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Alumasc Group PLC
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THE ALUMASC GROUP PLC - INTERIM RESULTS ANNOUNCEMENT

Alumasc (ALU.L), the premium building products, systems and solutions group, announces interim results for the six months ended 31 December 2016.

Half year financial highlights

Half year to 31 December	**2016**	2015	% change
Revenue (£m)	**50.7**	43.5	+17%
Underlying profit before tax (£m)*	**4.1**	4.0	+2%
Underlying earnings per share (pence)*	**9.1**	8.9	+2%
Profit before tax (£m)	**3.6**	3.4	+6%
Basic earnings per share (pence)	**8.2**	7.6	+8%
Dividends per share (pence)	**2.85**	2.70	+5.6%
Net cash at 31 December (£m)	**5.2**	0.5	

* Underlying profits and earnings per share are stated prior to the deduction of brand amortisation charges of £0.1 million (2015/16: £0.1 million), IAS 19 pension costs of £0.4 million (2015/16: £0.7 million) and, in 2015/16, profit from discontinued operations of £0.2 million.

Key points

- Alumasc's strategy is delivering continued outperformance of the UK construction market.
- The group's fifth consecutive first half year of earnings growth.
- Strong revenue growth reflects progress in all operating segments.
- Lower group margins reflect increased imported materials costs and continued investment to support growth.
- Benefits of pricing actions and operational gearing will see margins stronger in H2.
- **Solar Shading & Screening** achieved 46% revenue growth to £11.1m with operating profit up 37% to £0.6m after £0.7m

additional annualised investment in people. Levolux is experiencing strong demand in North America and will benefit from completed contracts in H2.

- **Roofing & Walling** revenue rose 13% to £20.9m. Roofing traded at record levels with margins reflecting increased imported materials costs which will be partially recovered in H2. Facades benefited from insulation refurbishment activity in Scotland. Growth in new build was not enough to offset falls in funded refurbishment activity in England and Wales. Divisional operating profit was down 8% to £1.6m. Selling price increases are expected to improve divisional margins in H2.
- **Water Management** revenue was up 6% to £14.9m, driven principally by Gatic exports and sales of drainage systems under the Alumasc Water Management Solutions brand. Increases in imported materials and steel costs reduced margins in H1, with operating profit down 15% to £1.6m, although strong order books and selling price increases will benefit H2.
- **Housebuilding & Ancillary Products** increased revenue by 8% to £4.4m and operating profit by 22% to £0.7m, reflecting a positive performance from Timloc's enlarged product range, including "Above the Roofline", and management actions to improve operating margins. Timloc's new purpose-built factory at Goole is on schedule for completion in the Autumn.

Paul Hooper, Chief Executive, commented:

"*Group order books currently stand at £27.6 million, close to record levels. The majority of this relates to Levolux and to construction projects that are for the most part due to complete prior to the financial year end, which we expect will benefit profit and margin recognition in the second half year. Elsewhere we expect the group's positive trading momentum to continue in the remainder of the financial year. Therefore, the Board's expectations for full year performance remain unchanged.*

Notwithstanding the ongoing economic uncertainties arising from the UK's intended exit from the European Union and the current weakness in Sterling, latest industry forecasts continue to anticipate modest growth in the UK construction market over the next few years. All of Alumasc's chosen specialist markets continue to benefit from one or more of the long term strategic growth drivers of energy management, water management, bespoke solutions and ease of construction. This, when combined with an encouraging pipeline of enquiries and quotations including for large international projects at Levolux and Gatic in particular, gives the board confidence that Alumasc should continue to make good progress beyond the current financial year."

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REVIEW OF INTERIM RESULTS

Performance Overview

Alumasc is pleased to announce the fifth consecutive first half year of earnings growth:

- Group revenues advanced by 17% to £50.7 million (2015/16: £43.5 million), with all operating segments continuing to grow strongly;
- Sales to domestic markets grew by 9% to £43.2 million. This compares with UK construction market growth of around 1% in the period, providing further evidence of the higher than industry average growth rates generated by Alumasc's specialist systems and solutions, with over two thirds of the group's business now focused on managing the scarce resources of water and energy in the built environment;
- Export sales almost doubled to £7.5 million, led by continued penetration of the North American market for bespoke architectural, shading and screening solutions by Levolux; and increased sales of specialist access covers and civil drainage systems by Gatic in a number of countries;
- Group operating margins reduced from 9.5% to 8.2%, mainly reflecting the increased cost of imported materials following the depreciation of Sterling over the last six months. In light of the investment already made by the group in resource and capability to support the continued expansion of the business, margins are expected to be higher in the second half year as the benefit of selling price increases and operational gearing, driven by the strong growth in revenues, is realised;
- Underlying profit before tax (stated prior to IAS 19 pension charges, amortisation of acquired brands and discontinued operations in 2015/16) increased to £4.1 million from £4.0 million in the first half of last year, and underlying earnings per share increased to 9.1 pence (2015/16: 8.9 pence). A full reconciliation of underlying to statutory profit before tax is shown in note 4; and
- Statutory profit before tax and basic earnings per share improved to £3.6 million from £3.4 million and to 8.2 pence from 7.6 pence, respectively, reflecting the better underlying results and lower IAS 19 pension charges.

Cash generation in Alumasc remains strong, underpinned by EBITDA of £4.8 million in the period. However, there was a net cash outflow in the first six months of the financial year of £3.4 million reflecting working capital absorption to support the significant growth in revenues and the expected un-wind of cash received last year in advance of profit recognition on construction contracts.

At 31 December 2016 Alumasc had net cash resources on its balance sheet of £5.2 million (31 December 2015: £0.5 million). The group intends to use these funds in the planned re-location and expansion of Timloc, the group's house building products business, in Autumn 2017, and of Alumasc Water Management Solutions, expected in 2019.

Strategic development

Encouraged by the group's first half performance both in the UK and internationally, the Board is working with divisional management teams to identify further initiatives to accelerate the profitable growth of the business by continuing to increase revenues faster than UK construction market growth and focus on margin improvement.

The Board believes Alumasc has significant UK growth potential in all its divisions, with further opportunities to expand internationally through Levolux and Alumasc's Water Management business in particular.

In addition, operating and EBITDA margin improvement will be driven through a combination of:

- continued product, system and service innovation;
- a more focused programme of capital investment including the modernisation and upgrade of plant, equipment and tooling;
- efficiencies derived from the planned relocation and expansion of the Timloc and Alumasc Water Management Solutions businesses in the next 2-3 years, which will benefit once higher initial property costs have been absorbed;
- using the group's cash resources to flex working capital ratios where needed to take advantage of procurement opportunities; and
- the benefits of operational gearing, particularly at Levolux, which is beginning to generate double digit operating margins on a run rate basis.

Should the right opportunities arise at the right price, Alumasc intends to supplement this organic growth potential through selective complementary acquisitions and, following the divestment of non-core businesses in recent years, more senior management time is now being devoted to this area.

Operational review

(a) Solar Shading and Screening

Revenue £11.1 million (2015/16: £7.6 million)
Underlying operating profit £0.6 million (2015/16: £0.5 million)
Underlying operating margin 5.7% (2015/16: 6.1%)

The enlarged Levolux business, which now encompasses an established North American presence and a UK Balconies and Balustrading business in addition to the original UK Solar Shading operation, increased revenues by 46% in the period, benefiting as expected from the high order book at the beginning of the period. Whilst this led to an increase in underlying operating profit of 37% in the first half, the full benefit of this growth will not be realised until the second half of the current financial year when a number of construction contracts that were in their relatively early stages at 31 December 2016 are due to complete. As a result, we expect both profits and margins to be weighted towards the second half.

Approximately £0.7 million of annualised people cost, including international sales managers, designers, project managers and operational resources, have been added to support growth. We have doubled our own directly employed sales resources focused on the North American market from two to four over the last twelve months.

Order intake, enquiry and tender levels remain strong for both domestic and export markets.

(b) Roofing & Walling

Revenue £20.9 million (2015/16: £18.4 million)
Underlying operating profit £1.6 million (2015/16: £1.7 million)
Underlying operating margin 7.8% (2015/16: 9.5%)

Alumasc Roofing traded at new record levels of revenue and profit during the period and momentum going into the second half year is strong. Our strategy for growth, through enhancements made to our range of flat roofing solutions and extending our UK geographical presence by continuing to attract high quality technical sales resources, continues to bear fruit. Operating margins were impacted by a rise on the cost of imported materials and sales mix in the period.

Alumasc Facades continued to perform well in its exterior wall insulation refurbishment business in Scotland, underpinned by ongoing funding support from the Scottish government's HEEPS scheme. Refurbishment activity in England and Wales was lower than a year ago due to funding cuts to the ECO and Green Deal schemes which took place in November 2015. The business continues to invest in growing its new build presence, including through innovative solutions such as the Alumasc Base Coat and the Alumasc Ventilated System. However, initial successes in these areas were not sufficient to offset the fall in refurbishment activity.

Selling price increases already in place are expected to improve divisional margins in the second half year.

(c) Water Management

Revenue £14.9 million (2015/16: £14.0 million)
Operating profit £1.6 million (2015/16: £1.9 million)
Operating margin 10.9% (2015/16: 13.6%)

Divisional revenue growth of 6% was driven principally by increased export sales of Gatic systems and higher sales of building drainage systems including new products introduced under the Alumasc Water Management Solutions brand over the last year. Profitability was impacted by a combination of cost inflation from imported materials, significant increases in steel costs due to the global increase in steel prices following removal of surplus industry capacity last year and sales mix in the first half year. Again, selling price increases already implemented should mitigate some of this margin pressure in the second half of the year.

Order books across the division remain strong and Gatic's order books are at record levels, including a number of large international projects which are expected to benefit the second half year.

(d) Housebuilding & Ancillary Products

Revenue £4.4 million (2015/16: £4.1 million)
Operating profit £0.7 million (2015/16: £0.6 million)
Operating margin 15.8% (2015/16: 14.0%)

Timloc continues to make good progress. The sales team has been strengthened, the "Above the Roofline" product range launched last year is performing well and cost inflationary pressures have been mitigated through a combination of management actions including purchasing and supply chain initiatives and operational efficiencies. Revenue growth of 8% also enabled the business to better leverage fixed costs, improving operating margins.

Timloc's new purpose built leasehold manufacturing and warehousing facility is now under construction and scheduled to be operational in the Autumn. This will allow the business to further expand and provide additional manufacturing flexibility.

Balance sheet and pensions

Shareholders' funds of £16.6 million were a little higher at 31 December 2016 than they were at 30 June 2016 with retained profit over the last six months more than offsetting an increase in net of tax pension obligations calculated under IAS 19. Post tax return on investment remains strong at 23.0% (2015/16: 22.3%) and well above the group's weighted average cost of capital.

The group has now concluded the formal triennial valuation as at 31 March 2016 of its legacy defined benefit pension obligations on a technical provisions basis, a more prudent valuation methodology than that used for accounting purposes. On this basis of valuation, the pension deficit was calculated to be £33.0 million and is to be recovered over a period of ten years, with Alumasc making annual cash contributions of £3.2 million (previously £3.0 million), to include scheme running costs. This outcome is in line with the expectations set out in our 2016 Annual Report.

Outlook

Group order books currently stand at £27.6 million, close to record levels. The majority of this relates to Levolux and to construction projects that are for the most part due to complete prior to the financial year end, which we expect will benefit profit and margin recognition in the second half year. Elsewhere we expect the group's positive trading momentum to continue in the remainder of the financial year. Therefore, the Board's expectations for full year performance remain unchanged.

Notwithstanding the ongoing economic uncertainties arising from the UK's intended exit from the European Union and the current weakness in Sterling, latest industry forecasts continue to anticipate modest growth in the UK construction market over the next few years. All of Alumasc's chosen specialist markets continue to benefit from one or more of the long term strategic growth drivers of energy management, water management, bespoke solutions and ease of construction. This, when combined with an encouraging pipeline of enquiries and quotations including for large international projects at Levolux and Gatic in particular, gives the board confidence that Alumasc should continue to make good progress beyond the current financial year.

Dividend

In view of all the above the Board has decided to increase the interim dividend by 5.6% to 2.85 pence per share (2015/16: 2.7 pence) to be paid on 7 April 2017 to shareholders on the register at 24 February 2017.

Paul Hooper, Chief Executive
31 January 2017

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the half year to 31 December 2016

Continuing operations:	Notes	Half year to 31 December 2016 (Unaudited) £'000	Half year to 31 December 2015 (Unaudited) £'000	Year to 30 June 2016 (Audited) £'000
Revenue	5	**50,743**	43,468	92,233
Cost of sales		**(34,898)**	(28,904)	(61,434)
Gross profit		**15,845**	14,564	30,799
Net operating expenses		**(11,837)**	(10,849)	(23,101)
Operating profit	5	**4,008**	3,715	7,698
Finance expenses	7	**(403)**	(473)	(939)
Profit before taxation		**3,605**	3,242	6,759
Tax expense	8	**(704)**	(663)	(1,581)
Profit for the period		**2,901**	2,579	5,178
Discontinued operations:				
Profit after taxation for the period from discontinued operations	6	**-**	132	1,306
Profit for the period		**2,901**	2,711	6,484
Other comprehensive income				
Items that will not be recycled to profit or loss:				
Actuarial (loss)/gain on defined benefit pensions	2	**(1,663)**	542	(3,412)
Tax on actuarial loss/(gain) on defined benefit pensions	8	**50**	(517)	240
		(1,613)	25	(3,172)
Items that are or may be recycled subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		**(20)**	170	(22)
Exchange differences on retranslation of foreign operations		**41**	(4)	1
Tax on cash flow hedge	8	**4**	(35)	(1)
		25	131	(22)
Other comprehensive (loss)/profit for the period, net of tax		**(1,588)**	156	(3,194)

Total comprehensive profit for the period, net of tax		**1,313**	2,867	3,290
Earnings per share		**Pence**	Pence	Pence
Basic earnings per share				
- Continuing operations		**8.2**	7.2	14.5
- Discontinued operations		**-**	0.4	3.7
	11	**8.2**	7.6	18.2
Diluted earnings per share				
- Continuing operations		**8.0**	7.0	14.3
- Discontinued operations		**-**	0.4	3.6
	11	**8.0**	7.4	17.9

Reconciliations of underlying to statutory profits and earnings per share are provided in notes 4 and 11 respectively.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION at 31 December 2016

	31 December 2016 (Unaudited)	31 December 2015 (Unaudited)	30 June 2016 (Audited)
	£'000	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	**5,202**	5,310	5,250
Goodwill	**16,488**	16,488	16,488
Other intangible assets	**2,459**	2,802	2,642
Financial asset investments	**17**	17	17
Deferred tax assets	**3,915**	3,509	4,080
	28,081	28,126	28,477
Current assets			
Inventories	**10,613**	9,686	10,238
Trade and other receivables	**20,803**	14,915	19,759
Cash and cash equivalents	**6,109**	5,404	10,540
Assets classified as held for sale	**-**	3,978	-
	37,525	33,983	40,537
Total assets	**65,606**	62,109	69,014
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	**(923)**	(4,893)	(1,908)
Employee benefits payable	**(23,031)**	(19,492)	(22,668)
Provisions	**(898)**	(1,129)	(1,064)
Deferred tax liabilities	**(446)**	(415)	(508)
	(25,298)	(25,929)	(26,148)
Current liabilities			
Trade and other payables	**(22,326)**	(16,832)	(25,351)
Provisions	**(514)**	(396)	(478)
Corporation tax payable	**(534)**	(574)	(188)
Derivative financial liabilities	**(289)**	(77)	(269)
Liabilities classified as held for sale	**-**	(1,018)	-
	(23,663)	(18,897)	(26,286)
Total liabilities	**(48,961)**	(44,826)	(52,434)
Net assets	**16,645**	17,283	16,580
Equity			
Called up share capital	**4,517**	4,517	4,517
Share premium	**445**	445	445

Capital reserve - own shares	**(640)**	(968)	(931)
Hedging reserve	**(237)**	(63)	(221)
Foreign currency reserve	**91**	45	50
Profit and loss account reserve	**12,469**	13,307	12,720
Total equity	**16,645**	17,283	16,580

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
for the half year to 31 December 2016

	Notes	**Half year to 31 December 2016 (Unaudited) £'000**	Half year to 31 December 2015 (Unaudited) £'000	Year to 30 June 2016 (Audited) £'000
Operating activities				
Operating profit		**4,008**	3,715	7,698
Adjustments for:				
Depreciation		**474**	431	931
Amortisation		**206**	194	364
Gain on disposal of property, plant and equipment		**-**	(3)	(11)
(Increase)/decrease in inventories		**(375)**	157	(400)
(Increase)/decrease in receivables		**(1,044)**	3,936	(804)
(Decrease)/increase in trade and other payables		**(3,098)**	(4,944)	2,958
Movement in provisions		**(130)**	(101)	(84)
Cash contributions to retirement benefit schemes		**(1,542)**	(1,250)	(2,500)
Share based payments		**50**	123	181
Cash (absorbed)/generated by operating activities of continuing operations		**(1,451)**	2,258	8,333
Operating profit from discontinued operations		**-**	167	27
Depreciation and amortisation		**-**	70	141
Movement in working capital from discontinued operations		**-**	26	15
Cash generated by operating activities of discontinued operations		**-**	263	183
Tax paid		**(201)**	(401)	(980)
Net cash (outflow)/inflow from operating activities		**(1,652)**	2,120	7,536
Investing activities				
Purchase of property, plant and equipment - continuing operations		**(476)**	(520)	(869)
Purchase of property, plant and equipment - discontinued operations		**-**	(97)	(148)
Payments to acquire intangible fixed assets		**(11)**	(160)	(255)
Proceeds from sales of property, plant and equipment		**-**	18	21
Proceeds from sale of business activity		**-**	-	4,474
Net cash (outflow)/ inflow from investing activities		**(487)**	(759)	3,223
Financing activities				
Interest paid		**(35)**	(112)	(221)
Equity dividends paid		**(1,349)**	(1,248)	(2,208)
Draw down of amounts borrowed		**-**	5,000	-
Repayment of amounts borrowed		**(1,000)**	(5,000)	(3,000)
Refinancing costs		**-**	(119)	(119)
Acquisition of own shares		**-**	(452)	(759)
Proceeds on exercise of share based incentives		**51**	64	147
Net cash outflow from financing activities		**(2,333)**	(1,867)	(6,160)
Net (decrease)/increase in cash and cash equivalents		**(4,472)**	(506)	4,599
Net cash and cash equivalents brought forward		**10,540**	5,914	5,914
Effect of foreign exchange rate changes		**41**	(4)	27
Net cash and cash equivalents carried forward	**12**	**6,109**	5,404	10,540

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year to 31 December 2016

	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 £'000
At 1 July 2016	**4,517**	**445**	**(931)**	**(221)**	**50**	**12,720**	**16,580**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**2,901**	**2,901**
Exchange differences on retranslation of foreign operations	**-**	**-**	**-**	**-**	**41**	**-**	**41**
Net loss on cash flow hedges	**-**	**-**	**-**	**(20)**	**-**	**-**	**(20)**
Tax on derivative financial liability	**-**	**-**	**-**	**4**	**-**	**-**	**4**
Actuarial loss on defined benefit pension schemes, net of tax	**-**	**-**	**-**	**-**	**-**	**(1,613)**	**(1,613)**
Dividends	**-**	**-**	**-**	**-**	**-**	**(1,349)**	**(1,349)**
Share based payments	**-**	**-**	**-**	**-**	**-**	**50**	**50**
Exercise of share based incentives	**-**	**-**	**291**	**-**	**-**	**(240)**	**51**
At 31 December 2016	**4,517**	**445**	**(640)**	**(237)**	**91**	**12,469**	**16,645**

	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 £'000
At 1 July 2015	4,517	445	(618)	(198)	49	11,734	15,929
Profit for the period	-	-	-	-	-	2,711	2,711
Exchange differences on retranslation of foreign operations	-	-	-	-	(4)	-	(4)
Net gain on cash flow hedges	-	-	-	170	-	-	170
Tax on derivative financial liability	-	-	-	(35)	-	-	(35)
Actuarial gain on defined benefit pension schemes, net of tax	-	-	-	-	-	25	25
Dividends	-	-	-	-	-	(1,248)	(1,248)
Share based payments	-	-	-	-	-	123	123
Acquisition of own shares	-	-	(452)	-	-	-	(452)
Exercise of share based incentives	-	-	102	-	-	(38)	64
At 31 December 2015	4,517	445	(968)	(63)	45	13,307	17,283

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year to 31 December 2016

1. Basis of preparation

The condensed consolidated interim financial statements of The Alumasc Group plc and its subsidiaries have been prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the European Union, that are effective at 31 December 2016.

The condensed consolidated interim financial statements have been prepared using the accounting policies set out in the statutory accounts for the financial year to 30 June 2016 and in accordance with IAS 34 "Interim Financial Reporting".

The consolidated financial statements of the group as at and for the year ended 30 June 2016 are available on request from the company's registered office at Burton Latimer, Kettering, Northants, NN15 5JP or at the website www.alumasc.co.uk.

The comparative figures for the financial year ended 30 June 2016 are not the company's statutory accounts for that financial year but have been extracted from those accounts. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The comparative figures for the financial year ended 30 June 2016 and the six month period ended 31 December 2015 show Dyson Diecastings as a discontinued operation due to the sale of the business on 30 June 2016.

The condensed consolidated interim financial statements for the half year ended 31 December 2016 are not statutory accounts and have been neither audited nor reviewed by the group's auditors. They do not contain all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 30 June 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on
31 January 2017.

On the basis of the group's financing facilities and current financial plans and sensitivity analyses, the Board is satisfied that the group has adequate resources to continue in operational existence for twelve months from the date of signing this report and accordingly continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

2. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

During the six months ended 31 December 2016, management reassessed and updated its estimates in respect of retirement benefit obligations based on market data available at 31 December 2016. The resulting impact was a £1.7 million pre-tax actuarial loss, calculated using IAS 19 conventions, recognised in the six month period to 31 December 2016.

3. Risks and uncertainties

A summary of the group's principal risks and uncertainties was provided on pages 22 and 23 of Alumasc's Report and Accounts 2016. The Board considers these risks and uncertainties remain relevant to the current financial year.

Specific matters relating to the group's performance in the second half year are:

- changes, beyond Alumasc's control, to the phasing and timing of completion of large construction contracts, particularly at Levolux and Gatic, could impact timing of profit recognition and cash flows;

- the level of Euro and US Dollar exchange rates impacts the cost of imported materials and margin. Further depreciation of Sterling against the Euro in particular would put pressure on margins and vice-versa; and

- the European Union is currently in the early stages of conducting an industry-wide review of whether additional customs duties should be applied to certain products including some of those imported by our Water Management business. It is too early to assess the likely outcome of the review and its potential impact on the business should any changes be made.

4. Underlying to statutory profit reconciliation

Profit before tax	**Half year to 31 December 2016 £'000**	Half year to 31 December 2015 £'000	Year to 30 June 2016 £'000
Underlying profit before tax	**4,082**	4,003	8,261
Less: Brand amortisation	**(134)**	(134)	(268)
Less: IAS 19 pension scheme administration costs	**-**	(278)	(510)
Less: IAS 19 net pension scheme finance costs	**(343)**	(349)	(724)
Profit before tax - continuing operations	**3,605**	3,242	6,759
Discontinued operations	-	167	928
Profit before tax	**3,605**	3,409	7,687

Operating profit	**Half year to 31 December 2016 £'000**	Half year to 31 December 2015 £'000	Year to 30 June 2016 £'000
Underlying operating profit	**4,142**	4,127	8,476
Less: Brand amortisation	**(134)**	(134)	(268)
Less: IAS 19 pension scheme administration costs	**-**	(278)	(510)
Operating profit - continuing operations	**4,008**	3,715	7,698
Discontinued operations	**-**	167	27
Operating profit	**4,008**	3,882	7,725

Following the 2016 triennial review and agreement of the revised deficit recovery plan, pension scheme administration costs are now paid directly by the pension schemes rather than being reimbursed by the company.

5. Segmental analysis - continuing operations

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

	Revenue			**Segmental operating result**
	External	**Inter-segment**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**
Half Year to 31 December 2016				
Solar Shading & Screening	11,144	-	11,144	631
Roofing & Walling	20,875	10	20,885	1,621
Water Management	14,312	587	14,899	1,619
Housebuilding & Ancillary Products	4,412	4	4,416	697
Sub-total	**50,743**	**601**	**51,344**	**4,568**
Elimination/Unallocated costs	-	(601)	(601)	(426)
Total	**50,743**	**-**	**50,743**	**4,142**

	£'000
Segmental operating result	4,142
Brand amortisation	(134)
Total operating profit from continuing operations	**4,008**

	Revenue			**Segmental operating result**
	External	**Inter-segment**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**
Half Year to 31 December 2015				
Solar Shading & Screening	7,620	-	7,620	462
Roofing & Walling	18,409	2	18,411	1,755
Water Management	13,342	688	14,030	1,907
Housebuilding & Ancillary Products	4,097	-	4,097	573
Sub-total	**43,468**	**690**	**44,158**	**4,697**
Elimination/Unallocated costs	-	(690)	(690)	(570)
Total	**43,468**	**-**	**43,468**	**4,127**

	£'000
Segmental operating result	4,127
Brand amortisation	(134)
IAS 19 pension scheme administration costs	(278)
Total operating profit from continuing operations	**3,715**

	Revenue			**Segmental operating result**
	External	**Inter-segment**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**
Full Year to 30 June 2016				
Solar Shading & Screening	17,359	-	17,359	954
Roofing & Walling	40,045	6	40,051	3,959
Water Management	26,269	1,299	27,568	3,489
Housebuilding & Ancillary Products	8,560	10	8,570	1,420
Sub-total	**92,233**	**1,315**	**93,548**	**9,822**
Elimination/Unallocated costs	-	(1,315)	(1,315)	(1,346)
Total	**92,233**	**-**	**92,233**	**8,476**

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

6. Discontinued operations

All results for the six month period to 31 December 2016 are derived from continuing building product operations. The results of Dyson Diecastings, an Engineering Products business disposed of on 30 June 2016 are presented in prior year comparatives as a discontinued operation, with details provided below:

	Half Year to 31 December 2015 £'000	**Full Year to 30 June 2016 £'000**
Revenue	3,465	6,556
Operating profit	167	27
Net gain on disposal of discontinued operations	-	901
Tax (charge)/credit	(35)	378
Profit after taxation	**132**	**1,306**

7. Finance expenses

		Half year to 31 December 2016 £'000	Half year to 31 December 2015 £'000	Year to 30 June 2016 £'000
Finance costs	- Bank overdrafts	**12**	14	43
	- Revolving credit facility	**48**	110	172
		60	124	215
	- IAS 19 net pension scheme finance costs	**343**	349	724
		403	473	939

8. Tax expense

	Half year to 31 December 2016 £'000	Half year to 31 December 2015 £'000	Year to 30 June 2016 £'000
Current tax:			
UK corporation tax - continuing operations	**546**	545	1,433
- discontinued operations	**-**	(4)	(697)
Overseas tax	**-**	4	5
Amounts over provided in previous years	**-**	-	(2)
Total current tax	**546**	545	739
Deferred tax:			
Origination and reversal of temporary differences:			

- continuing operations	**198**	150	247
- discontinued operations	**-**	39	319
Amounts over provided in previous years	**-**	-	(48)
Rate change adjustment	**(40)**	(36)	(54)
Total deferred tax	**158**	153	464
Total tax expense	**704**	698	1,203
Tax charge on continuing operations	**704**	663	1,581
Tax charge/(credit) on discontinued operations	**-**	35	(378)
Total tax expense	**704**	698	1,203

Tax recognised in other comprehensive income:			
Deferred tax:			
Actuarial (losses)/gains on pension schemes	**(50)**	517	(240)
Cash flow hedges	**(4)**	35	1
Tax (credited)/charged to other comprehensive income	**(54)**	552	(239)
Total tax charge in the statement of comprehensive income	**650**	1,250	964

9. Dividends

The directors have approved an interim dividend per share of 2.85p (2015/16: 2.7p) which will be paid on 7 April 2017 to shareholders on the register at the close of business on 24 February 2017. The cash cost of the dividend is expected to be £1.0 million. In accordance with IFRS accounting requirements, as the dividend was approved after the balance sheet date, it has not been accrued in the interim consolidated financial statements. A final dividend per share of 3.8p in respect of the 2015/16 financial year was paid at a cash cost of £1.3 million during the six months to 31 December 2016.

10. Share Based Payments

During the period the group awarded 120,000 options (2015/16: 180,000) under the Executive Share Option Scheme ("ESOS"). These options have an exercise price of 157.5p and require certain criteria to be fulfilled before vesting. 40,000 existing options (2015/16: 80,000) were exercised during the period and 50,000 existing options lapsed (2015/16: none).

Total awards granted under the group's Long Term Incentive Plans ("LTIP") amounted to 256,299 (2015/16: 194,413). LTIP awards have no exercise price but are dependent on certain vesting criteria being met. 154,661 existing LTIP awards (2015/16: nil) were exercised during the period and 103,008 existing LTIP awards lapsed (2015/16: none).

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

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

	Half year to 31 December 2016	Half year to 31 December 2015	Year to 30 June 2016
	£'000	£'000	£'000
Profit attributable to equity holders of the parent - continuing	**2,901**	2,579	5,178
Profit attributable to equity holders of the parent - discontinued	**-**	132	1,306
Net profit attributable to equity holders of the parent	**2,901**	2,711	6,484

	Half year to 31 December 2016	Half year to 31 December 2015	Year to 30 June 2016
	000s	000s	000s
Basic weighted average number of shares	**35,577**	35,646	35,618
Dilutive potential ordinary shares - employee share options	**535**	903	520
Diluted weighted average number of shares	**36,112**	36,549	36,138

Calculation of underlying earnings per share from continuing operations:

	Half year to 31 December 2016	Half year to 31 December 2015	Year to 30 June 2016
	£'000	£'000	£'000
Profit before taxation from continuing operations	**3,605**	3,242	6,759
Add: brand amortisation	**134**	134	268
Add: IAS 19 pension scheme administration costs	**-**	278	510
Add: IAS 19 net pension scheme finance costs	**343**	349	724
Underlying profit before taxation	**4,082**	4,003	8,261
Tax at underlying group tax rate of 20.6% (2015/16 first half year: 21%; full year: 20.8%)	**(841)**	(841)	(1,718)
Underlying profit after tax from continuing operations	**3,241**	3,162	6,543
Weighted average number of shares	**35,577**	35,646	35,618
Underlying earnings per share from continuing operations	**9.1p**	8.9p	18.4p

12. Movement in cash net of borrowings

	Cash and bank overdrafts £'000	**Bank loans £'000**	**Net cash £'000**
At 1 July 2015	5,914	(5,000)	914
Cash flow movements	(506)	-	(506)
Non-cash movements	-	107	107
Effect of foreign exchange rates	(4)	-	(4)
At 31 December 2015	5,404	(4,893)	511

	Cash and bank overdrafts £'000	Bank loans £'000	Net cash £'000
At 1 July 2016	**10,540**	**(1,908)**	**8,632**
Cash flow movements	**(4,472)**	**1,000**	**(3,472)**
Non-cash movements	**-**	**(15)**	**(15)**
Effect of foreign exchange rates	**41**	**-**	**41**
At 31 December 2016	**6,109**	**(923)**	**5,186**

13. Related party disclosure

The group has a related party relationship with its directors and with its UK pension schemes. There has been no material change in the nature of the related party transactions described in the Report and Accounts 2016. Related party information is disclosed in note 30 of that document.

Responsibility Statement

The Directors confirm that, to the best of their knowledge:

a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU; and

b) the interim management report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

G P Hooper
Chief Executive

A Magson
Group Finance Director

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Half-year Report
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