technical sales team.

One-off restructuring costs are the main reason why the statutory operating loss for this division was higher than the underlying operating loss.



Housebuilding Products

2018/19 performance highlights

- Revenue: £11.4 million (2017/18: £10.5 million)
- Operating profit: £1.7 million (2017/18: £1.7 million)
- Operating margin: 15.2% (2017/18: 15.8%)

(c) Housebuilding Products

Timloc continues to go from strength to strength and delivered operating profit of £1.7 million, similar to the prior year, despite absorbing £0.3 million of incremental annualised property costs following the successful re-location to its new purpose built, higher capacity factory in December 2017. The payback from investment in the new factory is running ahead of initial expectations.

Once again, Timloc’s revenue growth rate of 9% comfortably exceeded UK housebuilding market growth as management expanded the product range and grew market share.

Timloc’s strong service ethos of guaranteed next working day delivery and low carriage paid order values again proved to be highly attractive to merchant and distributor customers, and this was effectively communicated by the “Trust Timloc to deliver next working day” marketing and social media campaign.

New product development, which has always been an important element of Timloc’s success, included the launch of InvisiWeep, a virtually invisible wall weep, and the Adapt-Air system which provides an integrated solution for through wall ventilation. Further new product launches are planned in 2019/20 and some currently bought-in products will be manufactured in-house to further enhance margins.

Alumasc invested over £1 million in new injection moulding machines and automation during the year and the successful execution of these capital projects by Timloc’s management team will yield cost savings in the 2019/20 financial year.

Outlook

In light of the current economic and construction sector backdrop (including Brexit uncertainties), the Board is taking a cautious view of revenue development in the 2019/20 financial year.

Notwithstanding the challenging market conditions, the actions taken to restructure those parts of the Group (particularly Levolux) that did not perform to expectation in the year under review should yield cost savings of circa £2 million in the 2019/20 financial year.

The Board believes Alumasc’s strong strategic and market positions, which underpin our established track record over many years of outperforming the UK construction market, together with:

- the formation of the Building Envelope division to drive specification cross-selling;
- the major restructuring of the Levolux business;
- focused investments in new products and manufacturing capability;
- selective investments in sales resources to grow the business both in the UK and internationally; and
- lower fixed costs and actions taken to deliver a more cost-effective operating structure across the Group

makes Alumasc well positioned to make progress in the current financial year and beyond.

Paul Hooper
Chief Executive

Key Performance Indicators

Health & Safety Performance Rate Index (PRI)

2.7

(2018: 4.3)

2019	2.7
2018	4.3

Comment/explanation

The ratio improved/reduced year on year in line with continuous improvement actions.

Definition

The PRI is a measure of days lost and other safety incidents as a proportion of total hours worked.

New Product Introductions (% of revenues)

16.6%

(2018: 14.5%)

2019	16.6
2018	14.5

Comment/explanation

Acceleration of new product development activities.

Definition

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

On Time in Full (%)

97.4%

(2018: 96.4%)

2019	97.4
2018	96.4

Comment/explanation

Management focus on service improvement initiatives.

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.

Year-end Group Order Book (£m)

£20.6m

(2018: £21.0m)

2019	20.6
2018	21.0

Comment/explanation

Reflects a lower Levolux order book as we refocus the business on its most profitable lines of business.

Group Revenues (£m)

£90.1m

(2018: £87.0m)

2019	90.1
2018	87.0

Comment/explanation

Revenue grew circa 2% ahead of the UK construction market, consistent with our strategy.

Underlying *Operating Margin (%)

6.5%

(2018: 7.2%)

2019	6.5%
2018	7.2%

Comment/explanation

Overall Group operating margins impacted by Levolux operating losses, with good progress made elsewhere.

Underlying* Profit Before Tax (£m)

£5.6m

(2018: £6.0m)

2019	5.6
2018	6.0

Comment/explanation

Operating losses at Levolux offset profitable growth in 80% of the Group during the year.

Underlying* Earnings per Share (pence)

12.4p

(2018: 13.4p)

2019	12.4
2018	13.4

Comment/explanation

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

Average Trade Working Capital (as a percentage of sales)

14.1%

(2018: 14.6%)

2019	14.1
2018	14.6

Comment/explanation

The reduction (i.e. greater working capital efficiency) reflects continuous improvement initiatives during the year.

Net Debt (£m)

£5.1m

(2018: £4.8m)

2019	5.1
2018	4.8

Comment/explanation

A broadly balanced cash flow performance for the year.

Pension Deficit (IAS 19) (£m)

£13.0m

(2018: £15.1m)

2019	13.0
2018	15.1

Comment/explanation

The pension deficit improved due to Company cash contributions during the year, more favourable mortality assumptions at 30 June 2019 and the benefit of the merger of Alumasc's pension schemes during the year.

Return on Investment (post-tax) (%)

11.4%

(2018: 14.5%)

2019	11.4
2018	14.5

Comment/explanation

ROI reduced due to the lower profit for the year on a similar average capital base.

* A reconciliation of underlying to statutory profit is provided opposite and in note 5 to the financial statements.

Financial Review



“Capital investment of £2.4 million will support future growth and enable margin improvement.”

Andrew Magson
Group Finance Director

Reconciliation of underlying to statutory profit before tax

	2018/19 £m	2017/18 £m
Underlying profit before tax	5.6	6.0
Brand amortisation	(0.2)	(0.2)
Net IAS 19 defined benefit pension scheme costs	(1.2)	(0.5)
Restructuring & relocation costs	(3.0)	(0.3)
AIM listing/prior year acquisition costs	(0.2)	(0.2)
Net gain from business disposals (pre-tax)	2.9	0.2
Gain on disposal of available-for-sale assets	–	0.4
Statutory profit before tax	3.9	5.4

Underlying profit before tax for the 2018/19 financial year of £5.6 million exceeded statutory profit before tax of £3.9 million for the reasons shown in the table above.

The reconciling items were:

- Amortisation of acquired brands of £0.2 million (2017/18: £0.2 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.

- Net IAS 19 defined benefit of pension scheme costs of £1.2 million (2017/18: £0.5 million) are also non-cash charges. These relate to the Group's legacy defined benefit pension scheme, which has been closed to future accrual for almost ten years. The value of the charge is determined by actuarial assessment. In the 2018/19 financial year, the charge to the income statement was higher than usual, due to a one-off £1.1 million increase in liabilities following a UK High Court decision in October 2018 applicable to UK defined benefit pension schemes generally and relating to guaranteed minimum pension equalisation between men and women. This was partly offset by a one-off actuarial gain of £0.3 million arising from the merger

of the Group's pension schemes during the year. The balance of the 2018/19 charge, and all the prior year's charge, represents the non-cash notional financing cost of the Group's pension deficit due to the time value of money.

- One-off restructuring and relocation costs of £3.0 million incurred in 2018/19 will enable Alumasc to reduce fixed costs by circa £2 million p.a. in the current 2019/20 financial year, as described in the Chief Executive's review. These savings will accrue mainly in the Gatic brand within the Roofing & Water Management division and at Levolux which forms our Architectural Screening, Solar Shading & Balconies division. The costs comprise redundancy costs; the costs of relocating Gatic Slotdrain production from Dover to Wade's freehold factory in Essex; the costs of relocating certain Levolux functions and operations from two leased sites to our freehold factory and offices at St. Helens; and associated write downs in the value of certain plant and machinery in the premises being vacated. The cost in the prior year related to the relocation of Timloc, our Housebuilding Products business, to a new, purpose built, leased site in East Yorkshire.

Financial Review *continued*

- AIM listing costs of £0.2 million in 2018/19 represent one-off professional fees incurred in connection with the re-listing of Alumasc's shares from the Main Market of the UK Stock Exchange to the Alternative Investment Market ("AIM") in June 2019. The acquisition costs of £0.2 million in the prior year related to professional fees incurred in connection with the acquisition of the Wade specialist drainage business.
- The net gain from business disposals comprises the gain on sale of the Alumasc Facades business on 31 October 2018, together with its operating profit from the beginning of the 2018/19 financial year to the date of disposal. The prior year comparator represents its operating profit for that financial year and the loss on sale of the Scaffolding Products business in July 2017.
- The one-off gain of £0.4 million on realisation of an available-for-sale asset in the prior year related to the disposal of the Group's legacy 20% trade investment in Amorim Isolamentos, a Portuguese cork producer.

Taxation

The Group's underlying effective tax rate was 20.4% (2017/18: 20.2%), slightly above the UK statutory rate of tax of 19% applicable to the Group's financial year due to certain costs that are disallowable for tax purposes. We expect the Group's underlying tax rate to be circa 20% in the 2019/20 financial year.

The Group's effective tax rate on statutory profit before tax was 7.4% (2017/18: 19.7%). Reconciliations from the actual to statutory rates of tax are provided in note 10 to the financial statements. The reconciling items chiefly relate to the tax treatment of the one-off items in the Group's income statement described above.

Earnings per share

Underlying earnings per share for the year was 12.4 pence (2017/18: 13.4 pence). This reduction is 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 10.1 pence (2017/18: 12.0 pence) reflected the reduction in underlying profit before tax for the year and the higher level of net one-off costs in 2018/19 relative to 2017/18 described above.

Dividends

The Board has decided to recommend to shareholders an unchanged final dividend of 4.4 pence per share (2017/18: 4.4 pence), applicable to members on the share register on 27 September and to be paid on 31 October.

This takes the total dividend for the year to 7.35 pence, again unchanged on the prior year.

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 recorded a small net cash outflow for the year of £0.3 million. This included capital investment of £2.4 million which was some £0.7 million in excess of the depreciation charge for the year. This investment was made principally in the Group's Housebuilding Products and Water Management businesses to enable future growth and support margin improvement through greater automation and efficiency.

At 30 June 2019 the Group continued to have a modest level of net debt of £5.1 million (30 June 2018: £4.8 million).

Our twelve month rolling average ratio of trade working capital as a percentage of revenue from continuing operations improved from 14.6% in 2017/18 to 14.1% in 2018/19 due to continuous improvement initiatives.

The increase of £1.2 million in working capital balances relating to continuing operations at 30 June 2019 compared with a year earlier reflected an increase in contract assets at Levolux following the implementation of IFRS 15; and the higher levels of inventories put in place to manage potential Brexit risks. The latter in turn also led to a lower level of payables at the 2019 financial year end compared with a year ago.

Statement of financial position and return on investment

The Group's net assets and shareholders' funds increased from £24.4 million at the beginning of the financial year to £25.4 million at 30 June 2019, 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 was broadly unchanged at £41.3 million at 30 June 2019 compared with £41.8 million at the beginning of the financial year. This is explained by a modest increase in the value of property, plant and equipment reflecting the investments made in the business during the year described above, offset by lower combined trade and other working capital requirements at the year end, including provisions for committed restructuring costs at Levolux. Average levels of capital invested were higher in 2018/19 than in the prior year due to the relative value and timing of the acquisition of Wade in the prior year and the divestment of Alumasc Facades in 2018/19.

Summarised Cash Flow Statement

	2018/19 £m	2017/18 £m
EBITDA*	7.4	7.6
Change in working capital	(1.2)	(1.6)
Operating cash flow	6.2	6.0
Capital expenditure	(2.4)	(3.3)
Interest	(0.2)	(0.2)
Tax	(0.6)	(0.7)
Pension deficit funding	(3.2)	(3.2)
Dividend payments	(2.6)	(2.6)
Sub total	(2.8)	(4.0)
Wade acquisition consideration	–	(8.0)
Facades / SCP business disposal proceeds/other	2.5	1.1
Net cash flow	(0.3)	(10.9)
Net debt at the year end	5.1	4.8

* EBITDA: Underlying operating profit from continuing operations before interest, tax, depreciation and amortisation.

The combination of the lower underlying profit in the year and higher average levels of capital invested led to a reduction in underlying post-tax return on investment from 14.5% in the prior year to 11.4% in 2018/19. This is still well ahead of our estimated weighted average cost of capital.

Pensions

In March 2019 the Group merged its two former defined benefit pension schemes. This will simplify and reduce the ongoing costs of scheme administration by over £100k p.a. It also enabled a simplification of the Group's legal structure and a reduction in the number of the Group's active trading subsidiaries, yielding further administrative savings.

The valuation of Alumasc's defined benefit pension scheme deficit for accounting purposes at 30 June 2019 using IAS 19 valuation conventions was £13.0 million (30 June 2018: £15.1 million).

The year on year improvement reflected the benefit of pension deficit recovery payments made by the Group during the year of £2.7 million together with more favourable mortality assumptions and benefits from the merger of the Group's two pension schemes during the year. These benefits were partly offset by less favourable market valuation assumptions, including the rate at which future liabilities are discounted to present values using bond yields and the long term inflation rate; together with the £1.1 million increase in liabilities described above relating to the UK High Court decision on guaranteed minimum pension equalisation.

The formal triennial actuarial valuation of the merged Alumasc Group Pension Scheme at 31 March 2019 and its related deficit funding plan is currently being negotiated with the Pension Trustees. This valuation uses more prudent assumptions than those required by accounting standards in calculating the deficit recognised in the Group's statement of consolidated financial position. Early indications are that the triennial value of the scheme's deficit has reduced from circa £33 million in 2016 to the low/mid £20 million range in 2019. This suggests, other things equal, the Group is on track to repay the deficit during the remaining eight years of the existing funding plan.

Banking facilities

Alumasc's banking facilities were renewed as a matter of routine during the year and comprise:

- An unsecured committed three-year revolving credit facility of £20 million, expiring in March 2022
- Overdraft facilities, repayable on demand, of £4 million.

Going concern

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 on the basis of the assumptions and relevant time horizons set out in the going concern assessment on page 60.

Introduction of new accounting standards

The Group implemented IFRSs 9 and 15 during the financial year and details of their impact are provided in notes 2 and 30.

In summary:

- IFRS 9, Financial Instruments, did not have a material impact to the Group's financial statements
- IFRS 15, Revenue Recognition, led to an on average earlier recognition of revenue and profit over time on construction contracts, as explained and disclosed in note 30.

The Group will implement IFRS 16, Leases, with effect from 1 July 2019. Disclosure of the expected impact is in note 2 to the financial statements. In essence, the Group will bring onto its statement of consolidated financial position leased property assets valued at £5 million, with a corresponding liability to pay future lease rentals. The Group's pro forma EBITDA will increase by circa £0.6 million, operating profit will increase by £0.1 million and profit before tax will reduce by circa £0.1 million, other things equal, for the 2019/20 financial year. This is because notional financing costs calculated under the accounting standard will be higher than currently reported as the Group's more material leases are closer to inception than expiry.



Andrew Magson
Group Finance Director

Principal Risks and Uncertainties

RISK MANAGEMENT EMBEDDED IN STRATEGY AND DAY-TO-DAY BUSINESS DECISION MAKING

Risks and uncertainties	Mitigating actions taken	Change
<p>Economic, construction market and Brexit risks</p> <p>Comment</p> <p>Alumasc is a UK-based Group of businesses. 90% of Group sales are made to the construction sector in the UK. This market can be cyclical in nature.</p> <p>There is relatively high economic and political uncertainty at the current time, including surrounding the outcome of the Brexit negotiations.</p>	<ul style="list-style-type: none"> 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 13). Development of added value systems and solutions that are either required by legislation, building regulation and/or specified by architects and engineers (currently almost 80% of Group revenues). 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, with hedging percentages increased in 2019 to manage potential FX volatility including that associated with Brexit. Brexit developments being monitored closely. Regular dialogue and strong relationships maintained with European customers and suppliers. Contingency planning for key residual risk areas, including increased inventory holdings of materials/products imported from the EU. 	▲
<p>Strategic people risks</p> <p>Comment</p> <p>Including recruitment, retention, succession, people development. Risk of loss of ability to innovate and improve without attracting and retaining the right people. The current UK recruitment market is tight with some skills shortages.</p>	<ul style="list-style-type: none"> Market competitive remuneration/incentive arrangements. Employee numbers and changes monitored in monthly subsidiary Board meetings. Key, high performing and high potential employees identified, monitored, coached and developed. Training and development programmes. Increasing focus of Board and Executive Committee in managing this area, supported by Human Resource professionals. 	▲
<p>Product/service differentiation relative to competition not developed or maintained</p> <p>Comment</p> <p>Innovation and an entrepreneurial spirit is encouraged in all Group companies. Over 16% of Group revenues relate to products launched in the last three years.</p>	<ul style="list-style-type: none"> Alumasc operates a devolved operating model with local management primarily 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 (see page 18). Regular monitoring of the market for potentially new and/or disruptive technologies. 	◀▶
<p>Strategic development and change projects – execution risks</p> <p>Comment</p> <p>There are execution risks around a number of current strategic change projects, including the Levolux and Gatic restructuring programmes; export development, business simplification projects, forthcoming factory moves and various ERP and CRM system implementations.</p>	<ul style="list-style-type: none"> Close Group Board involvement in the Levolux and Gatic restructuring and export development strategy. Key strategic change projects are managed by Operating Unit Boards and Steering committees, supported by independent specialist consultants where necessary, for example IT and property. Key milestone plans, project risk reviews and detailed project plans updated and maintained regularly. Use of proven, reliable software solutions and avoidance of bespoke wherever possible, with 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. 	▲
<p>Loss of key customers</p> <p>Comment</p> <p>Generally the Group has a good track record of customer retention and has a diversified customer base.</p>	<ul style="list-style-type: none"> 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. 	◀▶

Key for change since last year



Increase



Decrease



No change

Risks and uncertainties	Mitigating actions taken	Change
<p>Legacy defined benefit pension obligations – valuation and funding risks</p> <p>Comment</p> <p><i>Alumasc's pension obligations are material relative to its market capitalisation and shareholders' funds.</i></p>	<ul style="list-style-type: none"> Continue to grow the business so the relative affordability of pension deficit contributions is improved over time. The pension deficit reduced during 2018/19. 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. 	
<p>Supply chain risks</p> <p>Comment</p> <p><i>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.</i></p> <p><i>International supply chain risks are increasing through increased tariffs/duties, Brexit risks in Europe and potential closure of foundries in China for environmental reasons.</i></p>	<ul style="list-style-type: none"> 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. Tooling investment programme to support supply chain efficiency, including management of environmental risks. 	
<p>Business continuity risks</p> <p>Comment</p> <p><i>The Group has not previously experienced any significant loss of operational capability causing business continuity issues.</i></p> <p><i>Cyber security risks are increasing globally.</i></p>	<ul style="list-style-type: none"> Business continuity plans in place at each business, or being evolved, where we are relocating operations. Work is ongoing to refine these plans and, where possible, test them. 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. 	
<p>Product warranty/recall risks</p> <p>Comment</p> <p><i>The Group does not have a history of significant warranty claims or product recall.</i></p>	<ul style="list-style-type: none"> 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. Levolution and Blackdown). 	
<p>Health and safety risks</p> <p>Comment</p> <p><i>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.</i></p>	<ul style="list-style-type: none"> Health and safety is the number one priority of management and the first Board agenda item. Health and safety KPIs measured, reported and reviewed monthly, including the Performance Rate Index (see page 18). 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, with external consultancy support as needed. 	
<p>Credit risk</p> <p>Comment</p> <p><i>The Group has good recent record in managing credit risks.</i></p>	<ul style="list-style-type: none"> Most credit risks are insured, including all contracting credit risk. 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. 	

Corporate Social Responsibility

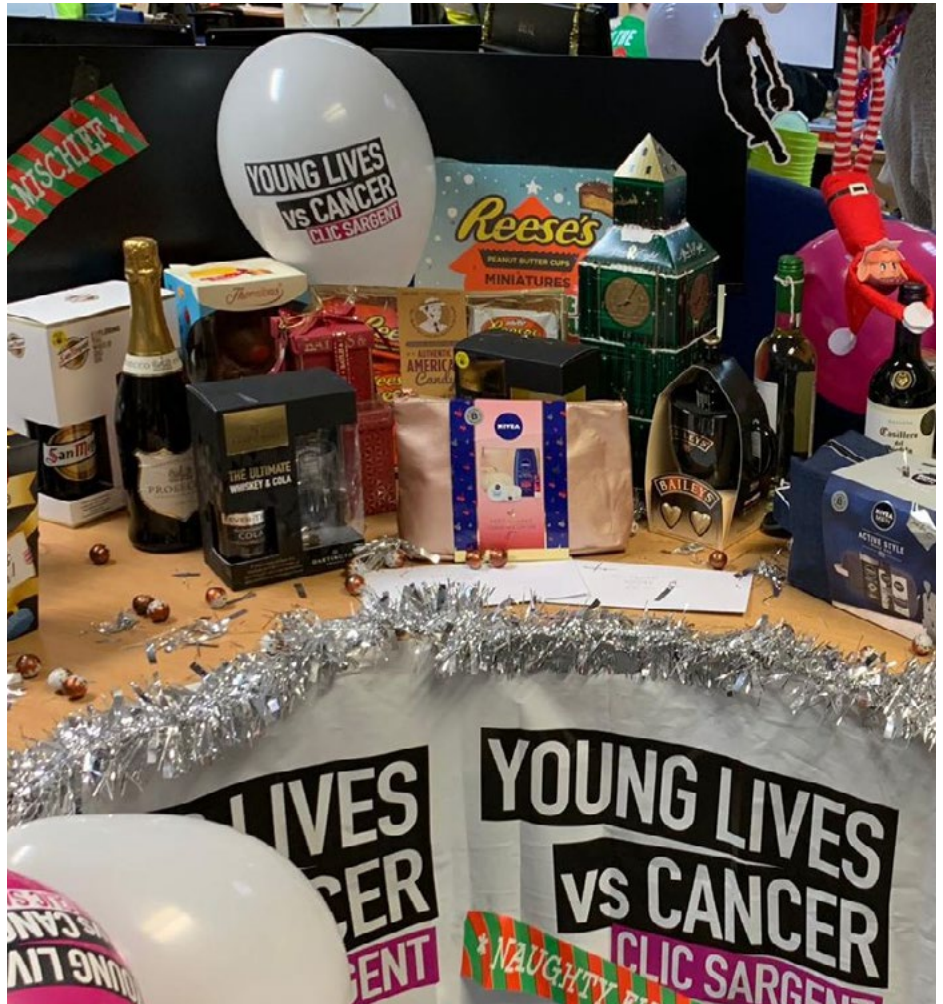
Health & Safety

Health & Safety is Alumasc's number one priority, and this is reflected in how we run and manage our business. There is a clear Group policy on Health & Safety, and it remains the first agenda item for Group and divisional Board meetings. Achieving an embedded health and safety culture and zero-harm approach is a focus for every employee; both management and staff.

The Group holds regular health and safety best practice days and other types of training including courses for supervisors. Operating businesses and sites have Health & Safety Committees. External consultants conduct regular Health & Safety audits. Action plans from Health & Safety audits are monitored by management and progress reviewed at Board meetings. All Alumasc Group locations improved upon already high scoring audit results in 2018/19 and we have a focus on following best practices.

Near miss reporting has remained at the same high level of the prior year. In addition, the number of days lost in the workplace relating to accidents reduced by 37%.

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 2.7 (2018: 4.3). The improvement in Health & Safety performance over the last year is consistent with the long-term trend, due to focus and continuous improvement by both management and employees. Health & Safety initiatives include robust risk assessments and we work continuously to ensure that improvements are implemented.



Fundraising for charities

As part of a fundraiser for CLIC Sargent Alumasc Water Management Solutions held a raffle and raised £500.

Money raised

£500



Supporting our community

We support our local community, by providing use of our car park for a day nursery and on other occasions by Burton Park Wanderers FC and for Kettering Town FC.





Supporting our community

As part of our programme of supporting our Community, Wade were part of "Halstead in Bloom" and were sponsors of the programme.

Supporting our community

Alumasc supports local community initiatives and a number of charitable donations have been made throughout the year by the Group, following fundraising activities. We also help our local football and rugby clubs in Burton Latimer. In particular, we support our local community, football clubs and a day nursery by allowing them use of our car park for key events. Alumasc also supports the British Legion Poppy Appeal. In addition, Rainclear held a Cup Cake Bake-off for the Alzheimer's Society and raised £60.

Diversity

Alumasc 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, ethnicity, gender and sexual orientation. Employees with disabilities are afforded equality of opportunity in respect of entering and continuing employment with us. The Group aims to provide training opportunities that are identical, as far as possible, for disabled and non-disabled employees. 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. We recognise the benefits of encouraging diversity throughout the business and believe that this will contribute to our continued success.

Role	Male	Female	Total
Non-executive Director	5	0	5
Executive Director	2	0	2
Senior Managers	39	7	46
Employees	339	120	459
	385	127	512

We are committed to promoting diversity and equal opportunities from recruitment, employment and career progression to learning and development. We recognise the benefit of calling on the widest range of experience knowledge and skills.

Employee helpline

We do have a confidential employee assistance helpline that is available free to all staff. We publicise the telephone number on our notice boards and make staff aware of this service. The helpline has been obtained from a supplier that operates 24/7. Counselling and wellbeing services can be accessed via an app.

Employees are informed of changes in the business and general financial and economic factors influencing the Group, through briefing sessions and presentations. We are always looking at ways to improve communications to motivate employees. Alumasc values the views of its employees and consults with them about matters that affect them and the business. Some sites issue quarterly internal newsletters with Company updates, community/charitable events and employee related news.

Helping our employees

We have helped our non-UK employees at Timloc where 25% of employees are EU nationals, with their applications to settle in the UK by explaining how to use the app. Tutorials and hand-outs were provided in Timloc to help EU employees register when they have "settled", or non-UK "pre-settled", status. The aim being that all employees at Timloc will have settled or pre-settled status by 31 October 2019.

Environmental and sustainability matters

Alumasc recognises its responsibility to protect the environment. As a business we are focused on using materials that can be re-used, especially metals. The Group seeks to improve its environmental footprint by looking at new more energy efficient technologies and by reducing emissions. Our strategy of focusing on building products activities and divesting our former Engineering and Industrial Products businesses over recent years has significantly reduced the Group's impact on the environment, (see the CO₂ emissions chart on page 27). During the year we have approved investments with some of our overseas suppliers to move to more environmentally-friendly methods of casting to help protect the environment.

Most of Alumasc's businesses are focused on providing effective solutions to enhance sustainability in the built environment. Alumasc has established leading positions in water management, through brands such as Alumasc Water Management Solutions, Wade, Gatic, Alumasc Roofing and Rainclear; and energy management through Levelux.

Corporate Social Responsibility *continued*

Packaging and recycling

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. Alumasc used the services of Valpack to help the business comply with the requirements of the packaging waste regulations and to ensure that our submissions are as accurate as possible. During the year Alumasc reduced its obligated tonnage due to the sale of the Facades business and better business processes including increased accuracy of reporting.

Our environmental audits are certified by external consultants. These audits are part of our internal programme to maintain our ISO14001:2015 Environmental Management accreditation in several of our businesses.



Fundraising for charities

Events at Rainclear included a Cup Cake Bake-off for the Alzheimer's Society, that raised £60 and they also took part in the #GreatSconeBake for the National Trust (even though there was a stocktake)!

Money raised

£60

Greenhouse gas ("GHG") emissions data

Carbon Footprint Limited work with the Alumasc Group to help us monitor and report our GHG emissions and to help us improve our energy efficiency. The Group aims to reduce carbon emissions year-on-year. Reductions in our emissions have resulted from:

- The Group invested over £1 million in new factory machinery at Timloc and as a result had significantly reduced energy consumption as detailed in the chart opposite marked (a);
- The Group has a particularly low energy usage at Wade International. The factory at Wade has roof-top solar panels generating power for its manufacturing operations and any surplus electricity generated being sold back to the national grid.

The table opposite marked (b) demonstrates the Group's reduced emissions.

The graph opposite marked (c) demonstrates the Group's continuing reduction in emissions.

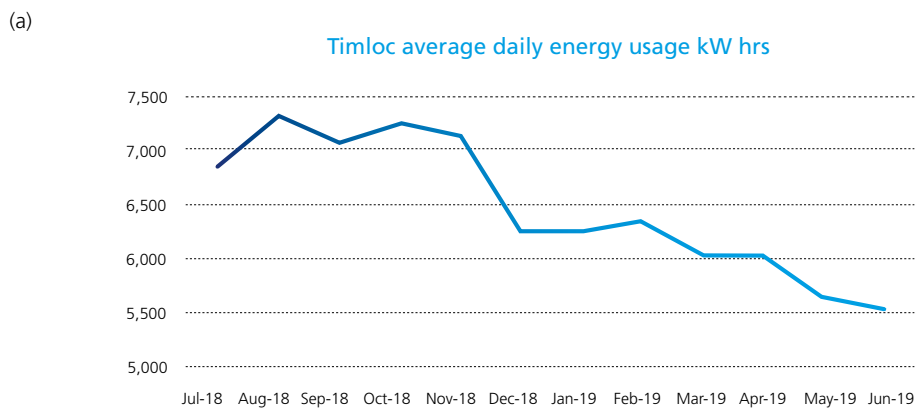
Group companies are continually reviewing energy consumption and considering new technologies to deliver on-going reductions in emissions.

Human Rights and Modern Slavery Act 2015

Alumasc treats people fairly and we are honest and straightforward in all our business relationships. We have established long-term relationships built on trust and reliability.

Following the enactment of the Modern Slavery Act 2015, Alumasc introduced a 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. The Group expects its suppliers and those in the supply chain, where possible, to confirm that all suppliers have the same policies. The latest Modern Slavery Statement and previous disclosures are available at www.alumasc.co.uk.

The Group has policies on equal employment rights, Business Ethics, Anti-Bribery and Corruption, Equality and Diversity, and Whistleblowing. Additionally, the Group has other policies, including Health & Safety and Share Dealing. Key policies can be found on our website at www.alumasc.co.uk.

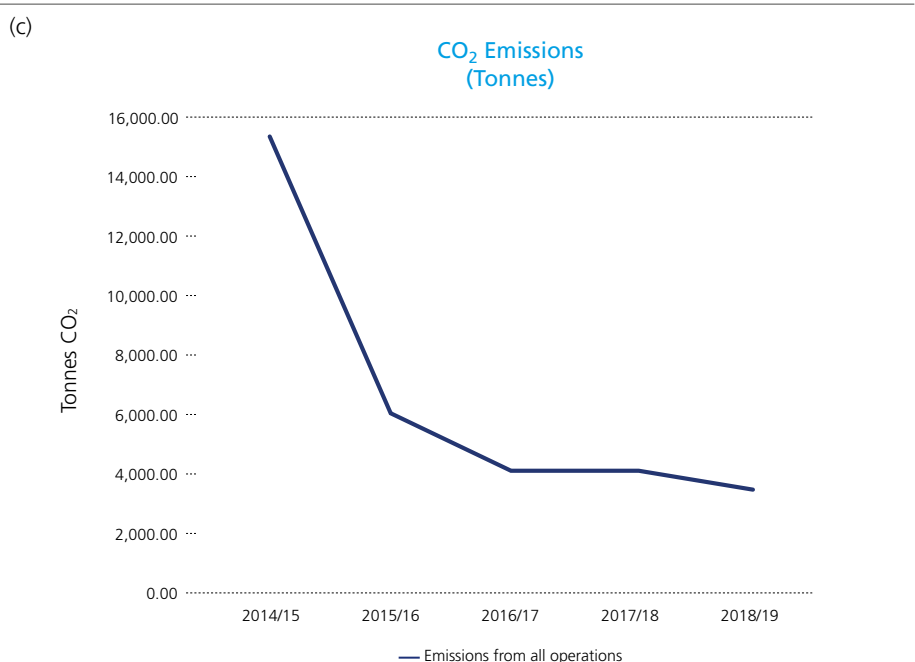


(b)

	Tonnes of CO ₂ e	
	2017/18	2018/19
Total Group Emissions		
Scope 1	1,827	1,615
Scope 2	1,652	1,282
Scope 3	574	586
Total (scopes 1 & 2 only)	3,480	2,897
Total (scopes 1, 2 & 3)	4,054	3,484

Scope 1 & 2 emissions normalised to per employee (tCO ₂ e)	6.2	5.6
Scope 1 & 2 emissions normalised to per £million turnover (kgCO ₂ e)	34.4	32.0

Total tCO ₂ e	Total tCO ₂ e/employee	Total kgCO ₂ e/turnover (£m)
3,484	5.6	32.0



Board of Directors

COMMITTED AND EXPERIENCED LEADERSHIP

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.



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.



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.

Registered Office

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www.alumasc.co.uk
info@alumasc.co.uk
Registered No: 1767387

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Auditors
BDO LLP
Two Snowhill
Birmingham B4 6GA

Investment Bankers
DC Advisory Partners
5 King William Street
London EC4N 7DA

Bankers
HSBC Bank plc
4th Floor
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Barclays Bank PLC
Ashton House
497 Silbury Boulevard
Milton Keynes MK9 2LD

Solicitors
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Birmingham B4 6AT

Pinsent Masons LLP
3 Colmore Circus
Birmingham B4 6BH

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

NOMAD
finnCap
60 New Broad Street
London
EC2M 1JJ

Non-executive Directors



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. David became a founding partner of Kinetix Critchleys Corporate Finance LLP in 2010, which provides corporate finance advice to the clean technology and environmental sustainability sectors. David is also chairman of Xeros Technology Group plc.



Vijay Thakrar
BSc, FCA
Non-executive Director

Appointed: 2019
Experience: Vijay is a qualified accountant who was a partner at Ernst & Young and Deloitte. In 2012, he became a non-executive director of the Quoted Companies Alliance (QCA). He stepped down from the QCA Board in 2018, having completed two terms of three years. He is also a non-executive director and Audit Committee Chair of Quorn Foods, Walker Greenbank PLC, and the MK Dons Football Club Sports & Education Trust. He is a member of the Audit and Remuneration Committees.



Stephen Beechey
BSc, MA, MRICS, MCIQB, MAPM
Non-executive Director

Appointed: 2019
Experience: Stephen has worked in the construction industry for over 30 years and he has a broad understanding of all aspects of the business. He is also an executive director of the Wates Group, one of the largest privately-owned construction, development and property services companies in the UK, where he sits on the Group Executive Committee and the Construction Group Board.

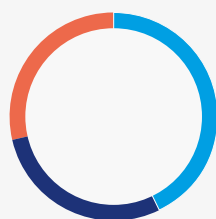


Helen Ashton BA, FCIS
Group Company Secretary

The Board

At Alumasc we have a strong and experienced Board, bringing a wealth of skills and knowledge to the Company.

Board tenure



- >15 Years: 3
- 5-15 Years: 2
- <5 Years: 2

Committees:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Chair of Committee

Corporate Governance Statement

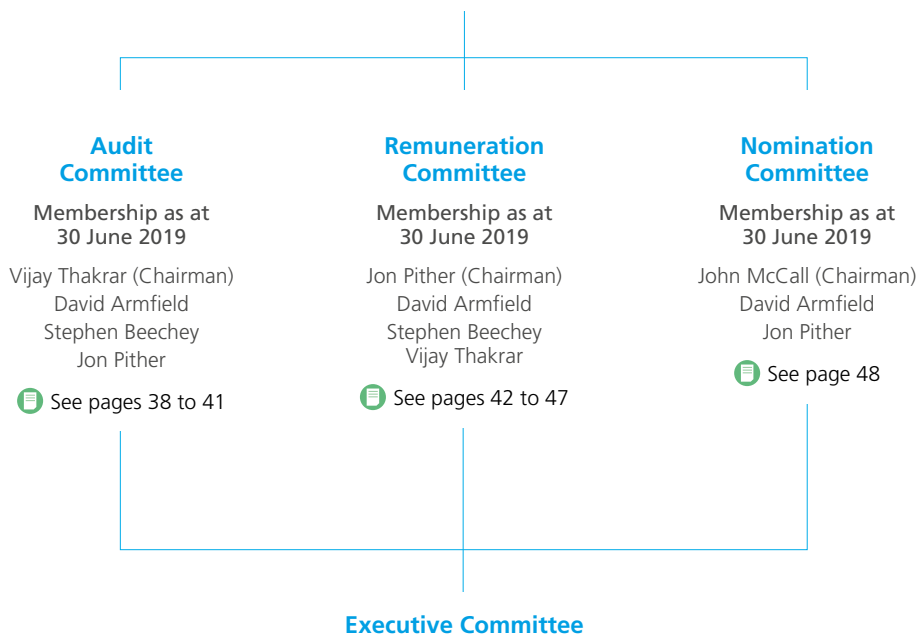


“The Directors of The Alumasc Group plc are committed to maintaining and developing high standards of corporate governance.”

John McCall
Chairman

The Alumasc Group plc Board of Directors

(Biographical details can be found on pages 28 and 29)




On the relisting on the Alternative Investment Market (AIM) the Board adopted the QCA Corporate Governance Code 2018 (the QCA Code) with immediate effect on 25 June 2019. Given this has been a transitional year the Company complied with the UK Corporate Governance Code (the Code) that can be found at www.frc.org.uk until re-listing. The Company has therefore had a high level of Corporate Governance and will provide updates on Compliance with the QCA Code in this and future annual reports. Further information on our Corporate Governance can also be found on our website: www.alumasc.co.uk.

Director Induction

On appointment to the Board, Mr Stephen Beechey and Mr Vijay Thakrar were provided with:

- A background briefing on key issues by the Chairman
- Access to induction materials and information
- Contacts and meetings arranged to visit Alumasc’s sites
- Access to the Group Company Secretary
- A tailored induction appropriate to their position

Deliver growth	
<p>Principle 1:</p> <p><i>Establish a strategy and business model which promotes long-term value for shareholders</i></p>	<p>Within certain parameters, the Executive Committee led by the Chief Executive Officer and the Group Finance Director is responsible for recommending the strategy of the Group to the Board. The strategic focus of the Group also reflects and takes into account views of key stakeholders; its shareholders, employees, members of its pensions schemes, customers, suppliers and bankers. The Board reviews and discusses the recommendations and ideas of management and must approve the strategy before it can be implemented. The Executive Committee and the management teams of the Group's divisions are then responsible for the implementation of the strategic plans and the management of the business on an operational and day-to-day basis.</p> <p>Our business model is to build specialised positions in growth markets and manage these positions to optimise opportunities to achieve success in the form of satisfied customers, motivated employees, sustainable growth, superior financial returns and long-term value creation. We aim as a business to extract the maximum value from our product sales, through efficient manufacture where this is managed in house or through our outsourced suppliers. We also look to protect our designs and products through patents and trademarks. Our products are then sold in the UK market place via a range of distribution channels.</p> <p> Our business model and strategy can be found in this Annual Report on pages 2 to 27.</p>
<p>Principle 2:</p> <p><i>Seek to understand and meet Shareholder needs and expectations</i></p>	<p>Alumasc has regular dialogue with existing and potential investors. Meetings are organised at least twice a year providing management with a forum to explain the business and our opportunities to investors. It is also useful to receive feedback from investors and analysts on our business as a way to gather information and ideas to help drive the business forward.</p> <p>Dialogue with shareholders</p> <p>There are regular dialogues 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 have the opportunity to meet with the Non-executive Directors from time to time.</p> <p>Shareholders have direct access to the Group via its website where material of interest is displayed. Additionally, the Group responds to individual enquiries from shareholders on a wide range of issues.</p> <p>Use of General Meetings</p> <p>The Annual General Meeting (AGM) also provides an opportunity for shareholders to meet with the Chairman and Committee Chairs and Directors and to ask questions. The Board is available at the AGM to answer questions. In addition, comments or questions from proxy voting services are considered and reviewed. At our AGM there is an opportunity for shareholders to attend or to appoint a proxy on their behalf.</p>

Corporate Governance Statement *continued*

Deliver growth *continued*

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Alumasc engages with employees through works forums and written updates to understand employee matters and points of view and this in turn helps us to make more informed business decisions. Alumasc takes its corporate and social responsibilities seriously. The strategy of a large part of the business includes focusing on managing the scarce resources of water and energy in the built environment. We also seek effective relationships with customers, suppliers and employees. Being in touch and having engagement with our stakeholders helps us drive change and reflect and act on these requirements. For example, at Wade the manufacturing process for a component was changed to remove plastic waste and we have worked with customers to provide bespoke drainage solutions that enhance architectural designs.

Health & Safety

Alumasc places the highest priority on Health & Safety matters. There is a Group policy to this effect, and it remains the first agenda item for all subsidiary and plc Board meetings. It is considered that embedding a health and safety culture is the responsibility of both management and all employees.

Our key responsibility is to keep all people we interact with safe from harm. Alumasc and its subsidiaries comply with Health & Safety legislation, and we have active involvement of all staff with continuous improvement.

 Further information about Health & Safety can be found on pages 18, 23 and 24.

People

Communication with employees can be through various methods from Company meetings and conferences to other forms of written and electronic communication; this also includes site visits from senior management and Directors.

In addition to Health & Safety, technical and compliance training we have courses for Supervisors and Managers.

Diversity

As a Group, we are committed to promoting diversity and providing equal opportunity to all areas including (but not limited to) recruitment, employment and career progression. The Group is an equal opportunities employer.

The environment

The majority of our products help to manage scarce resources of energy and water in the built environment. We primarily sell manufacturing products made of metal and other materials that can be re-used.

This year we have invested in plant, equipment tooling and new technology, both internally and externally. Many of the materials used in our products can be recycled.

Culture

Our culture of trust is promoted, and all our employees are expected to operate in an honest and ethical manner. We look to have relationships of trust with our customers and with our programme of cross-selling products for the building envelope.

Customers


We are very customer focused and aim to work with customers to ensure we provide market leading products and services to meet their requirements. Alumasc seeks to innovate where possible to provide solutions for customers. We do seek to provide excellent service and we appreciate loyalty as good relationships are part of our long-term success. We also aim to provide outstanding customer service.


Suppliers

Alumasc's suppliers are critical to help deliver long-term success. We have long-term relationships with our suppliers as we need to have assurance about the timeliness, quality and the reliable delivery of materials and products. As part of our supply chain our suppliers need to have aligned values, and in example support our statement on Modern Slavery and our Anti-Bribery Policy. In addition, we work with our suppliers to ensure that we respect the environment, and this year have made significant commitments to ensure that the methods of manufacture used reduce particulates and are environmentally friendly.

Communities

We seek to be close to the Communities where we operate and to be supportive neighbours. Operating divisions are connected with events in their local area and we seek to support local good causes. For example, we have supported charity fundraising events and we support community sports teams.

 Further information on the support we provide is in the Corporate Social Responsibility Report on pages 24 to 27.

Deliver growth <i>continued</i>	
<p>Principle 4:</p> <p><i>Embed effective risk management considering both opportunities and threats throughout the organisation</i></p>	<p>Our Group objective is to maximise long-term shareholder value. As part of this, the Directors recognise that creating value is the reward for taking business risks. The Board's policy on risk management encompasses all significant business risks to the Group, including; strategic, commercial, financial, operational and Health & Safety risks, which could undermine the achievement of business objectives. The Board sees the discussion of principal risks as critical for our business.</p>
	<p>Monitoring risks</p> <p>Regular monitoring of risk and control processes, across headline risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to management and the Board. In addition, we also run regular Health & Safety assessments and reviews. Our risk assessment and reporting criteria are designed to provide the Board with a consistent, Group-wide perspective of the key risks. Regular reports to the Board include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.</p>
	<p>Role of the Board</p> <p>The Board has overall responsibility for the Group's approach to risk management. It has delegated some responsibility in respect of financial controls to the Audit Committee. Any new and material risks identified by management are communicated promptly to the Chairman and the Board.</p>
	<p>Controls</p> <p>The Board is responsible for, and ensures that, the Company's business activities comply with key standards policies such as the Data Protection, Anti-Bribery, Whistleblower and Share Dealing Policies and other policies. Key messages are delivered by staff training. There is a delegated authorities matrix in place for approval levels across the business and each trading division is aware of matters and powers that are reserved for Board approval.</p> <p> A summary of the principal risks and uncertainties facing Alumasc, together with mitigating actions, are set out on pages 22 to 23.</p>

Maintain a dynamic management framework	
<p>Principle 5:</p> <p><i>Maintain the Board as a well-functioning, balanced team lead by the Chair</i></p>	<p>Board composition</p> <p>The Board consists of a Chairman, Chief Executive, Group Finance Director and four Non-executive Directors, three of which are independent. The Non-executive Directors who are not considered independent are Mr John McCall and Mr Jon Pither however, their depth of knowledge and experience of Alumasc is of exceptional value to the Board. During the year Stephen Beechey was appointed on 1 January 2019 and Mr Vijay Thakrar was appointed on 15 January 2019.</p> <p>There is a clear separation of roles between the Chairman and the Chief Executive Officer. The Chairman takes responsibility for the running of the Board; no individual or group dominates the Board's decision-making and the Chairman ensures that the Non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters and also chairs the Nomination Committee.</p> <p>The Chairman approves the Board agenda, in addition, the Directors are provided with regular, timely information on the financial performance of the divisions within the Group, and on the business. The Chairman facilitates the meetings and ensures there is time for each Director to contribute and that no one individual dominates a meeting. Directors contribute their independent judgement and experience to challenge and explore all matters, whether strategic or operational. In addition, the Board is provided with Health & Safety reports, management reports and data and analysis.</p> <p>The Chief Executive Officer has responsibility for implementing the strategy of the Board and for managing the day-to-day business activities. The Company Secretary is responsible for ensuring that Board procedures are followed together with all applicable rules and regulations.</p> <p>All Non-executive Directors have confirmed and demonstrated that they have adequate time available to meet the requirements of the role.</p>

Corporate Governance Statement *continued*

Maintain a dynamic management framework *continued*

Principle 5 *continued*: Board Committees

The Board has delegated authority to the Audit, Remuneration and Nomination Committees to support the work of the Board in the performance of its duties. Terms of reference for each Committee are available on our website www.alumasc.co.uk. The Board believes that the members of those Committees have the appropriate skills and knowledge to carry out their functions.

a) Audit Committee

- Information about the composition of the Audit Committee and its activities during the year is given in the Audit Committee Report on pages 38 to 41.

b) Remuneration Committee

- The composition of the Remuneration Committee and its activities during the year is provided in the Directors' Remuneration Report on pages 42 to 47.

c) Nominations Committee

- The composition of the Nomination Committee and its activities during the year is provided on page 48.

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 Non-executive Directors who were appointed during the year, Mr Stephen Beechey and Mr Vijay Thakrar are required to offer themselves for election at the forthcoming AGM. The Directors required to retire are those who have served 3 years since their previous re-election or where appointed during the year. Accordingly Mr Stephen Beechey and Mr Vijay Thakrar are standing for election and Mr Paul Hooper, Mr Jon Pither and Mr John McCall are standing for re-election.

- Profiles of the Board members appear on pages 28 and 29 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 decisions, including 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. The full Schedule of Matters Reserved for the Board is on the Group's website www.alumasc.co.uk.

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.

Maintain a dynamic management framework *continued*

Principle 5 continued:

Board Committees continued

Scheduled Board and Committee meeting attendance

Directors	Position	Board (Attended/ eligible to attend)	Audit Committee (Attended/ eligible to attend)	Remuneration Committee (Attended/ eligible to attend)	Nomination Committee (Attended/ eligible to attend)
J S McCall	Chairman	7/7	2 [†]	N/A	2/2
J P Pither	Deputy Chairman	7/7	3/3	2/2	2/2
D Armfield	Non-executive Director	6/7 ¹	3/3	2/2	2/2
S Beechey	Non-executive Director	4/4 ²	2/2	1/1	1 [†]
V Thakrar	Non-executive Director	2/4 ³	2/2	1/1	1 [†]
R Saville	Non-executive Director	2/3 ⁴	1/1	1/1	1/1 ⁴
G P Hooper	Chief Executive	7/7	3 [†]	N/A	N/A
A Magson	Group Finance Director	7/7	3 [†]	N/A	N/A

¹ D Armfield was unable to attend one meeting due to an unexpected clash of meetings.

² S Beechey was appointed to the Board on 1 January 2019.

³ V Thakrar was appointed to the Board on 15 January 2019 and was unable to attend two meetings due to prior commitments made before his appointment to the Board.

⁴ R Saville retired from the Board on 15 January 2019.

[†] Attended as invitees of the Committee meetings.

On the 25 April 2019 Mr S Beechey and Mr V Thakrar were appointed to the Remuneration Committee. In addition Mr Beechey was appointed to the Audit Committee on the same day. Mr V Thakrar was appointed as Chairman of the Audit Committee on 15 January 2012.

For those Directors unable to attend a meeting, they were able to feedback any comments they had on the papers to the Chair.

Principle 6:

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Chairman, with the Nomination Committee and the Company Secretary, reviews the knowledge and experience on the Board to ensure that the Board has the right balance to support Alumasc's strategy.


When considering appointing new Non-executive Directors to the Board the Nomination Committee considers relevant matters including the experience and skills needed together with the diversity of its composition. During the year, Alumasc has refreshed its Board with the appointment of two new Non-executive Directors and it keeps its membership under regular review.

The Board considers that the Directors bring a senior and significant level of judgement and experience that are important for the evaluation of the operations, (including key appointments) and standards of conduct. All Directors are given access to the Group's operations and personnel as and when required.

The Board ensures that the Directors' knowledge of Alumasc and its business is kept up-to-date and refreshed. Site visits are also arranged for Non-executive Directors as needed.

The Directors received briefings from the NOMAD and from other advisors as needed to enable them to fulfil their duties (for example, the auditors). The Company Secretary is available to discuss corporate governance matters.

Directors may seek advice from the Company Secretary as required about their duties, or from the Company's legal advisors if needed.

 The Director's biographies are available in this report on pages 28 to 29 and on our website (<https://www.alumasc.co.uk/investors/board-directors>). These indicate the high level and range of professional and business experience which enables the Group to be managed effectively.

Role of the Chairman

The main role of the Chairman is to oversee the Board and the Company's Governance Structures. He is also responsible for ensuring that the Company maintains an appropriate level of dialogue with its shareholders.

Chief Executive Officer

The role of the Chief Executive Officer is to oversee the day-to-day running of the business and the operational management of the Group's businesses.

Corporate Governance Statement *continued*

Maintain a dynamic management framework *continued*

Principle 7:

Evaluate Board performance based on clear and relevant objectives seeking continuous improvement

An evaluation of the performance and effectiveness of the Board, its Committees and individual Directors was carried out during the year. The outline for the evaluation complied with the QCA Code. The Company conducts an annual performance review of the Board using one-to-one interviews with Board members in line with the QCA Code: the results of the interviews are then discussed with the Board.

Overall Board composition is reviewed annually by the Chairman and the Nominations Committee to determine whether any changes should be recommended. Two new independent Non-executive Directors have been appointed since 1 January 2019 with one Non-executive Director retiring during the same period. A new Company Secretary was appointed in November 2018.

The areas discussed related to strategy, succession planning, risk and employee management and development.

The review concluded that the Alumasc Board was effective and it comprised experienced individuals. Recommendations made were considered and acted on, including considering the appointment of additional Directors.

Principle 8:

Promote corporate culture that is based on ethical values and behaviours

Our Chairman Chief Executive Officer and Group Finance Director lead on corporate culture and encourage the values of trust, honesty and integrity. The Board understands that employee engagement underpins our business and helps us drive for success. We also seek to ensure we have the best levels of Health & Safety standards in order to protect employees. Employees are required to deal ethically with customers and suppliers. A number of our businesses have employee forums for matters to be raised.

Alumasc Group employees are asked to maintain appropriate behaviours and to have a strong compliance with Health & Safety regulations. The Group has policies that govern its activities in respect of Modern Slavery, Anti-Bribery, Whistleblowing, Data Protection and reviews compliance with these policies. Alumasc has a series of requirements for its suppliers and these are reviewed from time to time by internal procurement professionals.

Any matters of concern can also be raised to the Chairman or to the Chair of our Audit Committee, as appropriate.

Principle 9:

Maintain Governance structures and processes that are fit for purpose and support good decision-making by the Board


The Board meets seven times per year in accordance with its calendar of scheduled meetings. Before each Board meeting an agenda is prepared and circulated with appropriate information received by the Directors in advance.

The Board is responsible for the long-term success of the Company; there is a formal schedule of matters reserved for the Board and this includes discussions on strategy. In addition, the Board considers budgets, annual and interim results, dividend policies, contract approval, large Capital Expenditure requests, acquisitions and senior appointments.

The Chairman and Board of Directors support good corporate governance to ensure that they build a successful and sustainable business that is beneficial and successful for all our stakeholders.

The Chief Executive Officer and Group Finance Director have responsibility for the operational day-to-day management of Alumasc's business and activity. The Non-executive Directors bring outside experience and independent judgement to decision-making at the Board. The Chairman has responsibility for the Board and for corporate governance matters. The Company Secretary is responsible for ensuring that Board procedures are followed together with all applicable rules and regulations.

The Board is responsible for the overall governance of the Company. Its responsibilities include setting the strategic direction of the Company, providing leadership to put the strategy into action and to supervise the management of the business.

 The Board is supported by the Audit, Remuneration and Nomination Committees. The reports for these Committees can be found on pages 38 to 48. The terms of reference for the Committees are on our website www.alumasc.co.uk.

Maintain a dynamic management framework *continued*

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The business sets a high priority on maintaining good communications with its stakeholders to ensure that the Alumasc Group's processes and procedures are clear and understood. On our website (www.alumasc.co.uk) the "Investors" section is regularly updated. We communicate with our shareholders through; the Annual Report, the half-year announcements, the AGM, roadshows/meetings with Investors and at analysts' briefings. The Chairs of Committees attend our AGM and are available for questions at the meeting.

The Board also pays attention to the voting recommendations provided by third party proxy voting services, as well as the voting outcomes of specific resolutions with a view to determining whether any further action is required.

The Company maintains a dedicated email address for use by current or potential investors, alumasc@camarco.co.uk. After the AGM the Company announces the results of the voting including details of the proxy votes cast or received. In addition, information is available on the investor section of our website.

The Board also receives information on the views of shareholders from its Brokers and NOMAD. Feedback from analysts, other advisors and investors are also reviewed, and discussions held to enable alignment between the way in which the Group is led and shareholder views.

Audit Committee Report

STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE



“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.”

Vijay Thakrar
Chairman of the Audit Committee

Audit Committee membership

The members of the Committee are as follows:

- Vijay Thakrar (Chairman)
- Jon Pither
- David Armfield
- Stephen Beechey

The Group Chairman, Chief Executive, Group Finance Director, Group Financial Controller and the external auditors usually attend the meetings of the Committee. The Committee met three times in the year, all of which were attended by the external auditors, and a record of the meeting attendance by Committee members is set out in the table to the right. After each Audit Committee meeting that the auditors attend, the Committee meets the external auditors without members of the management team being present.

Dear Shareholders,

I am pleased to present the Audit Committee’s report for the year ended 30 June 2019. This is my first report since succeeding Richard Saville as Chairman of the Committee in January 2019. I would like, on behalf of the Committee, to place on record our gratitude for Richard’s contribution to the leadership of this Committee over many years and for the wise counsel he provided to the Board.

Meeting Attendance

Members	Attended/ eligible to attend
Vijay Thakrar ² (Chairman)	2/2
David Armfield	3/3
Stephen Beechey ²	2/2
Jon Pither	3/3
Richard Saville ¹	1/1

¹ Richard Saville retired on 15 January 2019.

² Vijay Thakrar and Stephen Beechey were appointed 15 January 2019.

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 judgements 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 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 2018/19 Financial Year

The main activities of the Committee during the year were:

- overseeing the tender process for the Group's external audit, and making recommendations to the Board with regard to the choice of the Group's external auditors, described further below;
- reviewing the interim and full year results announcements and financial statements, with particular focus on the key estimates and judgements 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 judgement, and the basis on which the auditor assesses materiality;
- considering the effectiveness of the external audit and the independence of the auditors;
- review of the methodology, impact and disclosures in the financial statements relating to the introduction of IFRS 15, Revenue Recognition and IFRS 9, Financial Instruments, during the 2018/19 financial year; and preparations and the transitional disclosures in this year's financial statements relating to the introduction of IFRS 16, Leases, which became effective on 1 July 2019 and will apply to the Group's 2019/20 financial year; and
- 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.

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, judgement 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 recognition

Revenue recognition received particular focus this financial year in view of the introduction of the new accounting standard governing this, IFRS 15. The most complex area of the application of IFRS 15 to the Group related to construction projects carried out in the Solar Shading, Architectural Screening and Balconies division, which has bespoke construction projects with performance obligations that can span more than one accounting period. This leads to the application of judgement in the recognition of revenue and profit over time, including estimation of the percentage of contract completion and estimates of costs to complete the work, as described in the accounting policy note on page 65. Having reviewed these judgements taken at the year end with management and the external auditors, the Committee was satisfied with management's judgements for the level of revenue and profit recognised on construction projects for the financial year.

(ii) Defined benefit pension schemes' valuation

As described in the risk review on pages 22 and 23, 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 (such as estimating the impact of the UK High Court decision during the year on guaranteed minimum pensions equalisation) 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 estimated valuation of the Group's pension obligations that is consistent with IAS 19's valuation methodology.

Audit Committee Report *continued*

(iii) Accuracy and valuation of inventory

All of the Group's businesses carry significant 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 judgements as to 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 judgements on valuation are reviewed by the Executive Directors in monthly meetings with operating company management and in associated Board reports. Internal audit has particular focus on checking the accuracy of the inventory records through attendance at stock counts and reviewing the application of judgements 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.

(iv) Classification of non-underlying/discontinued

Given the importance of understanding the underlying performance of the Group's ongoing activities, the Committee scrutinised management's classification of items regarded as non-underlying/discontinued in the year. These items were also discussed with the external auditors who have confirmed that management's classification are appropriate and in line with market practice. Accordingly, the Committee is satisfied that the classifications adopted in these financial statements are reasonable in providing a view of the performance of the Group's underlying operations.

Appointment of BDO LLP ("BDO") as the Group's external auditors

In November 2018, following completion of ten years of service by KPMG LLP ("KPMG") as the Group's external auditors, and in accordance with current regulations and best practice, the Committee led a tender process for the future appointment of the Group's external auditors. KPMG and three other firms were invited to participate in this process. The principal criteria by which the tendering firms were assessed were:

- the quality and robustness of the proposed audit process and approach, as evidenced by presentations to the Committee and information gathered as part of the tender process, together with independent information in the public domain on the track record of the tendering firms with regard to audit quality;
- the degree of alignment between the tendering audit firms and Alumasc with regard to understanding of the business, past experience of auditing building products, construction and manufacturing companies, the identification of key audit risks and the proposed approach to auditing those risks;
- the quality of leadership of the audit team and key audit team members and the degree of challenge to management that the audit team would bring;
- the perceived ability for the auditors to add value to Alumasc as part of the audit through their observations of the business and making recommendations for improvement; and
- the efficiency and value for money of the audit relative to the scope of work required.

The conclusion of the audit tender process was a recommendation from the Committee to the Board to appoint BDO as the Group's auditors for the 2018/19 financial year onwards. The Board debated and accepted this recommendation. The Committee would like to thank KPMG for their ten years of service as the Group's auditors and the professionalism with which they approached the tender process and handover to BDO.

Assessment of the effectiveness of external audit

The Committee assessed the performance of BDO both through formal Committee meetings, BDO's reports to the Committee and more informal interaction throughout the year. The Committee also received 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 BDO's first external audit of Alumasc was robust and effective.

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.

As described above, the Group changed its external auditors during the year from KPMG to BDO. 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 and following their appointment as auditors BDO did not carry out any non-audit work. Prior to their appointment as auditors to Alumasc, BDO had acted as the auditors to the Group's defined benefit pension schemes. BDO resigned as auditors to the Group's defined benefit pension schemes on their appointment as the Group's auditors in January 2019.

BDO 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 is satisfied with the independence of the external auditor.

Appointment and re-appointment of the external auditor

As described above, the audit for Alumasc's financial year ended 30 June 2019 was BDO's first following their appointment in January 2019. As this appointment was made by the Board after the Group's AGM in October 2018, resolutions are being put to the AGM to be held in October 2019 both to confirm BDO's initial appointment and to recommend their re-appointment for the 2019/20 financial year.

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 22 and 23. 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, quarterly 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 22 and 23. 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. The Committee has requested future work to be focused on high risk areas that could have a material business or financial impact.

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 Anti-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 Anti-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 60 and recommends to the Board the adoption of the going concern basis of accounting.


Vijay Thakrar

Chairman of the Audit Committee

Directors' Remuneration Report

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE



“The Group needs to ensure that its pay and reward arrangements are competitive, but also reflect its performance.”

Jon Pither

Chairman of The Remuneration Committee

Dear Shareholder,

I am pleased to present the Report of the Remuneration Committee for the year ended 30 June 2019. The business has adopted a similar approach to last year to ensure that shareholder interests and the corporate strategy are aligned with the approach to reward. We aim to attract and retain talented individuals who will drive the business forward.

As an AIM listed entity, the Company is not required to apply the full Listing Rules of the Financial Conduct Authority or the requirements under SI 2008/410 schedule 8 and hence is not required to present a report on remuneration in accordance with those rules. However, the Board considers it appropriate for the Company to provide shareholders with information in respect of executive remuneration that follow the "spirit" of the Regulations given previous disclosures before the Company joined AIM.

The Remuneration Committee (the Committee) considered the overall performance of the Group and has sought to align reward with performance in a challenging pre-Brexit environment, where business has been cautious. The Group needs to ensure that its pay and reward arrangements are competitive, but also reflect its circumstances and performance.

Performance for the year ending 30 June 2019

The financial and operating performance for the Group in 2019 is set out on pages 56 to 87. The Group's performance achieved an underlying profit before tax of £5.6 million and an underlying earnings per share of 12.4 pence.

Key decisions

During the year there were two meetings of the Committee and the following topics were discussed:

- review of base salaries of the Group Executive Directors, members of the Executive Committee and Group employees more generally;
- a review and discussion about the objectives set for Executive Directors and performance against bonus objectives;
- the performance criteria for the current "long-term" incentive plans ("LTIP") and the executive share option scheme "ESOS" for the current year;
- decision on the award of 2019 LTIPs

Meeting Attendance

Members	Attended/ eligible to attend
Jon Pither (Chairman)	2/2
David Armfield	2/2
Richard Saville ¹	1/1
Stephen Beechey ²	1/1
Vijay Thakrar ²	1/1

¹ Richard Saville retired on 15 January 2019.

² Stephen Beechey and Vijay Thakrar were appointed as members of the Remuneration Committee on 25 April 2019.

I would like to welcome Stephen Beechey and Vijay Thakrar who both joined the Committee on 25 April 2019. During the year Richard Saville resigned as a Director and member of the Committee and I would like to thank him for support and help over the years.

No significant changes are proposed to our executive remuneration arrangements. The Directors' salaries were increased by 2.5% at the end of June 2019 and this was in line with the general increase awarded to the wider workforce.

Annual Report on Remuneration

The following sections show how the remuneration policy approved in 2017 was applied in the year ending 30 June 2019 and will be applied in the next financial year. Information provided on pages 42 to 47 of the Directors' Remuneration Report is subject to audit.

Single total figure of remuneration

The remuneration of the Non-executive Directors for the years 2018/19 and 2017/18 was as follows:

Director	Base salaries/fees		Benefits in kind		Single figure of total remuneration	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
John McCall	100	100	4	4	104	104
Jon Pither	40	40	–	–	40	40
Richard Saville ¹	30	40	–	–	30 ²	40
Philip Gwyn ³	0	35	–	–	0	35
David Armfield	35	35	–	–	35	35
Stephen Beechey ⁴	18	–	–	–	18	–
Vijay Thakrar ⁵	18	–	–	–	18	–
Total	241	250	4	4	245	254

1 Richard Saville retired on 15 January 2019.

2 The sum of £10,000 was paid to Richard Saville in respect of fees for the handover and this was included in the fees paid.

3 Philip Gwyn retired 30 June 2018.

4 Stephen Beechey was appointed on 1 January 2019.

5 Vijay Thakrar was appointed on 15 January 2019.

The Non-executive Directors' fees were not reviewed in 2018/19 financial year and no changes were proposed.

Information on Directors' service contracts can be found on our website: www.alumasc.co.uk

The remuneration of the Executive Directors for the years 2018/19 and 2017/18 is as follows:

Director	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	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Paul Hooper	265	265	10	–	17	16	51	51	–	–	343	332
Andrew Magson	186	186	10	–	14	13	27	27	–	–	237	226
Total	451	451	20	–	31	29	78	78	–	–	580	558

For the financial year ending 30 June 2019 the minimum level at which the annual bonus would become payable was set at underlying profit before tax ("PBT") of £8.4 million. See page 47: £10,000 bonus paid in respect of Facades Sale.

Benefits

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.

2016 LTIP

The 2016 LTIPs have a vesting date of 22 September 2019.

The performance metrics used for the 2016 LTIP award, with a performance period for the three financial years ending 30 June 2019, which was set to incentivise significant further growth in the Group's underlying EPS compared with the 2015/16 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 14.5 pence from continuing operations of at least the growth in RPI plus 2.5% pa over a three-year performance period needed to be achieved. Below this threshold level no LTIP award will vest. Above the threshold level two thirds of the remaining 75% of the award will vest based on EPS growth above the threshold level and one third based on the realised TSR performance. The Group's basic EPS for the 2018/19 year was 12.0 pence per share, therefore the award lapsed and no shares have vested.

Directors' Remuneration Report *continued*

Pensions

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. The amounts paid were set at the 2016 level.

Payments in compensation to past directors, for loss of office

A payment was made to Richard Saville of £10,000 in recognition of handover work (2017/18:£nil). No payments in relation to loss of office were made during the year (2018: £nil).

Scheme interests awarded during the year

LTIP awards were granted in on 26 October 2018 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	149,081	£194,551	25%	3 years
Andrew Magson	2008 LTIP	50% of base salary	69,997	£90,996	25%	3 years

[†] Based on share price of 130.5 pence on the day of grant.

The performance measures for these awards over the three-year period will be benchmarked against the 2017/18 basic EPS from continuing operations in that year of 14.4 pence per share.

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

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

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

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 2019	At 30 June 2018
John McCall	4,359,668	4,359,668
Jon Pither	318,986	298,986
Paul Hooper	519,534	460,478
Andrew Magson	133,379	133,926
Richard Saville ¹	N/A	83,000
David Armfield	69,400	69,400
Stephen Beechey ²	—	—
Vijay Thakrar ³	10,000	—

¹ Richard Saville retired on 15 January 2019.

² Stephen Beechey was appointed on 1 January 2019.

³ Vijay Thakrar was appointed on 15 January 2019.

* The Directors' shareholdings are beneficial with the exception of 434,000 shares (2018: 434,000) in which Mr. McCall has a non-beneficial holding.

At the year end the Employee Benefit Trust, established to hold shares in relation to the ESOS and the LTIP, held 369,245 ordinary shares. The market value of the shares held in trust as at 30 June 2019 was £348,936.525 (94.5 pence per share).

Long Term Incentive Plans

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

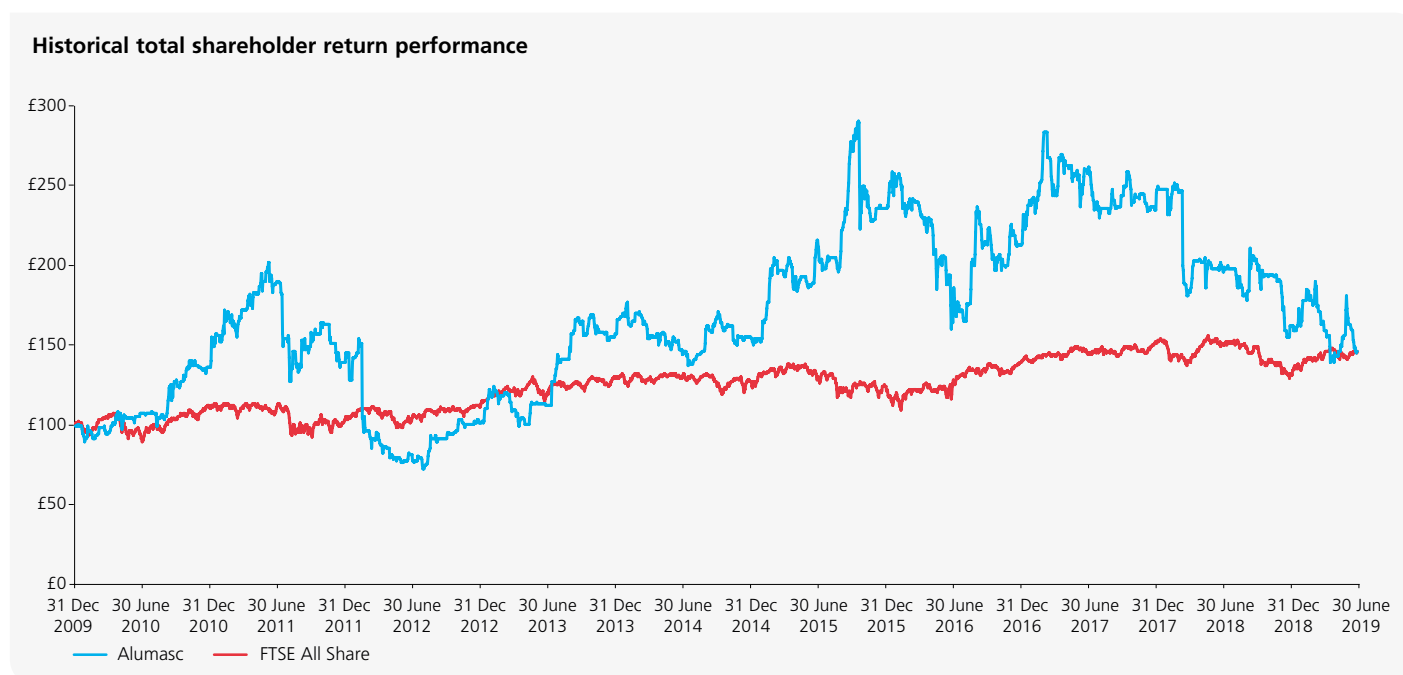
	Date of award	Market price at award date*	Earliest exercise date	Interest as at 1 July 2018	vested in year	exercised in year	were granted in year	of which lapsed in year	Interest as at 30 June 2019
Paul Hooper									
	Dec 2015	177.5p	Dec 2018	99,734	–	–	–	99,734	–
	Sept 2016 ¹	157.5p	Sept 2019	122,510	–	–	–	122,510	–
	Oct 2017	173.5p	Oct 2020	115,425	–	–	–	–	115,425
	Oct 2018	130.5p	Oct 2021	–	–	–	149,081	–	149,081
Total 2008 Plan				337,669	–	–	149,081	222,244	264,506
Andrew Magson									
	Dec 2015	177.5p	Dec 2018	46,808	–	–	–	46,808	–
	Sept 2016 ¹	157.5p	Sept 2019	57,521	–	–	–	57,521	–
	Oct 2017	173.5p	Oct 2020	54,194	–	–	–	–	54,194
	Oct 2018	130.5p	Oct 2020	–	–	–	69,997	–	69,997
Total 2008 Plan				158,523	–	–	69,997	104,329	124,191

¹ Lapsed due to failure to meet performance criteria.

* 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

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



The graph shows the total shareholder return on a hypothetical holding of shares in the Company compared with the FTSE All Share Index.

Directors' Remuneration Report *continued*

Chief Executive Remuneration

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

Year	Chief Executive single figure of total remuneration £000	Annual Bonus pay-out against maximum opportunity %†	Long-term incentive vesting against maximum opportunity %
2018/19	343	3.8%	0%
2017/18	332	0%	0%
2016/17	510	22%	72%*
2015/16	493	20%	50%
2014/15	633	71%	50%

* 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

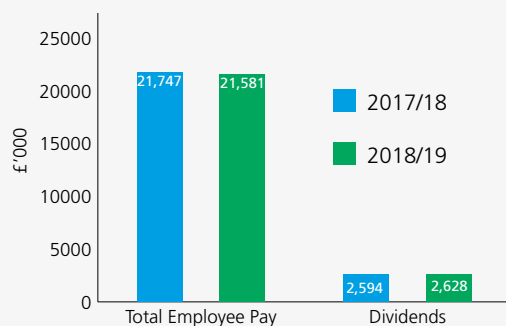
The table below shows the percentage change in remuneration between the years ended 30 June 2018 and 30 June 2019 for the CEO and all Group employees.

	CEO	Employees
Salary	0.0%	0.6%
Benefits and bonus	68.75%	-12.2%
Total	4.0%	-0.4%

Relative importance of spend on pay

	Total employee pay £000	Dividends £000
2017/18	21,747	2,594
2018/19	21,581	2,628

Relative importance of spend on pay



Statement of implementation of Remuneration Policy in 2019/20

The following sections show how the Remuneration Policy will be applied in 2019/20.

Base salary

The Chief Executive and the Group Finance Director base salaries have been increased by 2.5% in line with the general workforce for the 2019/20 financial 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.

The Chairman and Non-executive Directors have letters of appointment and details of their terms can be seen in the Appendix to Schedule 1 published on our website.

Bonus

For 2019/20 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. A bonus on the sale of the Facades business will be £10,000 (already paid) plus an amount based upon the delivery of the earn-out. The Board considers that these targets are commercially sensitive and therefore full details will not be disclosed until the 2019/2020 report.

Long Term Incentive Plan

It is intended that awards under the 2018 LTIP will be made in October 2019 in the same quantum as the prior year as outlined on page 45.

The performance metrics in the 2019 LTIP are stretching to incentivise an increase in profitability.

The minimum Underlying Profit Before Tax (UPBT) of £7 million (being an underlying EPS of 14.4p) was set as base level of performance for 2018/2019 (25% of the award).

If the threshold performance above is achieved, then the remaining 75% of the award is met by:

Basic EPS growth (65% 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 (10% 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 voting at general meeting

At the 2018 AGM the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes cast	% of votes cast
For	15,723,445	99.8
Against	35,854	0.2
Total votes cast (for and against)	15,759,299	100
Votes withheld*	17,636	n/a
Total votes cast (including withheld votes)	15,776,935	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 on 5 September 2019.



Jon Pither

Chairman of the Remuneration Committee

Nomination Committee Report

STATEMENT FROM THE CHAIRMAN OF THE NOMINATION COMMITTEE



“The Nomination Committee has considered the composition of the Board and succession plans for senior management.”

John McCall
Chairman of the Nomination Committee

Meeting Attendance

Members	Attended/ eligible to attend
Mr J McCall	2/2
Mr J Pither	2/2
Mr Richard Saville ¹	1/1
Mr David Armfield ²	2/2

¹ Mr Richard Saville resigned from the Board on 15 January 2019.

² Mr David Armfield was appointed to the Committee on 25 April 2019

In addition, Mr Stephen Beechey and Mr Vijay Thakrar were invited as attendees to the Committee Meeting in June 2019.

Key Responsibilities of the Committee

- Review the size and composition (including knowledge and experience) required for the Board.
- To consider succession planning for Directors and other senior executives.
- Identify and review candidates to fill Board vacancies.
- Review the time required from the Non-executive Directors.

A copy of the terms of reference of the Nomination Committee is available on our website at www.alumasc.co.uk/investors/corporate-governance/

I am pleased to present the Report of the Nomination Committee (the Committee). The Committee held two scheduled meetings during the year to consider the search process for new independent Non-executive Directors. The Committee also recommended the appointments of Mr Stephen Beechey and then Mr Vijay Thakrar to the Board and as Chairman of the Audit Committee. Both bring additional skills and experience to the Board.

In addition, the Nomination Committee has considered the composition of the Board and succession plans for senior management. In accordance with the Committee's terms of reference it will continue to keep under review succession planning for senior management. The Committee continually reviews the leadership of the Group and ensures that it is structured to meet the changing business environment.

The Committee is continuing its succession planning, reviewing Board composition and the development of senior management and will, if appropriate, make recommendations to the Board.

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 2019.

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 2019 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 pages 104 and 105. The Strategic report can be found on pages 2 to 27.

Corporate governance statement

Certain information needs 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 30 to 37 and is incorporated into the Directors' report by reference.

Management report

For the purposes of compliance with Accounts regulations Schedule 7 para 1A, 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, David Armfield, Richard Saville, Vijay Thakrar and Stephen Beechey. During the year Stephen Beechey was appointed on 1 January 2019 and Vijay Thakrar was appointed on 15 January 2019. Richard Saville resigned on 15 January 2019.

The biographies of the Directors can be found on pages 28 to 29.

Summaries of the Directors' service agreements can be found on our website at www.alumasc.co.uk.

Directors' & Officers' Insurance

The Company maintains a Directors' & Officers' Insurance Policy for the Directors and the Company Secretary.

Dividend

The Directors are recommending a final dividend of 4.4 pence per ordinary share (2017/18: 4.4 pence) which will, if approved at the AGM, be paid on 31 October 2019 to shareholders on the register at the close of business on 27 September 2019, that, together with the interim dividend, makes a total of 7.35 pence for the year (2017/18: 7.35 pence).

The Company operates a dividend re-investment plan; details 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 Additional Shareholder Information section on page 104.

Companies Act s.172

The Directors are aware of the requirements of s.172 of the Companies Act 2006 and take these into account when fulfilling their duties to promote the long-term success of the Group. For example, the Company has recently committed to investment in its supply chain for tooling China. The Board also considered both the long-term supply chain requirements and the impact of the Company's operations on the community, whilst supporting our suppliers to modernise manufacturing techniques and helping to protect the environment.

The interests of the Company's employees are considered as part of decision-making on matters such as Health & Safety, communications and succession discussions.

The impact of decisions made by the Board has due regard to the interests of the employees and effort is made to ensure that employee's interests as a whole are protected.

In addition, as new products are introduced the business considers relationships with both customers and suppliers.

Alumasc's focus on Health & Safety is an example of the Company's high standards and its protection of these and its reputation. The Board considers this as the first items of business at every Board meeting in the year. The standards of business conduct were reviewed at the annual review of the Modern Slavery Statement together with the application of Alumasc policies in the supply chain (s.172 (e) CA 2006).

Further information about how the Company considers its obligations under s.172 of the Companies Act are discussed in the Corporate Social Responsibility Report on page 24.

Re-listing on AIM

A General Meeting was held on 25 April 2019, where the Company's shareholders passed a special resolution to de-list from the Stock Exchange main market and to re-list on AIM of the London Stock Exchange. Following approval of the resolution, the Company de-listed from the main market and re-listed its shares on AIM at 8.00am on 25 June 2019.

Employees

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 2019 can be found on page 25.

Employees are kept informed of changes in the business and general financial and economic factors influencing the Group, 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.

Directors' Report *continued*

In the Corporate Governance and CSR report there are disclosures on how the Company provides information to employees, and how their views are taken into account in decision-making. It also provides information about the sharing of strategic aims (see page 25).

Group Greenhouse Gas emissions

Information about the Group's Greenhouse Gas emissions is provided in the Corporate Social Responsibility Report on pages 26 and 27.

Political donations

No political donations were made during the year by the Company and its subsidiaries to any EU or non-EU political party, political organisation or EU independent election candidate (2017/18: £nil).

Research and development

The Group continues to devote effort and resources to the research and development of new products and solutions. Research and development expenditure during the year totalled £0.2 million (2017/18: £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.

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
Articles of Association	108	Additional information for shareholders
Directors' interests	42 to 47	Directors' Remuneration Report
Long term incentive plans	45 and 47	Directors' Remuneration Report
Financial risk management	80	Note 20 and the significant accounting policies sections, Financial Statements
Future developments	2 to 27	Strategic report ¹
Health & Safety and employee related policies	24	Strategic report: Corporate & Social Responsibility Report ¹
Major shareholdings	109	Additional information for shareholders
Movements in share capital	84	Note 24 to the Financial statements
Purchase of own shares	108	Additional information for shareholders
Share capital – structure, voting, restrictions and other rights	104	Additional information for shareholders and in Note 23 to the Financial statements

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.

Auditor

Following an audit tender process, details of which are given in the Audit Committee's report, BDO LLP was appointed as auditor by the Directors during the year. A formal resolution, that BDO LLP be re-appointed as auditor, together with a resolution that the Directors be authorised to approve their fees will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting (AGM)

The notice convening the AGM, to be held on 24 October 2019 at 10.00am at Station Road, Burton Latimer, Kettering, Northamptonshire NN15 5JP is included within this document on pages 108 to 112 together with an explanation of the business to be conducted at the meeting.

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.

The Directors' Report was approved by the Board on 5 September 2019.

On behalf of the Board



Helen Ashton

Group Company Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Group and parent company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

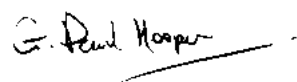
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

Opinion

We have audited the financial statements of The Alumasc Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise Consolidated statement of comprehensive income, Consolidated and Parent Company statement of financial position, Consolidated and Parent Company statement of cash flows and Consolidated and Parent Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the Key audit matter in the audit
<p>Recognition of revenue and attributable profit (or losses) on contracts Refer to the accounting policies and significant judgments and estimates (note 2) and notes 3,17 and 30.</p> <p>During the year ended 30 June 2019 the Group adopted IFRS 15 Revenue from Contracts with Customers for the first time using the cumulative effect method as set out in note 2 and note 30. The adoption of the new standard introduced the concept of recognising revenue over time based on an input methodology in the Levolux component for the first time for its long term contracts.</p> <p>The interpretation and application of this new standard involved a significant level of management judgment which gave rise to a significant risk of material misstatement. The adoption of the input methodology within this standard required management to accurately record both the costs to date on a project as well as the total forecast costs and overall project margin to determine the revenue to be recognised.</p> <p>The potential outcomes for contracts can have an individual or collectively material impact on the financial statements, whether through error or management bias.</p>	<p>We obtained a breakdown of Levolux contracts making up revenue in the year.</p> <p>From the breakdown we selected contracts for testing based on criteria that we considered increased the risk of material misstatement in the revenue recognised on the contract.</p> <p>This included contracts that were significant to the Group or that had unusually high or low margins.</p> <p>For each contract selected we obtained a copy of the contract documentation and via the audit testing listed below, critically assessed and challenged the recognition of revenue from a review of whether performance obligations were fulfilled as follows:</p> <ul style="list-style-type: none"> • We reconciled the revenue recognised in the year to the contracts. • We tested a sample of incurred cost to date to third party evidence and confirmed completeness of costs through substantiating a sample of supplier balances at the year end to supplier statements. • We met with contract managers and enquired on current progress on open contracts and final account negotiations on completed contracts substantiating explanations to supporting correspondence. • We confirmed the expected entries in the financial statements in respect of revenue, cost of sales and contract assets/liabilities was accurate. <p>We assessed the ability of management to accurately forecast contract cost outcomes by reviewing contract outturns against costs forecast historically.</p> <p>We also audited the judgments surrounding the implementation of IFRS 15 including the following:</p> <ul style="list-style-type: none"> • Reviewed management's impact assessment of IFRS 15 in light of our knowledge of the business, from a review of a selection of contracts in the previous year to understand the terms and checked that the Group policies have been appropriately updated to comply with the standard. • Recalculated the IFRS 15 transition adjustment in relation to the change to an input cost basis for revenue recognition for a sample of contracts at 1 July 2018 to check that revenue was recognised appropriately and the transition adjustment was accurate. <p>Nothing has come to our attention through our audit testing to suggest that revenue is materially misstated.</p>
<p>Valuation of defined benefit obligation Refer to the accounting policies and significant judgments and estimates (note 2) and notes 12, 21.</p> <p>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. Due to significant estimates management appointed an independent actuary to assist.</p>	<p>We benchmarked the key assumptions used by management in the Group's valuation of the defined benefit pension obligation through engagement with an independent auditor expert actuary. This included assessing the key assumptions against those used in other comparable schemes and comparing those assumptions with externally derived market data.</p> <p>We substantiated the valuation of the pension scheme assets to third party documentation and membership information to supporting evidence.</p> <p>We considered adequacy of the Group's disclosures of the assumptions and the sensitivities of the defined benefit pension obligation to changes in these assumptions.</p> <p>Nothing has come to our attention through our audit testing to suggest that pension liabilities are materially misstated.</p>

Independent Auditor's Report *continued*

Our application of materiality

Materiality

The magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures. We determined materiality for the Group to be £300,000 determined with reference to a benchmark of group profit before tax normalised to exclude any gains or losses on disposal of subsidiaries, restructuring costs, AIM re-listing costs and non-underlying pension costs as disclosed in note 5, averaged over the last three years due to fluctuations in the construction market, of £6.1 million, of which it represents 4.9%.

Performance materiality is the application of materiality to the individual accounts or balances and is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £225,000 for the Group and £169,000 for the Parent Company which represents 75% of the above materiality levels.

We determined materiality in respect of the audit of the parent company to be £225,000 using a benchmark of 2% of total assets, restricted to 75% of Group materiality. The Group team used component materiality ranging from £39,000 to £225,000 having regard to the mix of size and risk profile of the Group across the components.

Reporting threshold

An amount below which identified misstatements are not reported.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £15,000, which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated all uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographical areas which the Group operates, the accounting processes, systems and controls and the industry in which the Group operates. Of the Group's nine reporting components our planned audit approach was to subject seven to full scope audits for Group purposes and two to specific risk-focussed procedures over revenue, trade receivables and stock or analytical review procedures all conducted by the Group engagement 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 in accordance with the Group audit approach.

The work over these full scope components above gave us coverage of 95% of revenue, 82% of the profit for the year and 91% of total assets and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham

5 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	Year to 30 June 2019			Year to 30 June 2018 (restated)*		
		Underlying £000	Non- underlying £000	Total £000	Underlying £000	Non- underlying £000	Total £000
Continuing operations:							
Revenue	3, 4	90,104	–	90,104	87,048	–	87,048
Cost of sales		(63,255)	–	(63,255)	(60,101)	–	(60,101)
Gross profit		26,849	–	26,849	26,947	–	26,947
Net operating expenses							
Net operating expenses before non-underlying items		(20,984)	–	(20,984)	(20,723)	–	(20,723)
IAS 19 past service pension cost & settlement gain	5	–	(787)	(787)	–	–	–
Other non-underlying items	5	–	(3,439)	(3,439)	–	(588)	(588)
Net operating expenses		(20,984)	(4,226)	(25,210)	(20,723)	(588)	(21,311)
Operating profit	4, 5	5,865	(4,226)	1,639	6,224	(588)	5,636
Finance expenses	9	(281)	(373)	(654)	(212)	(494)	(706)
Profit before taxation		5,584	(4,599)	985	6,012	(1,082)	4,930
Tax expense	10	(1,139)	883	(256)	(1,214)	247	(967)
Profit for the period from continuing operations		4,445	(3,716)	729	4,798	(835)	3,963
Discontinued operations:							
Profit after taxation for the period from discontinued operations	6	–	2,912	2,912	–	354	354
Profit for the period		4,445	(804)	3,641	4,798	(481)	4,317
Other comprehensive income:							
Items that will not be recycled to profit or loss:							
Actuarial gain on defined benefit pensions, net of tax				123			2,280
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				263			(220)
Exchange differences on retranslation of foreign operations				4			2
				267			(218)
Other comprehensive gain for the period, net of tax				390			2,062
Total comprehensive profit for the period, net of tax				4,031			6,379
Earnings per share							
				Pence			Pence
Basic earnings per share							
– Continuing operations				2.0			11.0
– Discontinued operations				8.1			1.0
	12			10.1			12.0
Diluted earnings per share							
– Continuing operations				2.0			10.9
– Discontinued operations				8.1			1.0
	12			10.1			11.9
Alternative performance measures							
Underlying earnings per share (pence)				12.4			13.4

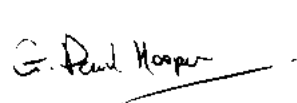
* The results for the year to 30 June 2018 have been re-presented to show the Facades business as a discontinued operation. See note 6 for details.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Assets					
Non-current assets					
Property, plant and equipment	13	11,693		10,661	
Goodwill	14	18,705		18,705	
Other intangible assets	15	3,416		3,913	
Deferred tax assets	10	2,202		2,574	
			36,016		35,853
Current assets					
Inventories	16	10,488		10,440	
Trade and other receivables	17	21,384		23,755	
Corporation tax receivable		283		–	
Cash and cash equivalents	26	2,762		4,656	
			34,917		38,851
Total assets			70,933		74,704
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings	19, 26	(7,857)		(9,468)	
Employee benefits payable	21	(12,951)		(15,140)	
Provisions	22	(1,272)		(1,525)	
Deferred tax liabilities	10	(954)		(905)	
			(23,034)		(27,038)
Current liabilities					
Trade and other payables	18	(20,111)		(22,413)	
Provisions	22	(2,333)		(100)	
Corporation tax payable		–		(405)	
Derivative financial liabilities	20	(10)		(327)	
			(22,454)		(23,245)
Total liabilities			(45,488)		(50,283)
Net assets			25,445		24,421
Equity					
Called up share capital	23	4,517		4,517	
Share premium	24	445		445	
Capital reserve – own shares	24	(416)		(241)	
Hedging reserve	24	(8)		(271)	
Foreign currency reserve	24	90		86	
Profit and loss account reserve		20,817		19,885	
Total equity			25,445		24,421



Paul Hooper
Director



Andrew Magson
Director

5 September 2019

Company number 1767387

Financial Statements *continued*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	Year to 30 June 2019 £000	Year to 30 June 2018 £000
Operating activities			
Operating profit		1,639	5,636
Adjustments for:			
Depreciation	7, 13	1,335	1,081
Amortisation	7, 15	514	434
Gain on disposal of property, plant and equipment		(17)	(18)
Loss on disposal of business assets		–	218
Gain on disposal of available-for-sale assets		–	(426)
IAS 19 past service pension cost	5	1,111	–
IAS 19 settlement gain on merger of pension schemes	5	(324)	–
(Increase)/decrease in inventories		(1,722)	580
Increase in receivables		(48)	(1,110)
Increase/(decrease) in trade and other payables		1,229	(1,444)
Movement in provisions		1,637	242
Cash contributions to retirement benefit schemes	21	(3,202)	(3,203)
Share based payments		(65)	160
Cash generated by operating activities of continuing operations		2,087	2,150
Operating profit from discontinued operation		163	444
Depreciation and amortisation		60	123
Movement in working capital from discontinued operation		(396)	(316)
Cash generated by operating activities of discontinued operation	6	(173)	251
Tax paid		(634)	(679)
Net cash inflow from operating activities		1,280	1,722
Investing activities			
Purchase of property, plant and equipment – continuing operations		(2,296)	(2,967)
Purchase of property, plant and equipment – discontinued operations	6	(15)	(75)
Payments to acquire intangible fixed assets		(115)	(229)
Proceeds from sales of property, plant and equipment		116	26
Acquisition of subsidiary undertaking, prior to payment for cash acquired		–	(7,807)
Net proceeds from sale of business activity	6	3,886	767
Proceeds from sale of available-for-sale assets		–	443
Net cash inflow/(outflow) from investing activities		1,576	(9,842)
Financing activities			
Interest paid		(232)	(185)
Equity dividends paid		(2,628)	(2,594)
(Repayment)/draw down of amounts borrowed	26	(1,500)	6,500
Refinancing costs		(156)	–
Purchase of own shares		(238)	–
Exercise of share based incentives		–	39
Net cash (outflow)/inflow from financing activities		(4,754)	3,760
Net decrease in cash and cash equivalents	26	(1,898)	(4,360)
Net cash and cash equivalents brought forward		4,656	9,014
Net decrease in cash and cash equivalents		(1,898)	(4,360)
Effect of foreign exchange rate changes		4	2
Net cash and cash equivalents carried forward	26	2,762	4,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	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 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	11	–	–	–	–	–	(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 1 July 2018, as previously reported		4,517	445	(241)	(271)	86	19,885	24,421
Impact of change in accounting policy – IFRS 15 (see note 1)		–	–	–	–	–	(76)	(76)
Adjusted balance at 1 July 2018		4,517	445	(241)	(271)	86	19,809	24,345
Profit for the period		–	–	–	–	–	3,641	3,641
Exchange differences on retranslation of foreign operations		–	–	–	–	4	–	4
Net gain on cash flow hedges		–	–	–	317	–	–	317
Tax on derivative financial liability		–	–	–	(54)	–	–	(54)
Actuarial gain on defined benefit pensions, net of tax		–	–	–	–	–	123	123
Dividends	11	–	–	–	–	–	(2,628)	(2,628)
Share based payments	25	–	–	–	–	–	(65)	(65)
Own shares used to satisfy exercise of share awards		–	–	63	–	–	–	63
Acquisition of own shares		–	–	(238)	–	–	–	(238)
Exercise of share based incentives		–	–	–	–	–	(63)	(63)
At 30 June 2019		4,517	445	(416)	(8)	90	20,817	25,445

Financial Statements *continued*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 Alternative Investment Market ("AIM").

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 2019, and the Companies Act 2006.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 27. 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 a committed £20 million revolving credit facility which has an initial expiry date of April 2022 and two single year extension periods. The Group has the option to cancel and repay elements of the committed facility at short notice should it wish to do so. The extension periods are subject to request by the Group and acceptance by the lender. In addition, the Group has overdraft facilities totalling £4.0 million. At 30 June 2019 the Group's net debt was £5.1 million (2018: £4.8 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.

2 Summary of significant accounting policies

Changes in accounting policy

The following new standards, amendments and interpretations are effective for the period beginning on or after 1 July 2018 and have been adopted for the Group financial statements:

IFRS 9: Financial Instruments; and
IFRS 15: Revenue from Contracts with Customers.

Except as described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 15 Revenue from Contracts with Customers

The Directors have completed their assessment of the impact of IFRS 15 "Revenue from Contracts with Customers" and the Group has adopted the new standard for the financial year ending 30 June 2019 using the cumulative effect method, as the net impact of adopting the new standard is not significant. As a result of adopting the input method of revenue recognition under the new standard as opposed to the output method in the old standard, the Group has re-stated its opening equity position as at 1 July 2018 by reducing its profit and loss reserve by £76,000 to reflect the impact of transitioning to IFRS 15, see note 30. The comparative information for the 12 month period to 30 June 2018 has not been re-stated and continues to be reported under IAS 18 Revenue and IAS 11 Construction contracts, the accounting policies stated in the Annual Report for the year ended 30 June 2018.

IFRS 15 has impacted the Group in the following ways:

Architectural Screening, Solar Shading & Balconies:

All revenue within the Architectural Screening, Solar Shading & Balconies division, for which revenue was previously recognised over time measured by reference to the stage of completion of the contract on an output cost method based on Quantity Surveyor assessments, will now be recognised on an input cost method over time.

Revenue and associated margin are therefore recognised progressively as costs are incurred, having regard to latest estimates of cost to complete and expected project margins. The Group has determined that this method more fairly reflects progress in satisfying customer performance obligations.

Within trade and other receivables in the consolidated statement of financial position:

- Previously, under IAS 11, amounts recoverable on construction contracts reflected amounts invoiced for payment of work performed based on quantity surveyor assessments
- Under IFRS 15, invoices for payment are presented as trade receivables with revenue recognised at the balance sheet date not yet invoiced presented as a contract asset.

Within trade and other payables in the consolidated statement of financial position:

- Previously, under IAS 11, payments in advance of revenue recognised were presented as construction deposits received on account within trade and other payables
- Under IFRS 15, payments in advance of revenue recognised are presented as contract liabilities.

2 Summary of significant accounting policies continued

Changes in accounting policy continued

IFRS 15 Revenue from Contracts with Customers continued

Other revenue streams:

The Group has concluded that the impact of adopting IFRS 15 in our Roofing & Water Management and Housebuilding Products divisions at 30 June 2018 is immaterial because the point at which performance obligations to customers were satisfied under IFRS 15 at that date was similar to the point at which risks and rewards were transferred under IAS 18. It is possible that, should the value of bespoke contract work in the Roofing & Water Management division become material in the future, IFRS 15 could result in earlier recognition of revenue and profit over time. Revenue relating to supply and install contracts at Blackdown Greenroofs in the Roofing & Water Management division was recognised over time using an output method during the 2018/19 financial year but will move to an input method going forwards.

Changes in accounting policy:

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's adoption of IFRS 15 are set out below:

Revenue represents the total amounts receivable by the Group for goods supplied and services provided, excluding VAT and rebates.

Architectural Screening, Solar Shading & Balconies:

The performance obligations and transaction price are defined within signed contracts between the customer and Levolux. These contracts contain one performance obligation as the scope of work and pricing of the contract is to deliver an interrelated service. *Effect of change in accounting policy: The contracts with customers as defined under IFRS 15 correspond in almost all circumstances to construction contracts as previously defined under IAS 11.* The revenue for the performance obligation is recognised on an input cost method over time, measured by reference to the stage of completion of the contract. Revenue and associated profit are therefore recognised progressively as costs are incurred and having regard to latest estimates of cost to complete and expected project margins. *Effect of change in accounting policy: Revenue was previously recognised on an output cost method based on Quantity Surveyor assessments. The Group has determined that an input method more fairly reflects progress in satisfying customer performance obligations over time and, depending on stage of completion of each contract at the reporting date, will generally result in earlier recognition of revenue and profit.*

Due to the nature of the services provided, instructed variations to contracts are usually accounted for as if it was part of the existing contract, as the variations do not result in a distinct good or service being delivered. Where the variation to the original contract is for additional goods or services which are distinct from the original performance obligations under the contract, this is accounted for as a separate contract. Claims for additional revenue for variations or extra work over and above the original contract are only recognised when management determines the revenue to be highly probable. *Effect of change in accounting policy: The move from "probable" under IAS 37 to "highly probable" under IFRS 15 did not result in a material change in the timing of revenue recognition for the Group at the transition date or during the year ended 30 June 2019.*

Within trade and other receivables in the consolidated statement of financial position:

- Trade receivables represent invoiced rights to payment. Contract assets represent revenue recognised at the balance sheet date not yet invoiced.

Within trade and other payables in the consolidated statement of financial position:

- Contract liabilities represent payments received in advance of revenue recognised.

Other revenue streams:

The revenue for each performance obligation is generally recognised at a point in time upon despatch of goods, or receipt of goods by the customer, depending on the terms of trade of each operating entity. Revenue of £1.1 million relating to supply and install contracts at Blackdown Greenroofs in the Roofing & Water Management division was recognised over time using an output method during the 2018/19 financial year but will move to an input method going forwards.

Effect of change in accounting policy: The satisfaction of performance obligations to customers under IFRS 15 matches the point at which risks and rewards were transferred under IAS 18.

However, should the value of bespoke contract work in the Roofing & Water Management division become material, IFRS 15 could result in earlier recognition of revenue and profit over time.

The impact of the adoption of IFRS 15, both at the transition date and on the 12 month accounting period ended 30 June 2019, is set out in note 30.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 "Financial Instruments" from 1 July 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and specifies how an entity should classify and measure financial assets and liabilities.

The most significant area of change which could potentially impact the Group's reported results is the introduction of an "expected loss" model for impairment provisioning of receivables, which now also includes contract assets recognised under the adoption of IFRS 15 "Revenue from Contracts with Customers".

Based on an assessment of historic credit losses and the likelihood of the occurrence of future credit losses on existing financial assets, and the existence of credit insurance for the majority of Group receivables, the Directors consider that there are no further material impairment losses to be recognised against the Group's financial assets as a result of the transition to IFRS 9.

Financial Statements *continued*

2 Summary of significant accounting policies *continued*

Changes in accounting policy *continued*

IFRS 9 Financial Instruments *continued*

Changes in accounting policy:

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's adoption of IFRS 9 are set out below:

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, contract assets, trade payables, contract liabilities and interest-bearing borrowings. Based on the way these financial instruments are managed and their contractual cash flow characteristics, all the Group's financial assets and liabilities are measured at amortised cost, which in most cases in the Group is materially the same as their original invoiced or recognition value, due to the relatively short credit periods involved.

Effect of change in accounting policy: Cash and cash equivalents and trade receivables were previously treated as financial assets under IAS 39 and were measured at amortised cost. Trade payables and interest-bearing borrowings were previously treated as financial liabilities under IAS 39 and were measured at amortised cost. Contract assets and contract liabilities under IFRS 15, previously classified as amounts recoverable on construction contracts and construction deposits received on account under IAS 11, continue to be measured at amortised cost. The adoption of IFRS 9 has therefore not had any impact on the measurement of the Group's financial assets and liabilities.

Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets. Effect of change in accounting policy: IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss model, which requires that future events are considered when calculating impairments to financial assets. Based on an assessment of historic credit losses on the Group's financial assets and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that no material change was needed to impairment provisions recognised against the Group's financial assets on transition to IFRS 9.

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 2019 within the next financial year are the valuation of defined benefit pension obligations, the valuation of the Group's acquired goodwill and the recognition of revenues and profit on contracts with customers where revenue is recognised over time.

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).

Goodwill is tested at least annually for impairment, with appropriate assumptions and estimates built into the value in use calculations to determine if an impairment of the carrying value is required. See note 14 for further disclosure of the assumptions and estimates applied.

Revenue and associated margin recognised over time on contracts with customers is recognised using the input method under the new standard and therefore progressively as costs are incurred, having regard to latest estimates of cost to complete and expected project margins. Contract revenue includes an assessment of contract variations when their recovery is considered highly probable. Judgment is therefore required in the application of the Group's policy regarding revenue and profit recognition relating to estimates of costs to complete contracts, the final profit margin on those contracts and the inclusion of potential contract variations prior to these being fully agreed.

Goodwill

Goodwill arises on the acquisition of subsidiaries.

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.

2 Summary of significant accounting policies continued

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 25 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.

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.

Financial Statements *continued*

2 Summary of significant accounting policies *continued*

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.

Pension costs

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

(i) Defined benefit pensions

The Group operated two principal defined benefit schemes which require deficit reduction contributions to be made to separately administered funds. During the year ending 30 June 2019 a bulk transfer of members from the Benjamin Priest Group Pension Scheme ("BPGPS") to The Alumasc Group Pension Scheme ("AGPS") took place on 5 March 2019 and the intention is for the BPGPS to be wound up.

The scheme was closed to future benefit accrual in 2010, which did not result 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 the 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 Group determines finance income/expense for the period relating to defined benefit pension scheme 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.

2 Summary of significant accounting policies continued

Own shares

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

A Trust holds the shares in its name and shares are awarded to employees on request by the Group. The Group controls and bears the expenses of the Trust.

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.

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.

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.

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 represents the total amounts receivable by the Group for goods supplied and services provided, excluding VAT and rebates.

Architectural Screening, Solar Shading & Balconies:

The performance obligations and transaction price are defined within signed contracts between the customer and Levelux. These contracts contain one performance obligation as the scope of work and pricing of the contract is to deliver an interrelated service. The revenue for the performance obligation is recognised on an input cost method over time, measured by reference to the stage of completion of the contract. Revenue and associated profit are therefore recognised progressively as costs are incurred and having regard to latest estimates of cost to complete and expected project margins.

Due to the nature of the services provided, instructed variations to contracts are usually accounted for as if it was part of the existing contract, as the variations do not result in a distinct good or service being delivered. Where the variation to the original contract is for extra goods or services which are distinct from the original performance obligations under the contract, this is accounted for as a separate contract. Claims for extra revenue for variations or extra work over and above the original contract are only recognised when management determines the revenue to be highly probable.

Other revenue streams:

The revenue for each performance obligation is generally recognised at a point in time upon despatch of goods, or receipt of goods by the customer, depending on the terms of trade of each operating entity. Revenue of £1.1 million relating to supply and install contracts at Blackdown Greenroofs in the Roofing & Water Management division was recognised over time using an output method during the 2018/19 financial year but will move to an input method going forwards.

See note 22 for disclosure of the Group's warranty provision held at the balance sheet date.

Financial Statements *continued*

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. Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets.

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

IFRS 16 applies to Alumasc's accounting period beginning on 1 July 2019 and requires lessees to recognise all leases in the Consolidated Statement of Financial Position with limited exemptions for short-term leases and low value leases. This will result in the recognition of a right-to-use asset and corresponding liability on the Group's balance sheet for its operating leases in respect of manufacturing, warehouse and office premises, with the associated depreciation and interest expense being recorded in the income statement over the lease period.

The Group has completed its impact assessment of this standard and the expected impact of applying IFRS 16 in its first full year of application is detailed below:

- The total annual charge to the income statement is expected to increase by £0.1 million, reducing profit before tax by this figure in the first year of application.
- EBITDA is expected to increase by around £0.6 million as the former lease expense is re-classified as a depreciation charge and interest cost.
- A right-of-use asset and corresponding lease liability of £5.0 million will be recognised for the first time on 1 July 2019 with no impact on net assets at the transition date.

The Group plans to apply IFRS 16 initially on 1 July 2019, using a modified retrospective approach. The cumulative effect of adopting IFRS 16 at that date is expected to be £nil with no restatement of comparatives.

3 Revenue

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

	2018/19 £000	2017/18 £000
Revenue arising from:		
Goods transferred to customers, recognised at a point in time	70,205	63,710
Contracts recognised over time	19,899	23,338
Revenue (per statement of comprehensive income)	90,104	87,048
Rental income	40	32
Total income	90,144	87,080

The vast majority of the Group's contracts where revenue is recognised over time are for the design, delivery and installation of goods for which those contracts can span over more than one accounting period. At the reporting date several of these contracts had commenced but the performance obligation was not yet fully satisfied. The amount of revenue that will be recognised on these contracts when the remainder of the performance obligation is satisfied is £9,755,000 and this will be satisfied mostly in 2019/20 and the rest in 2020/21.

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 the 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.

The Group sold the Alumasc Facades business on 31 October 2018. This has been treated as a discontinued operation (see note 6). Revenues and operating results from this business have been excluded from the segmental analysis below. This business was formerly part of the Group's Roofing & Walling operating segment in prior years. Due to changes to internal management reporting responsibilities to the Chief Operating Decision Maker in respect of the Roofing business following the sale of Alumasc Facades, this business is now included within the Roofing & Water Management segment.

Full year to 30 June 2019

	Revenue £000	Segmental operating result £000
Roofing & Water Management	59,917	5,918
Architectural Screening, Solar Shading & Balconies	18,789	(1,107)
Housebuilding Products	11,398	1,732
Sub-total	90,104	6,543
Unallocated costs		(678)
Total from continuing operations	90,104	5,865

	£000
Segmental operating result	5,865
Brand amortisation	(238)
Past service cost in respect of GMP equalisation (see note 5)	(1,111)
Settlement gain on merger of pension schemes (see note 5)	324
Restructuring & relocation costs (see note 5)	(3,021)
AIM re-listing costs (see note 5)	(180)
Total operating profit from continuing operations	1,639

	Segment assets £000	Segment liabilities £000	Capital expenditure		Depreciation £000	Amortisation £000
			Property, plant & equipment £000	Other intangible assets £000		
Roofing & Water Management	36,211	(14,027)	1,341	49	810	188
Architectural Screening, Solar Shading & Balconies	18,089	(5,997)	149	55	61	290
Housebuilding Products	10,003	(3,191)	1,041	11	399	36
Sub-total	64,303	(23,215)	2,531	115	1,270	514
Unallocated/discontinued	6,630	(22,273)	78	–	125	–
Total	70,933	(45,488)	2,609	115	1,395	514

Financial Statements *continued*

4 Segmental analysis *continued* Full year to 30 June 2018

	Revenue £000	Segmental operating result £000
Roofing & Water Management	54,608	4,935
Architectural Screening, Solar Shading & Balconies	21,957	786
Housebuilding Products	10,483	1,660
Sub-total	87,048	7,381
Unallocated costs		(1,157)
Total from continuing operations	87,048	6,224
		£000
Segmental operating result		6,224
Brand amortisation		(239)
Loss on disposal of SCP assets		(218)
Profit on disposal of available-for-sale assets		426
Restructuring & relocation costs		(322)
Wade acquisition costs		(235)
Total operating profit from continuing operations		5,636

	Segment assets £000	Segment liabilities £000	Capital expenditure		Depreciation £000	Amortisation £000
			Property, plant & equipment £000	Other intangible assets £000		
Roofing & Water Management	33,795	(11,555)	536	158	689	132
Architectural Screening, Solar Shading & Balconies	19,647	(5,317)	100	21	63	258
Housebuilding Products	9,426	(3,612)	2,187	57	305	43
Sub-total	62,868	(20,484)	2,823	236	1,057	433
Unallocated & discontinued	11,836	(29,799)	257	1	147	1
Total	74,704	(50,283)	3,080	237	1,204	434

Analysis by geographical segment 2018/19

	United Kingdom £000	Europe £000	North America £000	Middle East £000	Far East £000	Rest of World £000	Total £000
Sales to external customers	80,677	2,695	3,149	972	2,392	219	90,104
Segment non-current assets	33,814	-	-	-	-	-	33,814

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	74,508	3,006	5,552	839	2,849	294	87,048
Segment non-current assets	32,671	-	-	-	-	-	32,671

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 and exclude discontinued operations.

5 Underlying to statutory profit before tax reconciliation

	2018/19		2017/18 (restated)	
	Operating profit £000	Profit before tax £000	Operating profit £000	Profit before tax £000
Underlying operating profit/profit before tax	5,865	5,584	6,224	6,012
Brand amortisation	(238)	(238)	(239)	(239)
IAS 19 net pension scheme finance costs (note 9)	–	(373)	–	(494)
IAS 19 Past service cost in respect of GMP equalisation	(1,111)	(1,111)	–	–
IAS 19 Settlement gain on merger of pension schemes	324	324	–	–
Restructuring & relocation costs	(3,021)	(3,021)	(322)	(322)
AIM re-listing costs	(180)	(180)	–	–
Loss on disposal of the SCP business	–	–	(218)	(218)
Profit on disposal of available-for-sale assets	–	–	426	426
Wade acquisition costs	–	–	(235)	(235)
Operating profit of Alumasc Facades*	163	163	444	444
Gain on disposal of Alumasc Facades*	–	2,782	–	–
Statutory operating profit/profit before tax	1,802	3,930	6,080	5,374
Statutory profit analysed by continuing and discontinued operations:				
Continuing	1,639	985	5,636	4,930
Discontinued (note 6)	163	2,945	444	444
Statutory operating profit/profit before tax	1,802	3,930	6,080	5,374

* Alumasc Facades meets the definition of a discontinued operation under international accounting standards. See note 6. The gain on sale of this operation is therefore excluded from underlying operating profit and underlying profit before tax from continuing operations.

In the presentation of underlying profits, management treats the amortisation of acquired brands and IAS 19 pension costs consistently 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, management has presented the following specific items that arose in 2018/19 and 2017/18 financial years as non-underlying as they are non-recurring items that are judged to be significant enough to affect the understanding of the year-on-year evolution of the underlying trading performance of the business:

- The one off IAS 19 past service pension cost relating to Guaranteed Minimum Pension (“GMP”) equalisation between men and women, following a High Court decision on 26 October 2018;
- The one off settlement gain arising from the merger of the Group’s pension schemes on 5 March 2019;
- One-off costs of material restructuring and relocation of separate businesses within the Group in 2018/19 and 2017/18;
- The one-off professional fees incurred in connection with the re-listing of Alumasc’s shares from the main market to the Alternative Investment Market (“AIM”) on 25 June 2019;
- 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, on 21 November 2017, a previously available-for-sale asset; and
- Acquisition costs relating to the purchase of Wade International Limited on 31 January 2018.

Financial Statements *continued*

6 Discontinued operations

Discontinued operations relate to the Alumasc Facades business which was divested by the Group on 31 October 2018.

The results of Alumasc Facades included in the consolidated statement of comprehensive income are as follows:

	Year to 30 June 2019 £000	Year to 30 June 2018 £000
Revenue	3,763	11,359
Operating profit	163	444
Net gain on disposal of discontinued operation	2,782	–
Profit before taxation	2,945	444
Tax charge	(33)	(90)
Profit after taxation	2,912	354

	£000
Gross sales proceeds	4,500
Transaction costs of disposal	(100)
Cash cost of consequential restructuring/decommissioning	(514)
Net sales proceeds at 30 June 2019	3,886
Provisions for restructuring and plant decommissioning costs	(343)
Sales proceeds after restructuring and plant decommissioning	3,543
Net assets disposed of:	
Plant & equipment	(84)
Working capital at completion	(677)
Net gain on disposal	2,782

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

Operating cash flows	223
Movement in working capital	(396)
Investing cash flows – proceeds from sale of business	3,886
Investing cash flows – purchase of property, plant and equipment	(15)
Net cash inflow	3,698

The business sale agreement included a clause that deferred consideration could become payable to Alumasc based on the sales revenue of the business in its first twelve month period under new ownership of up to £1.5 million. This period ends on 31 October 2019. The extent of, if any, deferred consideration will be calculated based on actual sales achieved relative to pre-agreed target levels set out in the agreement. On the basis of the limited data that the Buyer is required to provide at the time and the degree of remaining uncertainty as to the level of sales likely to be achieved in the period to 31 October, no accrual for potential deferred consideration has been made in these financial statements.

7 Expenses by nature

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

	2018/19 £000	2017/18 £000
Raw materials and consumables	46,794	43,621
Depreciation of property, plant and equipment	1,395	1,080
Intangible assets amortisation	276	195
Brand amortisation	238	239
Gain on disposal of property, plant and equipment	(17)	(18)
Unsettled foreign exchange losses/(gains)	10	45
Employee benefit expense	22,951	21,793
Restructuring & relocation costs	3,021	322
IAS 19 past service cost in respect of GMP equalisation	1,111	–
IAS 19 settlement gain on merger of pension schemes	(324)	–
AIM re-listing costs	180	–
Operating lease payments	1,773	1,726
Income from property operating leases	(40)	(32)
Research and development	111	224
Auditor's remuneration:		
Audit of these financial statements	61	66
Audit of financial statements of subsidiaries pursuant to legislation	69	76
Non-audit services	–	8
Other operating charges	10,856	12,067
	88,465	81,412

8 Employee costs and numbers

	2018/19 £000	2017/18 £000
Employee benefit expense from continuing operations:		
Wages and salaries	20,058	19,228
Social security	2,204	2,038
Defined contribution pension costs (note 21)	689	527
Sub-total	22,951	21,793
IAS 19 net defined benefit pension scheme finance costs	373	494
Total excluding restructuring	23,324	22,287
Restructuring costs	1,461	–
Total	24,785	22,287
Average number of employees	2018/19 Number	2017/18 Number
Operational	260	244
Administrative, support and management	247	235
	507	479

9 Net finance costs

	2018/19 £000	2017/18 £000
Finance costs – Bank overdrafts	38	33
– Revolving credit facility	243	179
	281	212
– IAS 19 net pension scheme finance costs	373	494
	654	706

Financial Statements *continued*

10 Tax expense

(a) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income

	2018/19 £000	2017/18 £000
Current tax:		
UK corporation tax – continuing operations	(69)	469
– discontinued operations	33	90
Overseas tax	3	33
Amounts over provided in previous years	(21)	(2)
Total current tax	(54)	590
Deferred tax:		
Origination and reversal of temporary differences	406	491
Amounts (over)/under provided in previous years	(20)	5
Rate change adjustment	(43)	(29)
Total deferred tax	343	467
Total tax expense	289	1,057
Tax charge on continuing operations	256	967
Tax charge on discontinued operations	33	90
Total tax expense	289	1,057
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial gains on pension schemes	24	467
Cash flow hedge	54	(45)
Tax charged to other comprehensive income	78	422
Total tax charge in the statement of comprehensive income	367	1,479

(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 7.4% is lower than (2017/18: 19.7% was higher than) the standard rate of corporation tax in the UK of 19.0% (2017/18: 19.0%).

The differences are reconciled below:

	2018/19 £000	2017/18 £000
Profit before tax from continuing operations	985	4,930
Profit before tax from discontinued operations	2,945	444
Accounting profit before tax	3,930	5,374
Current tax at the UK standard rate of 19.0% (2017/18: 19.0%)	747	1,021
Expenses not deductible for tax purposes	265	62
Use of capital losses	(639)	–
Rate change adjustment	(43)	(29)
Tax over provided in previous years – current tax	(21)	(2)
Tax (over)/under provided in previous years – deferred tax	(20)	5
	289	1,057

10 Tax expense continued

(c) Unrecognised tax losses

The Group has agreed tax capital losses in the UK amounting to £16.6 million (2018: £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 (2018: £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 £16 million (2018: £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 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	–
Charged to equity	–	–	–	(45)	(45)	467
Acquisition of subsidiary	50	–	298	–	348	–
At 30 June 2018	435	(30)	556	(56)	905	(2,574)
Charged/(credited) to the statement of comprehensive income – current year	125	(36)	(74)	–	15	348
Credited to the statement of comprehensive income – prior year	(20)	–	–	–	(20)	–
Charged to equity	–	–	–	54	54	24
At 30 June 2019	540	(66)	482	(2)	954	(2,202)

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 £2.7 million (2018: £3.2 million) have not been recognised in respect of net capital losses of £16 million (2018: £19 million), see note 10 (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 30 June 2018 balance sheet date. Deferred tax assets and liabilities have therefore been calculated based on the rate of 17% substantively enacted at both the 30 June 2018 and 30 June 2019 balance sheet dates.

11 Dividends

	2018/19 £000	2017/18 £000
Interim dividend for 2019 of 2.95p paid on 8 April 2019	1,045	–
Final dividend for 2018 of 4.4p paid on 31 October 2018	1,583	–
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
	2,628	2,594

A final dividend of 4.4 pence per equity share, at a cash cost of £1,574,000, has been proposed for the year ended 30 June 2019, payable on 31 October 2019. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

Financial Statements *continued*

12 Earnings per share

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

	2018/19 £000	2017/18 £000
Net profit attributable to equity holders of the parent – continuing operations	729	3,963
Net profit attributable to equity holders of the parent – discontinued operations	2,912	354
	3,641	4,317

	000s	000s
Weighted average number of shares	35,956	35,830
Dilutive potential ordinary shares – employee share options	153	361
	36,109	36,191

Basic earnings per share:	2018/19 Pence	2017/18 Pence
Continuing operations	2.0	11.0
Discontinued operations	8.1	1.0
	10.1	12.0

Diluted earnings per share:	2018/19 Pence	2017/18 Pence
Continuing operations	2.0	10.9
Discontinued operations	8.1	1.0
	10.1	11.9

Calculation of underlying earnings per share:

	2018/19 £000	2017/18 £000
Reported profit before taxation from continuing operations	985	4,930
Brand amortisation	238	239
IAS 19 net pension scheme finance costs	373	494
Pension GMP equalisation	1,111	–
Winding up lump sums	(324)	–
Restructuring & relocation costs	3,021	322
AIM re-listing costs	180	–
Loss on disposal of the SCP assets	–	218
Profit on disposal of available-for-sale assets	–	(426)
Wade acquisition costs	–	235
Underlying profit before taxation from continuing operations	5,584	6,012
Tax at underlying Group tax rate of 20.4% (2017/18: 20.3%)	(1,139)	(1,220)
Underlying earnings from continuing operations	4,445	4,792
Weighted average number of shares	35,956	35,830
Underlying earnings per share from continuing operations	12.4p	13.4p

13 Property, plant and equipment

	Freehold land and buildings £000	Long leasehold property £000	Short leasehold improvements £000	Plant & equipment £000	Total £000
Cost					
At 1 July 2017	3,177	235	428	11,605	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 1 July 2018	5,844	1,214	355	13,957	21,370
Additions	73	13	22	2,501	2,609
Disposals	(13)	–	–	(1,560)	(1,573)
Disposal of business activity	–	–	(73)	(48)	(121)
At 30 June 2019	5,904	1,227	304	14,850	22,285
Accumulated depreciation and impairment losses					
At 1 July 2017	893	235	272	8,730	10,130
Depreciation charge for year	148	20	16	1,020	1,204
Reclassification	–	2	(2)	–	–
On disposals	–	–	(57)	(568)	(625)
At 1 July 2018	1,041	257	229	9,182	10,709
Depreciation charge for year	154	66	17	1,158	1,395
On disposals	(10)	–	–	(1,465)	(1,475)
On disposal of business activity	–	–	(18)	(19)	(37)
At 30 June 2019	1,185	323	228	8,856	10,592
Net book value at 30 June 2019	4,719	904	76	5,994	11,693
Net book value at 30 June 2018	4,803	957	126	4,775	10,661
Net book value at 1 July 2017	2,284	–	156	2,875	5,315

14 Goodwill

	2019 £000	2018 £000
Cost:		
At 1 July	19,428	17,211
Acquisition of Wade	–	2,217
At 30 June	19,428	19,428
Impairment:		
At 1 July and 30 June	723	723
Net book value at 30 June	18,705	18,705

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

	2019 £000	2018 £000
Alumasc Roofing	3,820	3,820
Timloc	2,264	2,264
Levolux	10,179	10,179
Rainclear	225	225
Wade	2,217	2,217
At 30 June	18,705	18,705

Financial Statements *continued*

14 Goodwill *continued*

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 cashflow 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 plans covering a five year period. The growth rate used to extrapolate the cash flows beyond this period was 1% (2018: 1%) for each CGU.

Key assumptions included in the recoverable amount calculation are the discount rate applied and the cash flows generated by:

- (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% (2018: between 11% and 12%). 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 2019 was similar to the rate used in 2018.

The surplus headroom above the carrying value of goodwill at 30 June 2019 was significant in the case of Timloc, Rainclear, Wade and Alumasc Roofing, 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.

The surplus headroom above the carrying value of goodwill at 30 June 2019 for Levolut was not significant and the following change to each of the key assumptions would lead to an impairment:

- a 2% increase in the discount rate;
- a growth rate of -1% used to extrapolate the cash flows;
- a 21% reduction in the cash flow generated in the terminal year.

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. See Report and Accounts 2018 for full disclosure.

15 Other intangible assets

	Brands £000	Computer software £000	Total £000
Cost:			
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 1 July 2018	5,843	2,355	8,198
Additions	–	115	115
Disposals	–	(235)	(235)
At 30 June 2019	5,843	2,235	8,078
Accumulated amortisation:			
At 1 July 2017	2,533	1,697	4,230
Amortisation for the year	239	195	434
On disposals	–	(379)	(379)
At 1 July 2018	2,772	1,513	4,285
Amortisation for the year	238	276	514
On disposals	–	(137)	(137)
At 30 June 2019	3,010	1,652	4,662
Net book value at 30 June 2019	2,833	583	3,416
Net book value at 30 June 2018	3,071	842	3,913
Net book value at 1 July 2017	1,756	608	2,364

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

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

16 Inventories

	2019 £000	2018 £000
Raw materials	2,990	3,373
Work in progress	193	370
Finished goods	7,305	6,697
	10,488	10,440

During the year the Group's inventory provision increased by £217,000 (2018: reduced by £25,000). At 30 June 2019 the Group's inventory provision was £1,327,000 (2018: £1,110,000).

Financial Statements *continued*

17 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	16,155	15,202
Contract assets	3,002	–
Construction contracts	–	6,615
Other receivables	744	432
Prepayments	1,483	1,506
	21,384	23,755

Contract assets arise from the Group's Architectural Screening, Solar Shading & Balconies division where revenue is recognised at the balance sheet date prior to the physical invoice being raised to the customer.

Trade receivables and contract assets are non-interest bearing, are generally on terms of 30-90 days and are shown net of provisions for lifetime expected credit losses.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing.

The Group calculates the rate of provision for each customer based on the risk score assigned by reputable credit management agencies. The risk score assigned is input into the Group's expected credit loss matrix with a higher risk customer attracting a higher level of provision. The Group's matrix is designed such that the level of provision increases as the receivable balance ages as overdue receivables are of inherently higher risk.

As at 30 June 2019, trade receivables at nominal value of £411,000 (2018: £297,000) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	2019 £000	2018 £000
At 1 July	297	204
Charge for the year	141	221
Amounts written off	(27)	(128)
At 30 June	411	297

The table below sets out the ageing of the gross trade receivable and contract asset balances against terms and the level of provision held against each ageing category:

	2019		2018	
	Gross receivable £000	Loss provision £000	Gross receivable £000	Loss provision £000
Current	16,490	335	19,339	184
Less than 30 days past due	2,375	23	2,055	35
Less than 60 days past due	498	19	290	35
Less than 90 days past due	56	3	51	1
Greater than 90 days past due	149	31	379	42
	19,568	411	22,114	297

18 Trade and other payables

	2019 £000	2018 £000
Trade payables	15,482	16,776
Other taxation and social security	1,435	2,064
Other payables	1,077	974
Construction deposits received on account	–	578
Contract liabilities	295	–
Accruals	1,822	1,756
Deferred income	–	265
	20,111	22,413

Contract liabilities arise from the Group's Architectural Screening, Solar Shading & Balconies division and represents payments in advance of revenue recognised under IFRS 15. Revenue recognised in the 2018/19 year that would have been included within contract liabilities at the beginning of the period had the comparator been restated was £578,000.

19 Borrowings

	2019 £000	2018 £000
Non-current liabilities:		
Non-current instalments due on bank loan	7,857	9,468

The Group has a committed £20 million revolving credit facility which has an initial expiry date of April 2022 and two single year extension periods. The Group has the option to cancel and repay elements of the committed facility at short notice should it wish to do so. The extension periods are subject to request by the Group and acceptance by the lender. The following financial covenants apply 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 two and a half times.

At 30 June 2019 the Group also had £4 million (2018: £2 million) of bank overdraft facilities repayable on demand. The Group has an offset arrangement in place against uncommitted overdraft facilities.

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 2019		30 June 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Cash and cash equivalents	2,762	2,762	4,656	4,656
Trade receivables	16,155	16,155	15,202	15,202
Construction contracts	–	–	6,615	6,615
Contract assets	3,002	3,002	–	–
Other receivables	744	744	432	432
	22,663	22,663	26,905	26,905
Financial liabilities:				
Bank loans	7,857	7,857	9,468	9,468
Trade and other payables	18,381	18,381	19,771	19,771
Derivative financial liabilities	10	10	327	327
	26,248	26,248	29,566	29,566

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

Financial Statements *continued*

20 Financial instruments *continued*

Financial assets and liabilities *continued*

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2019 and 2018 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 2019					
Interest bearing loans and borrowings	–	52	157	8,431	8,640
Trade and other payables	6,489	10,672	1,220	–	18,381
	6,489	10,724	1,377	8,431	27,021
At 30 June 2018					
Interest bearing loans and borrowings	–	46	138	9,711	9,895
Trade and other payables	5,463	12,653	1,655	–	19,771
	5,463	12,699	1,793	9,711	29,666

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 2019 was £5.1 million (2018: £4.8 million).

Details of the Group's approach to capital structure are given within the Financial Review on page 20.

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

	2019 £000	2018 £000
Floating rate interest bearing financial liabilities:		
In two to five years	7,857	9,468
	7,857	9,468

Interest rate risk

The Group's marginal pre-tax cost of debt finance at interest rates in place at 30 June 2019 under the banking facilities in existence at that time was approximately 1.4% (2018: 1.2%).

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	(37)
Decrease	-50	37

20 Financial instruments continued

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.

The ageing of gross trade receivables and contract assets is set out in note 17.

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 2019 or 30 June 2018 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:

	2019				2018			
	Receivable 000	Payable 000	Cash 000	Net total 000	Receivable 000	Payable 000	Cash 000	Net total 000
Euros	475	(1,418)	144	(799)	426	(844)	221	(197)
US Dollars	1,760	(1,885)	680	555	1,267	(1,837)	450	(120)
Hong Kong Dollars	212	–	1,887	2,099	3,979	(81)	1,462	5,360

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:

		Exchange rate change	Effect on profit after tax and equity in Sterling		
			US \$ £000	Euro £000	Hong Kong \$ £000
2019	Increase	+10%	33	43	19
	Decrease	-10%	(40)	(52)	(24)
2018	Increase	+10%	(39)	18	47
	Decrease	-10%	47	(22)	(58)

Hedging activities

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

	2019 £000	2018 £000
Forward foreign exchange contracts	(10)	(327)

At 30 June 2019 the Group had forward foreign exchange contracts with principal amounts equivalent to £11,046,000 (2018: £11,646,000). 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.

Financial Statements *continued*

21 Retirement benefit obligations

The Group operates a number of defined contribution schemes and a defined benefit pension scheme, funded by the payment of contributions into separately administered funds. The defined benefit scheme, which has been closed to future accrual since 2010, provides 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, £689,000 (2018: £527,000) was in respect of defined contribution schemes. At 30 June 2019 there was an accrual of £100,000 payable in respect of defined contribution schemes (2018: £93,000).

Defined benefit schemes

On 5 March 2019 the Group merged its two former defined benefit pension schemes and a bulk transfer of members from the Benjamin Priest Group Pension Scheme ("BPGPS") was made to the Alumasc Group Pension Scheme ("AGPS").

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 the second half of 2019.

Disclosures in accordance with IAS 19 are set out below in respect of the defined benefit scheme. 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 2019 %	The Alumasc Group Scheme 2018 %	The Benjamin Priest Group Scheme 2018 %
Discount rate	2.25	2.75	2.75
Expected rate of deferred pension increases	2.25	2.10	2.10
Future pension increases	1.90-3.70	1.80-3.60	1.80-3.60
Retail Price Index inflation rate	3.25	3.10	3.10
Consumer Price Index inflation rate	2.25	2.10	2.10
	Years	Years	Years
Post retirement mortality			
Current pensioners at 65 – male	20.9	21.7	20.9
Current pensioners at 65 – female	22.6	23.1	22.2
Future pensioners at 65 in 2039 – male	22.2	23.5	22.6
Future pensioners at 65 in 2039 – female	23.8	24.8	23.8

A discount rate of 2.25% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2019. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £1,640,000 before tax.

A Retail Price Index inflation rate of 3.25% and a Consumer Price Index inflation rate of 2.25% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2019. 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 scheme at 30 June 2019, 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 2019 would have increased by approximately £5,600,000 before tax.

21 Retirement benefit obligations continued

Defined benefit schemes continued

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

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Scheme assets at fair value:					
Equities	43,758	40,966	40,190	34,342	42,378
Liability Driven Investment Funds	16,194	–	–	–	–
Government bonds	–	13,681	13,459	10,953	9,016
Corporate bonds and insured annuities	12,483	12,041	12,539	11,974	10,820
Multi-asset fund	19,692	23,853	24,676	25,710	19,836
Property	6,123	6,783	7,896	8,075	7,213
Cash	2,217	1,387	362	1,764	902
	100,467	98,711	99,122	92,818	90,165
Present value of scheme liabilities	(113,418)	(113,851)	(119,718)	(115,486)	(111,100)
Defined benefit pension deficit	(12,951)	(15,140)	(20,596)	(22,668)	(20,935)

Of the above assets, all have a quoted market price with the exception of £1,761,000 of insured annuities (2018: £1,943,000) and £800,000 of property (2018: £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 plan, before taxation, are as follows:

	2018/19 £000	2017/18 £000
Included in net operating expenses:		
Past service pension cost – Guaranteed minimum pension equalisation	(1,111)	–
Settlement gain on merger of pension schemes	324	–
	(787)	–
Included in net finance cost:		
Net pension scheme finance costs	(373)	(494)
Included in other comprehensive income:		
Actuarial gain/(loss) on plan assets	3,343	(535)
Actuarial (loss)/gain on retirement benefit obligations	(3,196)	3,282
Net actuarial gain (pre-tax)	147	2,747
Total recognised in the statement of comprehensive income (pre-tax)	(1,013)	2,253

The actual return on plan assets for 2018/19 was a gain of £6,015,000 (2017/18: gain of £2,011,000).

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

	2019 £000	2018 £000
At 1 July	(113,851)	(119,718)
Interest cost	(3,045)	(3,040)
Settlement on merger of pension schemes	1,496	–
Past service cost – GMP equalisation	(1,111)	–
Benefits paid	6,289	5,625
Actuarial (loss)/gain	(3,196)	3,282
At 30 June	(113,418)	(113,851)

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

	2019 £000	2018 £000
At 1 July	98,711	99,122
Expected return on plan assets	2,672	2,546
Settlement on merger of pension schemes	(1,172)	–
Actuarial gain/(loss)	3,343	(535)
Contributions by employer	3,202	3,203
Benefits paid	(6,289)	(5,625)
At 30 June	100,467	98,711

The cumulative amount of actuarial losses recognised since 1 July 2004 in the Group statement of comprehensive income is £15,749,000 (2017/18: losses of £15,896,000).

Financial Statements *continued*

22 Provisions

	Dilapidations £000 Note (i)	Warranty £000 Note (ii)	Restructuring £000 Note (iii)	Total £000
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 1 July 2018	1,310	315	–	1,625
Charge for the year	75	21	2,560	2,656
Utilised	(292)	(57)	(327)	(676)
At 30 June 2019	1,093	279	2,233	3,605
At 30 June 2019				
Current liabilities	–	100	2,233	2,333
Non-current liabilities	1,093	179	–	1,272
	1,093	279	2,233	3,605
At 30 June 2018				
Current liabilities	–	100	–	100
Non-current liabilities	1,310	215	–	1,525
	1,310	315	–	1,625

(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.

(iii) Restructuring

Restructuring provisions are held in respect of the restructuring of the Levolux business and in the Roofing and Water Management division, particularly the Gatic brand, and are expected to be utilised within 12 months.

23 Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid: 36,133,558 (2018: 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 369,245 (2018: 161,411) ordinary own shares held by the Company. The market value of shares at 30 June 2019 was £348,936 (2018: £217,905). These are held to help satisfy the exercise of awards under the Company's Long Term Incentive Plans. During the year 42,166 shares with a cost of £63,000 were used to satisfy the exercise of awards and 250,000 shares with a cost of £238,000 were purchased by the Trust. A Trust holds the shares in its name and shares are awarded to employees on request by the Group. The Group 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 42 to 47.

	As at 1 July 2018	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 2019	Weighted average exercise price (pence)
LTIP ⁽ⁱ⁾	740,483	n/a	373,267	n/a	(42,166)	n/a	(222,464)	n/a	849,120	n/a
ESOS ⁽ⁱⁱ⁾	540,000	1.64	90,000	1.27	–	–	(230,000)	1.74	400,000	1.50

	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

(i) Long term incentive plan.

(ii) Executive share option scheme.

ESOS

For the share options outstanding at 30 June 2019 the weighted average remaining contractual life is 7.6 years (30 June 2018: 7.9 years). The exercise price of the options outstanding ranges between 103 pence and 188 pence. 80,000 share options are exercisable at 30 June 2019 (30 June 2018: 110,000).

LTIP

None of the November 2016 LTIP awards will vest in November 2019.

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.

	ESOS		LTIP	
	Black Scholes 2019	Black Scholes 2018	Black Scholes 2019	Black Scholes 2018
Share price at grant date	127p	174p	131p	174p
Exercise price	127p	174p	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	5.3%	4.1%	5.3%	4.1%
Fair value per option	13p	21p	111p	153p

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 credit recognised for share based payments in respect of employee services rendered during the year to 30 June 2019 was £65,000 (2017/18: charge of £160,000). Of this, £40,000 (2017/18: £89,000) is in respect of key management personnel, which are the Directors of The Alumasc Group plc.

Financial Statements *continued*

26 Movement in cash net of borrowings

	Cash and cash equivalents £000	Bank loans £000	Net cash/(debt) £000
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 1 July 2018	4,656	(9,468)	(4,812)
Cash flow movements	(1,898)	1,500	(398)
Non-cash movements	–	111	111
Effect of foreign exchange rates	4	–	4
At 30 June 2019	2,762	(7,857)	(5,095)

27 Financial commitments

(i) Capital commitments

At 30 June 2019, £325,000 (2018: £395,000) of capital expenditure had been authorised and no capital expenditure had been authorised and contracted but not provided for by the Group (2018: £nil).

(ii) Operating lease commitments

The Group has entered into commercial leases which predominantly relate to certain properties within the Group. The Group also leases a small number of 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 2019 £000	Plant and vehicles 2019 £000	Property 2018 £000	Plant and vehicles 2018 £000
Less than one year	1,163	358	1,289	427
Between one and five years	2,713	469	3,224	507
After five years	4,352	–	4,771	–
	8,228	827	9,284	934

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

	Property 2019 £000	Property 2018 £000
Less than one year	40	32

28 Related party disclosure

The Group's principal actively trading subsidiaries at 30 June 2019 are listed below:

Principal subsidiaries	Principal activity	Country of incorporation	% of equity interest and votes held	
			2019	2018
Alumasc Building Products Limited	Building products	England	100	100
Levolux Limited	Building products	England	100	100

A full list of the Group's subsidiaries is shown on page 111.

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 42 to 47. In addition to the amounts disclosed in the Directors' Remuneration Report, there is a charge of £73,000 (2018: £112,000) relating to employer's national insurance and a credit of £51,000 (2018: charge of £89,000) relating to share based payments during the year.

29 Contingent liabilities

At the balance sheet date there existed contingent liabilities amounting to £530,000 (2018: £300,000) in relation to outstanding Guarantees and £361,000 (2018: £55,000) in relation to outstanding Performance Bonds.

30 IFRS 15 impact of transition

The Group has taken advantage of the relief in IFRS 15 to reflect the aggregate effect of all modifications that occurred before the transition date of 1 July 2018 as an adjustment to the Group's profit and loss account reserve at 1 July 2018. This is because the net impact of adopting the new standard, being a reduction in the profit and loss account reserve and therefore net assets at that date of £76,000 is not significant.

Impact on year to 30 June 2019

Had the Group continued to report in accordance with IAS 18 "Revenue" for the 12 months ended 30 June 2019, it would have reported the following amounts in these financial statements:

	As would have been reported £000	Effect £000	As reported under IFRS 15 £000
Income statement extract (continuing operations):			
Revenue	88,254	1,850	90,104
Underlying profit before tax	4,801	783	5,584
Statutory profit before tax	202	783	985
Tax expense	(96)	(160)	(256)
Statutory profit after tax	106	623	729
Statement of financial position extract:			
Contract assets/Accrued income (included in Trade & other receivables)	2,668	334	3,002
Contract liabilities/Deferred income (included in Trade & other payables)	(1,578)	1,283	(295)
Inventory – Work in progress	834	(834)	–

The main reasons for the differences are:

- Recognition of revenue and profit on an input cost method over time, measured by reference to the stage of completion of the contract, rather than on an output cost method over time based on Quantity Surveyor assessments;
- Resultant changes in the tax expense arising from the above adjustment.

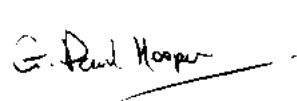
Financial Statements *continued*

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	2019 £000	2018 £000
Assets			
Non-current assets			
Property, plant & equipment	5	655	643
Investments in Group companies	6	69,994	72,494
Deferred tax assets	9	157	217
		70,806	73,354
Current assets			
Trade and other receivables	7	1,270	758
Total assets		72,076	74,112
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	10, 18	(7,857)	(9,468)
Amounts due to subsidiary undertakings	19	(19,424)	(14,808)
Provisions	13	(100)	(110)
Deferred tax liabilities	9	(123)	(124)
Employee benefits payable	12	(707)	(843)
		(28,211)	(25,353)
Current liabilities			
Bank overdraft	18	(5,237)	(6,273)
Trade and other payables	8	(1,569)	(1,435)
Derivative financial liabilities	11	(127)	(361)
		(6,933)	(8,069)
Total liabilities		(35,144)	(33,422)
Net assets		36,932	40,690
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	(416)	(241)
Hedging reserve	15	(105)	(300)
Profit and loss account reserve	15	19,620	23,398
Shareholders' funds		36,932	40,690

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 £1,045,000 (2018: £3,129,000).



Paul Hooper
Director



Andrew Magson
Director

5 September 2019

Company number 1767387

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2018/19 £000	2017/18 £000
Operating activities			
Operating profit/(loss)		2,090	(2,634)
Adjustments for:			
Depreciation	5	66	23
(Increase)/decrease in receivables		(512)	2,716
Increase in trade and other payables		4,747	7,636
Movement in provisions		(10)	51
Cash contributions to retirement benefit schemes	12	(182)	(144)
Share based payments		(65)	160
		6,134	7,808
Tax (paid)/received		(47)	57
Net cash inflow from operating activities		6,087	7,865
Investing activities			
Purchase of property, plant and equipment		(78)	(181)
Acquisition of subsidiary undertaking, prior to payment for cash acquired		–	(7,807)
Net cash outflow from investing activities		(78)	(7,988)
Financing activities			
Interest paid		(451)	(407)
Equity dividends paid	4	(2,628)	(2,594)
(Repayment)/draw down of amounts borrowed	18	(1,500)	6,500
Refinancing costs		(156)	–
Purchase of own shares		(238)	–
Exercise of share based incentives		–	39
Net cash (outflow)/inflow from financing activities		(4,973)	3,538
Net increase in cash and cash equivalents	18	1,036	3,415
Net cash and cash equivalents brought forward		(6,273)	(9,688)
Net increase in cash and cash equivalents		1,036	3,415
Net cash and cash equivalents carried forward	18	(5,237)	(6,273)

Financial Statements *continued*

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	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 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 1 July 2018	4,517	445	2,265	10,606	(241)	(300)	23,398	40,690
Loss for the period	–	–	–	–	–	–	(1,045)	(1,045)
Net gain on cash flow hedges	–	–	–	–	–	234	–	234
Tax on derivative financial liability	–	–	–	–	–	(39)	–	(39)
Actuarial gain on defined benefit pensions, net of tax	–	–	–	–	–	–	23	23
Dividends	–	–	–	–	–	–	(2,628)	(2,628)
Share based payments	–	–	–	–	–	–	(65)	(65)
Own shares used to satisfy exercise of shares	–	–	–	–	63	–	–	63
Acquisition of own shares	–	–	–	–	(238)	–	–	(238)
Exercise of share based incentives	–	–	–	–	–	–	(63)	(63)
At 30 June 2019	4,517	445	2,265	10,606	(416)	(105)	19,620	36,932

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 Alternative Investment Market ("AIM").

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.

Going concern

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 27. 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 a £20 million revolving credit facility which has an initial expiry date of April 2022 and two single year extension periods. The Group has the option to cancel and repay elements of the committed facility at short notice should it wish to do so. The extension periods are subject to request by the Group and acceptance by the lender. In addition, the Group has overdraft facilities totalling £4.0 million. At 30 June 2019 the Group's net debt was £5.1 million (2018: £4.8 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.

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 2018 and have been adopted for the Company financial statements where appropriate with no material impact on the disclosures made by the Company:

IFRS 9: Financial Instruments; and
IFRS 15: Revenue from Contracts with Customers.

Judgments and estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and valuation of defined benefit pension obligations and the valuation of the Company's investments in subsidiaries.

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).

The valuation of the Company's investments is reviewed at least annually with key assumptions and estimates being applied by management in assessing whether any impairment is required. See note 6 for further details.

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.

Financial Statements *continued*

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.

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.

A Trust holds the shares in its name and shares are awarded to employees on request by the Company. The Company controls and bears the expenses of the Trust.

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, 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.

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.

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.

Financial Statements *continued*

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. Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets.

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

IFRS 16 applies to Alumasc's accounting period beginning on 1 July 2019 and requires lessees to recognise all leases on balance sheet with limited exemptions for short-term leases and low value leases. This will result in the recognition of a right-to-use asset and corresponding liability on the Company's balance sheet for its operating leases in respect of office premises, with the associated depreciation and interest expense being recorded in the income statement over the lease period. The expected impact of applying IFRS 16 in its first full year of application is detailed below:

- The income statement is not expected to be materially affected.
- Recognition of a right-of-use asset and lease liability of £0.5 million on 1 July 2019 with no impact on net assets at that time.

The Company plans to apply IFRS 16 initially on 1 July 2019, using a modified retrospective approach. The cumulative effect of adopting IFRS 16 is expected to be £nil with no restatement of comparatives.

3 Expenses by nature

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

	2018/19 £000	2017/18 £000
Auditor's remuneration – audit of the financial statements of the Company	16	17

4 Dividends

	2018/19 £000	2017/18 £000
Interim dividend for 2019 of 2.95p paid on 8 April 2019	1,045	–
Final dividend for 2018 of 4.4p paid on 31 October 2018	1,583	–
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
	2,628	2,594

A final dividend of 4.4 pence per equity share, at a cash cost of £1,574,000, has been proposed for the year ended 30 June 2019, payable on 31 October 2019. 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 2017	749	235	332	1,316
Additions	–	–	181	181
At 30 June 2018	749	235	513	1,497
Additions	–	–	78	78
At 30 June 2019	749	235	591	1,575
Depreciation:				
At 1 July 2017	286	235	310	831
Charge for the year	12	–	11	23
At 30 June 2018	298	235	321	854
Charge for the year	12	–	54	66
At 30 June 2019	310	235	375	920
Net book value:				
At 30 June 2019	439	–	216	655
At 30 June 2018	451	–	192	643
At 1 July 2017	463	–	22	485

Included within freehold land and buildings is land of £336,000 (2018: £336,000) which is not depreciated.

6 Investments in Group companies

	£000
Cost:	
At 1 July 2017	75,622
Acquisitions in year	14,289
At 30 June 2018 and 30 June 2019	89,911
Provisions:	
At 1 July 2017	10,935
Provided in year	6,482
At 30 June 2018	17,417
Provided in year	2,500
At 30 June 2019	19,917
Net book value:	
At 30 June 2019	69,994
At 30 June 2018	72,494
At 1 July 2017	64,687

During the year £2,500,000 was provided against the investment in Levlux Limited following annual impairment testing.

At close of business on 30 June 2019 the principal actively trading subsidiary undertakings and related classes of business are as follows: Alumasc Building Products Limited (building products) and Levlux Limited (building products).

Following the merger of the Group's two legacy defined benefit pension schemes in March 2019, the trade and net assets of Alumasc Limited and Wade International Limited were hived across into Alumasc Building Products Limited on 30 June 2019.

On 31 January 2018 the Company acquired the entire share capital of Wade International Limited for net consideration of £7,807,000. The trade of this company was hived across to Alumasc Building Products Limited effective 30 June 2019.

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.

Financial Statements *continued*

7 Trade and other receivables

	2019 £000	2018 £000
Other receivables	473	120
Prepayments	797	638
	1,270	758

None of the Company's receivables were passed due or impaired at the balance sheet date (2018: none).

8 Trade and other payables

	2019 £000	2018 £000
Other payables	1,032	803
Accruals	537	632
	1,569	1,435

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 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)
(Charged)/credited to the statement of comprehensive income	(18)	1	–	(17)	1
Charged to equity	(4)	–	(39)	(43)	–
At 30 June 2019	120	15	22	157	(123)

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

	2019 £000	2018 £000
Non-current liabilities:		
Non-current instalments due on bank loan	7,857	9,468

The Company and Group has a committed £20 million revolving credit facility which has an initial expiry date of April 2022 and two single year extension periods. The Group has the option to cancel and repay elements of the committed facility at short notice should it wish to do so. The extension periods are subject to request by the Group and acceptance by the lender. The following financial covenants apply 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 two and a half times.

At 30 June 2019 the Company and Group also had £4 million (2018: £2 million) of bank overdraft facilities repayable on demand. The Group has an offset arrangement in place against uncommitted overdraft facilities.

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 2019		30 June 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	473	473	120	120
Financial liabilities:				
Bank overdraft	5,237	5,237	6,273	6,273
Bank loans	7,857	7,857	9,468	9,468
Trade, intercompany and other payables	20,993	20,993	16,243	16,243
Derivative financial liabilities	127	127	361	361
	34,214	34,214	32,345	32,345

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 2019 and 2018 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 2019					
Interest bearing loans and borrowings	–	52	5,394	8,431	13,877
Trade, intercompany and other payables	23	1,349	151	19,470	20,993
	23	1,401	5,545	27,901	34,870
At 30 June 2018					
Interest bearing loans and borrowings	–	46	6,411	9,711	16,168
Trade, intercompany and other payables	20	1,141	73	15,009	16,243
	20	1,187	6,484	24,720	32,411

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 2019 was £13.1 million (2018: £15.7 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 2019 of £5.1 million (2018: £4.8 million).

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

	2019 £000	2018 £000
Floating rate interest bearing financial liabilities:		
In less than one year	5,237	6,273
In two to five years	7,857	9,468
	13,094	15,741

Interest rate risk management

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

Credit risk

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

Financial Statements *continued*

11 Financial instruments *continued*

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 2019 or 30 June 2018 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:

	2019	2018
	£000	£000
Forward foreign exchange contracts	(127)	(361)

At 30 June 2019 the Company had forward foreign exchange contracts with principal amounts equivalent to £4,282,000 (2018: £6,421,000). 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

£92,000 (2018: £89,000) was charged to operating profit in the statement of comprehensive income for defined contribution pension scheme contributions. At 30 June 2019 there was an accrual of £92,000 payable in respect of defined contribution schemes (2018: £85,000).

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:

	2019	2018
	%	%
Discount rate	2.25	2.75
Expected rate of deferred pension increases	2.25	2.10
Future pension increases	1.90-3.70	1.80-3.60
Retail Price Index inflation rate	3.25	3.10
Consumer Price Index inflation rate	2.25	2.10

	Years	Years
Post retirement mortality:		
Current pensioners at 65 – male	20.9	21.7
Current pensioners at 65 – female	22.6	23.1
Future pensioners at 65 in 2039 – male	22.2	23.5
Future pensioners at 65 in 2039 – female	23.8	24.8

A discount rate of 2.25% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2019. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £76,000 before tax.

A Retail Price Index inflation rate of 3.25% and a Consumer Price Index inflation rate of 2.25% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2019. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £30,000 before tax.

In valuing the liabilities of the pension scheme at 30 June 2019, 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 2019 would have increased by approximately £259,000 before tax.

The following information relates to the Company's element of the assets and liabilities of the scheme.

12 Retirement benefit obligations continued

Defined benefit scheme continued

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

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Equities	1,982	1,730	1,701	1,412	1,731
Gilts	–	620	609	470	376
Liability Driven Investment Funds	731	–	–	–	–
Bonds and insured annuities	564	503	513	392	376
Multi-asset fund	889	1,024	1,048	1,253	903
Property and cash	376	332	345	391	377
Total market value of assets	4,542	4,209	4,216	3,918	3,763
Actuarial value of liability	(5,249)	(5,052)	(5,268)	(5,087)	(4,739)
Defined benefit pension deficit	(707)	(843)	(1,052)	(1,169)	(976)

Of the above assets, all have a quoted market price with the exception of £80,000 of insured annuities (2017/18: £86,000) and £33,000 of property (2017/18: £33,000).

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 pension plan, before taxation, are as follows:

	2018/19 £000	2017/18 £000
Included in net operating expenses:		
Past service pension cost – Guaranteed minimum pension equalisation	(48)	–
Included in net finance cost:		
Net pension scheme finance costs	(25)	(26)
Included in other comprehensive income:		
Actuarial gain/(loss) on plan assets	259	(23)
Actuarial (loss)/gain on retirement benefit obligations	(232)	114
	27	91
Total recognised in the statement of comprehensive income	(46)	65

The actual return on plan assets for 2018/19 was a gain of £409,000 (2017/18: gain of £85,000).

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

	2019 £000	2018 £000
At 1 July	(5,052)	(5,268)
Interest cost	(175)	(134)
Past service pension cost – Guaranteed minimum pension equalisation	(48)	–
Benefits paid	258	236
Actuarial (loss)/gain	(232)	114
At 30 June	(5,249)	(5,052)

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

	2019 £000	2018 £000
At 1 July	4,209	4,216
Expected return on plan assets	150	108
Actuarial gain/(loss)	259	(23)
Contributions by employer	182	144
Benefits paid	(258)	(236)
At 30 June	4,542	4,209

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income is £962,000 (2017/18: losses of £989,000).

Financial Statements *continued*

13 Provisions

	£000
At 1 July 2017	59
Charge for the year	51
At 30 June 2018	110
Utilised	(10)
At 30 June 2019	100

The Company has provided £100,000 (2018: £110,000) in relation to the anticipated cost of dilapidations required under the terms of the lease of business premises.

14 Called up share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid:		
36,133,558 (2018: 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 369,245 (2018: 161,411) ordinary own shares held by the Company. The market value of shares at 30 June 2019 was £348,936 (2018: £217,905). These are held to help satisfy the exercise of awards under the Company's Long Term Incentive Plans. During the year 42,166 shares with a cost of £63,000 were used to satisfy the exercise of awards and 250,000 shares with a cost of £238,000 were purchased by the Trust. 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 £19,620,000 (2018: £23,398,000).

In connection with the capital reorganisation in 2007, the Company reached agreement with the Pension Trustees that £14.0 million of the profit and loss account reserve would be retained as a non-distributable reserve until the Group's pension deficits reduced below £14.0 million (as determined by full actuarial valuations). Therefore the Directors consider that £5,620,000 of the Company profit and loss account reserve is distributable.

Cumulative actuarial losses relating to defined benefit pension schemes of £962,000 (2018: losses of £989,000) 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 42 to 47.

	As at 1 July 2018	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 2019	Weighted average exercise price (pence)
LTIP ⁽ⁱ⁾	496,192	n/a	219,078	n/a	–	–	(146,542)	n/a	568,728	n/a
ESOS ⁽ⁱⁱ⁾	50,000	1.55	10,000	1.27	–	–	(10,000)	1.88	50,000	1.43

	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)	1.55	50,000	1.55

(i) Long term incentive plan.

(ii) Executive share option scheme.

ESOS

For the share options outstanding at 30 June 2019 the weighted average remaining contractual life is 7.0 years (30 June 2018: 7.4 years). The exercise price of the options outstanding ranges between 129 pence and 188 pence. 20,000 share options are exercisable at 30 June 2019 (30 June 2018: 20,000).

LTIP

None of the September 2016 LTIP awards will vest in September 2019.

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 2019	Black Scholes 2018	Black Scholes 2019	Black Scholes 2018
Share price at grant date	127p	174p	131p	174p
Exercise price	127p	174p	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	5.3%	4.1%	5.3%	4.1%
Fair value per option	13p	21p	111p	153p

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 credit recognised for share based payments in respect of employee services rendered during the year to 30 June 2019 is £65,000 (2017/18: charge of £160,000).

Financial Statements *continued*

17 Financial commitments

(i) Capital commitments

The Company had no capital commitments at the year end (2018: £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 2019 £000	Plant 2019 £000	Property 2018 £000	Plant 2018 £000
Less than one year	20	1	20	1
Between one and five years	80	3	80	4
After five years	1,007	–	1,027	–
	1,107	4	1,127	5

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

	Property 2019 £000	Property 2018 £000
Less than one year	40	32

18 Movement in net borrowings

	Bank overdrafts £000	Bank loans £000	Net borrowings £000
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 1 July 2018	6,273	9,468	15,741
Cash flow movements	(1,036)	(1,500)	(2,536)
Non-cash movements	–	(111)	(111)
At 30 June 2019	5,237	7,857	13,094

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 111.

The total non-current position with regards to amounts owed to subsidiary undertakings at 30 June 2019 was a £19,424,000 liability (2018: £14,808,000 liability). Included in Other receivables is £369,000 (2018: £54,000) due from a subsidiary company.

Amounts owed to subsidiary undertakings have no fixed repayment date and accrue interest at a rate equivalent to the Alumasc Group's effective rate of interest. The Directors believe that in substance these amounts are non-current.

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 42 to 47.

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 (2018: none) of the overdraft facilities guaranteed by the Company.

Financial Summary

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Income Statement Summary								
Continuing operations								
Revenue	58,259	66,842	63,028	69,950	73,005	88,368	87,048	90,104
Underlying operating profit	2,667	5,345	5,099	6,341	7,010	8,703	6,224	5,865
<i>Underlying operating margin</i>	4.6%	8.0%	8.1%	9.1%	9.6%	9.8%	7.2%	6.5%
Net interest cost on borrowings	(706)	(767)	(521)	(592)	(215)	(132)	(212)	(281)
Underlying profit before tax	1,961	4,578	4,578	5,749	6,795	8,571	6,012	5,584
Non-underlying items*	(889)	(2,984)	(1,168)	(1,434)	(1,502)	(888)	(1,082)	(4,599)
Profit before taxation	1,072	1,594	3,410	4,315	5,293	7,683	4,930	985
Taxation	(236)	(598)	(706)	(1,120)	(1,319)	(1,492)	(967)	(256)
Profit for the year from continuing operations	836	996	2,704	3,195	3,974	6,191	3,963	729
Discontinued operations – (loss)/profit after tax	(423)	890	1,337	1,181	2,510	349	354	2,912
Profit for the year	413	1,886	4,041	4,376	6,484	6,540	4,317	3,641
Underlying earnings per share from continuing operations (pence)								
Basic earnings per share (pence)	3.8	9.5	9.7	12.6	15.1	19.1	13.4	12.4
Dividends per share (pence)	2.0	4.5	5.0	6.0	6.5	7.15	7.35	7.35
Balance Sheet Summary at 30 June								
Shareholders' funds	18,928	22,443	17,042	15,929	16,580	20,437	24,421	25,445
Net debt/(cash)	13,229	7,687	7,666	(914)	(8,632)	(6,076)	4,812	5,095
Pension deficit (net of tax)	11,050	7,748	14,338	16,748	18,588	17,095	12,566	10,749
Discontinued operations	(13,943)	(12,897)	(11,769)	(3,708)	(479)	(334)	(714)	359
Capital invested – continuing operations	29,264	24,981	27,277	28,055	26,057	31,122	41,085	41,648
Underlying return on capital invested (post tax)**	6.3%	14.4%	14.8%	17.9%	20.5%	24.2%	13.8%	11.3%
Underlying tax rate	31.6%	25.7%	24.2%	22.0%	20.8%	20.6%	20.2%	20.4%

Notes

* Non-underlying items comprise brand amortisation and IAS 19 pension costs in all years. 2012/13 also includes an impairment charge and restructuring costs. Further details of the 2017/18 and 2018/19 non underlying items can be found in note 5 of the Report and Accounts 2019.

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

Additional Shareholder Information

Additional shareholder information

In accordance with the requirements of the Companies Act 2006 ('Act') the following section describes the matters that are required for inclusion in the Directors' report. Further details of matters required to be included in the Directors' report that are incorporated by reference into this report are set out below.

Directors

The names of the members of the Board as at the date of this report and their biographical details are set out on pages 28 to 29.

Share capital

The issued share capital of the Company and the details of the movements in the Company's share capital during the year are shown in note 23 to the financial statements.

The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights.

Articles of association

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors and the conduct of the Board and general meetings. Copies are available on the Company's website www.alumasc.co.uk. Further powers are granted by members in general meeting and those currently in place are set out in detail in the appropriate section of this report.

Directors' interests

Other than the Directors' service agreements or letters of appointment, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service agreements or letters of appointment and the Directors' interests in shares and share awards of the Company, in respect of which transactions are notifiable to the Company and the FCA under Article 19 of the Market Abuse Regulation, are disclosed in the Remuneration Report on pages 42 to 47.

Directors' powers

The Directors are responsible for the strategic management of the Company and their powers to do so are determined by the provisions of the Act and the Company's Articles of Association.

Employee benefit trust

A waiver of dividend exists in respect of 369,245 shares held by the Alumasc Group Employee Share Ownership Trust ('Trust') as at 30 June 2019. Details of the shares purchased by the Trust during the year are outlined within note 24 to the financial statements. There are no restrictions on the transfer of ordinary shares in the Company.

The rights attached to shares in the Company are provided by the Articles of Association, which may be amended or replaced by means of a special resolution of the Company in a general meeting. The Directors' powers are conferred on them by UK legislation and by the Company's Articles of Association.

No ordinary shares carry any special rights about control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid.

Shares are admitted to trading on the AIM market of London Stock Exchange and may be traded through the CREST system.

Allotment of shares

At the AGM in 2018 the Directors were empowered by the shareholders to allot equity securities, up to 5% of the Company's issued share capital, for cash, under section 570 of the Act. It is intended that this authority be renewed at the forthcoming AGM.

It is the Board's intention, in line with guidance issued by the Pre-Emption Group, to also propose the renewal of the additional special resolution to allow the Company to allot equity securities up to a further 5% of the Company's issued share capital. This is applicable when the Board determines a transaction to be an acquisition or other capital investment, as defined by the Pre-Emption Group's Statement of Principles and is announced contemporaneously with the allotment or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Purchase of own shares

Shareholders also approved the authority for the Company to buy-back up to 14.9% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. The Directors will seek to renew this authority at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the Group as a result of the purchase and therefore, that the purchase is in the interests of shareholders. The Directors will also give careful consideration to the financial position of the Company and its general financial position. Any shares purchased in this way may be held in treasury which, the Directors believe, will provide the Company with flexibility in the management of its share capital.

Where treasury shares are used to satisfy Share Awards, they will be classed as new issue shares for the purpose of the 10% limit on the number of shares that may be issued over a 10-year period under the relevant share plan rules. The Company currently holds no shares in treasury.

Significant agreements – change of control

The Group has in place agreements with its relationship banks, which contain certain termination rights that would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and consider that its disclosure would be prejudicial to the Group; accordingly, they do not intend to disclose specific details. In addition, the Group's share schemes contain provisions that, in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes.

The total amount owing under the Group's credit facilities as at 30 June 2019 is shown in note 19 to the financial statements. These agreements contain clauses such that, in the event of a change of control, subject to the lender, the Company can offer to or must repay all such borrowings together with accrued interest, fees and other sums owing as required by the individual agreements.

The rules of the Company's incentive plans contain clauses relating to a change of control resulting from a takeover and in such an event awards would vest subject to the satisfaction of any associated performance criteria.

Major shareholders

The Company's share register recorded the following interests of 3% or more in the Company's issued ordinary share capital as at 30 June 2019. This information was also checked on 1 August 2019 being the latest practical date prior to the publication of this report.

Shareholder	Number of Ordinary Shares held pre and post admission	% of issued share capital
Mr John McCall	4,359,668	12.07
AXA Investment Mgrs.	3,420,000	9.46
Mr Philip H R Gwyn	3,057,605	8.46
Hargreaves Lansdown	2,315,384	6.41
Unicorn Asset Management	1,800,000	4.98
Chelverton Asset Management	1,626,000	4.50
Mrs E L O'Loughlin	1,550,962	4.29
IPConcept Fund Management	1,500,000	4.15
NN Investment Partners	1,475,000	4.08
Charles Stanley	1,097,849	3.04

Employment

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Corporate Social Responsibility report and the Directors' report on pages 24 to 27 and pages 49 and 50.

Greenhouse gas emissions ('GHG')

Information about the Group's Greenhouse Gas emissions is given in the Corporate Social Responsibility Report on pages 24 to 27.

Auditor

The auditors, BDO, were appointed during the year and have expressed their willingness to continue in office. Upon the recommendation of the Audit Committee to the Board, resolutions to appoint them as auditor and to determine their remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The Notice of the AGM, to be held on 24 October 2019 is available in this Report and Accounts on pages 106 to 110 and copies are also available from the Company's website at www.alumasc.co.uk/investors. The Notice details the business to be conducted at the meeting and includes information concerning the deadlines for submitting proxy forms and in relation to voting rights.

Statement of disclosure of information to auditors

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

Notice of Annual General Meeting

Notice is given that the 2019 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 10am on Thursday 24 October 2019 to consider the following:

Ordinary business

Resolutions 1 to 10 will be proposed as ordinary resolutions.

- 1 To receive the reports of the Directors and auditor and the accounts for the year ended 30 June 2019.
- 2 To receive the report of the Remuneration Committee for the year ended 30 June 2019.
- 3 To declare a final dividend of 4.4 pence per share
- 4 To re-elect Paul Hooper as a Director
- 5 To elect Vijay Thakrar as a Director
- 6 To elect Stephen Beechey as a Director
- 7 To re-elect Jon Pither as a Director
- 8 To re-elect John McCall as a Director
- 9 To re-appoint BDO LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
- 10 That the Audit Committee be authorised to determine the auditors' remuneration

Special business

The following resolution will be proposed as an ordinary resolution.

11 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.

The following three resolutions will be proposed as special resolutions.

12 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 11 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 to:

- 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 5 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 23 October 2020).

13 Disapplication of statutory pre-emption rights: Acquisition or capital investment

That if resolution 11 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 5 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.

14 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 percent of the issued share capital of the Company at the date of this Notice;
- (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 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 23 October 2020, 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 at the last AGM.

By order of the Board



Helen Ashton

Group Company Secretary

5 September 2019

Registered Office

Burton Latimer
Kettering
Northamptonshire
NN15 5JP

Registered No

01767387

Notice of Annual General Meeting *continued*

Explanatory notes to the Resolutions 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 to be proposed at the 2019 Annual General Meeting

Resolutions 4 to 8: Directors

We set out the biographies of the Directors standing for election or re-election on pages 28 to 29 in this Report & Accounts

Resolution 4 – Re-election of Paul Hooper

Your Board recommends that Paul Hooper be re-elected as a Director.

Resolution 5 – Election of Vijay Thakrar

Your Board recommends that Vijay Thakrar be elected as a Director.

Resolution 6 – Election of Stephen Beechey

Your Board recommends that Stephen Beechey be elected as a Director.

Resolution 7 – Re-election of Jon Pither

Your Board recommends that Jon Pither be re-elected as Director.

Resolution 8 – Re-election of John McCall

Your Board recommends that John McCall be re-elected as Director.

The Board has concluded that the Directors standing for election and re-election are effective, committed to their role, and subject to shareholder approval, should continue in office. Two Directors who were appointed during the year are standing for election as required by the Company Articles of Association. The biographical details of each Director is set out on pages 28 and 29 of this 2019 Annual Report.

Resolution 9 – Re-appointment of BDO as Auditors of the Company

At each general meeting at which the Company's accounts are presented the Company is required to appoint auditors to serve until the next general meeting at which accounts are presented. The Directors appointed BDO during the year and are recommending that they be re-appointed as auditors.

Resolution 10 – That the Audit Committee be authorised by the Directors to determine the auditors' remuneration

This resolution follows standard practice.

Resolution 11 – 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. This 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 the date of this Notice. This authority will lapse at the conclusion of the next Annual General Meeting, unless renewed earlier. The Directors have no present intention to exercise the authority proposed to be conferred by this Resolution.

Resolutions 12 and 13 – Disapplication of statutory pre-emption rights

Special resolutions 12 and 13 will allow the Directors to allot equity securities for cash pursuant to the authority under ordinary resolution 11, 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 the date 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 2019.

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 2020 Annual General Meeting of the Company or, if earlier, on 23 October 2020.

The authority sought under this resolution provides the Company with greater flexibility in pursuing its strategy of building a focused 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 12 and 13.

Resolution 14 – 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. This resolution renews the Company's general authority to buy its own shares on similar terms to previous years' authority. The purpose of this Resolution 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 2019). The Directors will only exercise the authority granted by Resolution 14 (if passed) if to do so would result in an increase in earnings per share and is considered to be in the best interests of shareholders generally. This authority will lapse on the 23 October 2020, unless renewed earlier.

Recommendation

Your Directors believe that the resolutions set out in Resolution 1 to 14 are in the best interests of the shareholders as a whole and unanimously recommend that you vote in favour of these resolutions. They intend to do so in respect of their own beneficial holdings.

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 Annual General Meeting 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 Annual General Meeting 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 their 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 online. 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 Annual General Meeting. 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 22 October 2019 (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. Please note that a proxy need not be a shareholder.
- 8) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 24 October 2019 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).

Notice of Annual General Meeting *continued*

Notes to the Notice of Annual General Meeting *continued*

- 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 2019 (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 Annual General Meeting 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 Annual General Meeting; 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 Annual General Meeting 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 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)). 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.

List of Subsidiaries

The Group's subsidiary undertakings as at 30 June 2019 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 Building Products Limited	Building products	
Levolux Limited	Building products	
Alumasc Limited	Dormant	
Alumasc Precision Limited	Dormant	
A G Standard Company Limited	Dormant	
Access Floor Systems Limited	Dormant	
AEBP Walling Limited	Dormant	
AIBP 2 Limited	Dormant	
ALK Limited	Dormant	
Alumasc Exterior Building Products Limited	Dormant	
Alumasc Construction Products Limited	Dormant	
Alumasc D Developments Limited	Dormant	
Alumasc D D Limited	Dormant	
Alumasc-Grundy Limited	Dormant	
Alumasc Holdings Limited	Dormant	
Alumasc Interior Building Products Limited	Dormant	
Apex Gutter & Drainage Limited	Dormant	
Benion Limited	Dormant	
Benjamin Priest Group Limited	Dormant	
Benjamin Priest Limited	Dormant	
Blackdown Horticultural Consultants Ltd	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	
Eurorooft Limited	Dormant	
Green Roof Solutions Limited	Dormant	
Harmer Holdings Limited	Dormant	
Harvey Reed Top Table Limited	Dormant	
Justcredit Limited	Dormant	
Kett Limited	Dormant	
Levolux AT Limited	Dormant	
Levolux Inc	Dormant	USA
Powke Limited	Dormant	
Rainclear Systems Limited	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 Drainage Products Limited	Dormant	
Wade International Limited	Dormant	
Wade International (UK) Limited	Dormant	
Wergs Limited	Dormant	
Yenots Limited	Dormant	

Business & Operating Locations

Roofing & Water Management

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 Greenroofs
Flax Drayton Farm
South Pertherton
Somerset
TA13 5LR
Tel: +44 (0) 1460 234582
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

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
Third Avenue
Halstead
Essex CO9 2SX
Tel: +44 (0) 1787 475151
Fax: +44 (0) 1787 475579
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

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

Housebuilding 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



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