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Alumasc Group PLC
11 September 2018

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IMMEDIATE RELEASE

THE ALUMASC GROUP PLC - FULL YEAR RESULTS ANNOUNCEMENT

Alumasc (ALU.L), the premium building products, systems and solutions group, announces results for the year ended 30 June 2018.

Paul Hooper, Chief Executive, said:

"*We are delighted to report a strong fourth quarter performance in 2017/18, following the challenges experienced in the third quarter. Alumasc remains well positioned to outperform the UK construction market given its robust business model, strong market positions and focus on key strategic growth drivers.*"

Financial Review:

- Revenues £98.4m (2016/17: £104.8m) due to severe weather in Q3 and the impact of the Carillion liquidation
- Underlying profit before tax £6.5m (2016/17: £9.0m)
- Basic earnings per share of 12.0 pence (2016/17: 18.3 pence)
- Progressive dividend policy reflected in the payment of a full year dividend of 7.35 pence per share, an increase of 2.8% (2016/17: 7.15 pence)
- Net debt of £4.8m (2017: net cash of £6.1m) reflecting investment in the acquisition of Wade International and the new Timloc factory

An important year for strategic development:

- Continued investment in capacity for growth:
  - Commissioning of 88,000 sq. ft factory for Timloc in January 2018
  - Investment of £0.3m in commercial resources to drive and support growth

- Improving quality of earnings through pro-active portfolio management:
  - Acquisition of Wade International in January 2018 for £8m
  - Disposal of Scaffold & Construction Products in July 2017 for £0.9m

- Leveraging further synergy between group businesses:
  - Wade acquisition complements Harmer and Gatic drainage brands
  - Including Alumasc Roofing, some 60% of the group revenue now contributes to Alumasc's "Rain to Drain" strategy

- "Building envelope" specification selling of almost all the group's products, led by Alumasc Roofing's specification sales team

- Implementation of a simpler and more cost efficient operating structure:
    - Fewer, larger and more modern operating locations
    - Refreshing of the plc Board
    - Proposed merger of the two legacy defined benefit pension schemes
    - Simplification of the group's legal structure
    - Consideration of moving the group's stock exchange listing to AIM

Outlook:

The group's strong performance in the final quarter of the year, coupled with an action plan for growth, gives the Board confidence that Alumasc has a resilient business model and a strategy to generate growth this year and beyond.

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Notes to Editors:

Alumasc is a UK-based supplier of premium building products, systems and solutions. Almost 80% of group sales are driven by building regulations and specifications (architects and structural engineers) because of the performance characteristics offered.

The group has four business segments with strong positions and brands in the individual markets. The four segments are: Architectural Screening, Solar Shading & Balconies; Roofing & Walling; Water Management; and Housebuilding & Ancillary Products.

Strategic Report

Chairman's Statement

Our Strategy

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

From this tightly defined base, Alumasc is focused on driving growth through a combination of market share gains, innovation, market development and complementary acquisitions, such as Wade International purchased in January

2018. These strands in turn rely upon the quality of our products and marketing, the development of new products and services which genuinely complement the portfolio and the patient nurturing of a small number of overseas markets where we have identified that our products have potential.

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

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

The Year Under Review

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

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

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

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

Development

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

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

Board Succession

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

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

Outlook

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

John McCall
Chairman

Chief Executive's Strategic and Performance Overview

Overview

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

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

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

Strategic development

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

1. Continued to invest in capacity for growth.

Examples of this were:

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

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

Examples of this were:

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

3. Leveraged further synergy between group businesses.

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

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

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

The combination of:

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

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

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

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

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

Performance overview

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

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

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

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

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

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

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

Operational review

Architectural Screening, Solar Shading & Balconies
Revenue: £22.0 million (2016/17: £24.4 million)
Underlying operating profit*: £0.8 million (2016/17: £2.0 million)
Underlying operating margin*: 3.6% (2016/17: 8.2%)
Operating profit: £0.6 million (2016/17: £1.8 million)

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

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

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

This investment enabled quotations for new work in the balconies and balustrading business to increase by five-fold compared with the prior year to over £60 million, and to more than double to £40 million in the North American business. These quotation figures validate our belief in the medium to longer term opportunity in these markets and reflect Levolux's growing brand presence. Our focus now is to strengthen the existing commercial infrastructure in place to increase order conversion rates.

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

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

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

Nonetheless, Alumasc Roofing has adapted well both in winning refurbishment work, particularly in the Academies sector, and in developing new products such

as surfacing systems to exploit available market opportunities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

- the acquisition of high-quality complementary businesses such as Wade.

Paul Hooper
Chief Executive

Financial Review

Reconciliation of underlying to statutory profit before tax

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

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

The reconciling items were:

- Amortisation of acquired brands £0.2 million (2016/17: £0.3 million). This is a non-cash charge determined by management judgment in applying accounting standards. It does not affect the economic value of the group. The reduction in the charge compared to the prior year relates to the Rainclear brand becoming fully amortised in the earlier part of the year. This more than offsets the initial post-acquisition charge relating to the Wade brand acquired in January 2018. The full year amortisation charge relating to the Wade brand in 2018/19 and thereafter is expected to be £0.1 million pa. Details of the valuation of the Wade brand and other fair value adjustments made to the balance sheet of Wade at acquisition are set out in note 6 to the financial statements.

- IAS19 net pension scheme finance costs of £0.5 million (2016/17: £0.6 million). This is a non-cash charge determined by a pensions actuary. It represents a year's unwind of the discount to present values of the group's pension deficit using AA-rated corporate bond yields as the discount rate. This charge is outside management's control. The year on year reduction in the charge relates to a lower corporate bond yield applicable at the beginning of the 2017/18 financial year.

- The loss on disposal of £0.2 million from the sale of the Scaffold and Construction Products business in July 2017 related to a non-transferable lease commitment that became onerous when the business was sold, and the legal costs of selling the business. These costs were excluded from underlying earnings as they were non-recurring costs.

- The profit of £0.4 million on disposal of an available-for-sale asset relates to the disposal of the group's long standing 20% trade investment in Amorim Isolamentos, a Portuguese cork producer. The gain on sale was excluded from underlying earnings as it was a non-recurring item.

- The £0.3 million cost of relocating the Timloc factory, described in more detail in the Chief Executive's review, was excluded from underlying earnings as it was a one-off cost.

- The £0.2 million cost, relating mainly to legal fees and stamp duty, associated with the acquisition of Wade International in January 2018 was also excluded from underlying earnings as it was a one-off cost.

Taxation

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

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

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

Earnings per share

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

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

Dividends

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

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

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

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

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

pension scheme funding commitments.

Investment in growth, cash flow and net debt

Summarised Cash Flow Statement

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

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

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

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

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

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

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

Balance sheet and return on investment

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

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

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

Pensions

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

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

- A proposal to merge the group's two legacy defined benefit pension schemes to reduce ongoing administration costs and improve efficiency. The merger is planned to take place in time to be reflected in the next formal triennial valuation of the schemes as at 31 March 2019.

- Taking opportunities to reduce gross scheme liabilities should scheme members, with independent advice as appropriate, choose to leave including the greater pension freedoms now available to them.

- Improving the efficiency of returns on scheme assets by switching approximately half of the return seeking portfolio, or approximately 15% of total assets invested, from actively managed to passive global equity index tracker schemes at significantly lower ongoing management costs.

- Reducing the volatility of scheme valuations through the use of derivatives and insurance products to hedge pension liabilities.

Banking facilities

Alumasc's banking facilities comprise:

- An unsecured committed five-year revolving credit facility of £12.5 million, expiring in August 2020

- Overdraft facilities, repayable on demand, of £3.5 million.

Going concern and viability

After due enquiry and based on the information available at the date of this report, the Board believes that Alumasc will remain a going concern and financially viable over the period to 30 June 2021.

Andrew Magson
Group Finance Director

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the strategic report includes a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board

Paul Hooper	**Andrew Magson**
Chief Executive	Group Finance Director

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 30 June 2018 which will be despatched to shareholders on or around 27 September 2018 and will be available at www.alumasc.co.uk. Accordingly the responsibility statement makes reference to the financial statements of the company and the group and to the relevant narratives appearing in that annual report and accounts rather than the contents of this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Notes	**2017/18** **£'000**	2016/17 £'000
Revenue	**4**	**98,407**	104,761
Cost of sales		**(68,304)**	(72,022)
Gross profit		**30,103**	32,739

Selling, general & administrative expenses		**(24,023)**	(23,864)
Operating profit	**4, 5**	**6,080**	8,875
Finance expenses		**(706)**	(752)
Profit before taxation	**5**	**5,374**	8,123
Tax expense	**7**	**(1,057)**	(1,583)
Profit for the period		**4,317**	6,540
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Actuarial gain/(loss) on defined benefit pensions, net of tax		**2,280**	(792)
Items that are or may be recycled subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges, net of tax		**(220)**	170
Exchange differences on retranslation of foreign operations		**2**	34
		(218)	204
Other comprehensive gain/(loss) for the period, net of tax		**2,062**	(588)
Total comprehensive profit for the period, net of tax		**6,379**	5,952
Earnings per share:		**Pence**	Pence
Basic earnings per share	**9**	**12.0**	18.3
Diluted earnings per share	**9**	**11.9**	18.0

Alternative performance measures:			
Underlying profit before tax (£'000)	**5**	**6,456**	9,011
Underlying earnings per share (pence)	**9**	**14.4**	20.1

Reconciliations of underlying to statutory profit and earnings per share are provided in notes 5 and 9 respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**2018 £'000**	**2018 £'000**	2017 £'000	2017 £'000
Assets					
Non-current assets					
Property, plant and equipment		**10,661**		5,315	
Goodwill	**6**	**18,705**		16,488	
Other intangible assets		**3,913**		2,364	
Available-for-sale assets		**-**		17	
Deferred tax assets	**7**	**2,574**		3,501	
			35,853		27,685
Current assets					
Inventories		**10,440**		10,508	
Trade and other receivables		**23,755**		22,459	
Cash and cash equivalents		**4,656**		9,014	
			38,851		41,981
Total assets			**74,704**		69,666
Liabilities					
Non-current liabilities					

Interest bearing loans and borrowings		**(9,468)**		(2,938)	
Employee benefits payable		**(15,140)**		(20,596)	
Provisions		**(1,525)**		(890)	
Deferred tax liabilities	**7**	**(905)**		(595)	
			(27,038)		(25,019)
Current liabilities					
Trade and other payables		**(22,413)**		(23,497)	
Provisions		**(100)**		(157)	
Corporation tax payable		**(405)**		(494)	
Derivative financial liabilities		**(327)**		(62)	
			(23,245)		(24,210)
Total liabilities			**(50,283)**		(49,229)
Net assets			**24,421**		20,437
Equity					
Called up share capital		**4,517**		4,517	
Share premium	**10**	**445**		445	
Capital reserve - own shares	**10**	**(241)**		(541)	
Hedging reserve	**10**	**(271)**		(51)	
Foreign currency reserve	**10**	**86**		84	
Profit and loss account reserve		**19,885**		15,983	
Total equity			**24,421**		20,437

Paul Hooper Director

Andrew Magson Director

11 September 2018

Company number 176738

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2017/18 **£'000**	2016/17 £'000
Operating activities		
Operating profit	**6,080**	8,875
Adjustments for:		
Depreciation	**1,204**	958
Amortisation	**434**	425
Gain on disposal of property, plant and equipment	**(18)**	(2)
Loss on disposal of business	**218**	-
Gain on disposal of available-for-sale assets	**(426)**	-
Decrease/(increase) in inventories	**528**	(270)
Increase in receivables	**(1,618)**	(2,700)
Decrease in trade and other payables	**(1,200)**	(1,994)
Increase/(decrease) in provisions	**242**	(585)
Cash contributions to retirement benefit schemes	**(3,203)**	(3,200)
Share based payments	**160**	157
Cash generated by operating activities	**2,401**	1,664
Tax paid	**(679)**	(800)
Net cash inflow from operating activities	**1,722**	864
Investing activities		
Purchase of property, plant and equipment	**(3,042)**	(909)
Payments to acquire intangible fixed assets	**(229)**	(147)
Proceeds from sales of plant and equipment	**26**	4
Acquisition of subsidiary undertaking, prior to payment for cash acquired	**(7,807)**	-
Net proceeds from sale of business activity	**767**	-
Proceeds from sale of available-for-sale assets	**443**	-

Net cash outflow from investing activities	**(9,842)**	(1,052)
Financing activities		
Interest paid	**(185)**	(120)
Equity dividends paid	**(2,594)**	(2,368)
Draw down of revolving credit facility	**6,500**	1,000
Exercise of share based incentives	**39**	116
Net cash inflow/(outflow) from financing activities	**3,760**	(1,372)
Net decrease in cash and cash equivalents	**(4,360)**	(1,560)
Net cash and cash equivalents brought forward	**9,014**	10,540
Net decrease in cash and cash equivalents	**(4,360)**	(1,560)
Effect of foreign exchange rate changes	**2**	34
Net cash and cash equivalents carried forward	**4,656**	9,014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Notes	Share capital	Share premium	Capital reserve - own shares	Hedging reserve	Foreign currency reserve	Profit and loss account reserve	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2016		4,517	445	(931)	(221)	50	12,720	16,580
Profit for the period		-	-	-	-	-	6,540	6,540
Exchange differences on retranslation of foreign operations		-	-	-	-	34	-	34
Net gain on cash flow hedges		-	-	-	207	-	-	207
Tax on derivative financial liability		-	-	-	(37)	-	-	(37)
Actuarial loss on defined benefit pensions, net of tax		-	-	-	-	-	(792)	(792)
Dividends	8	-	-	-	-	-	(2,368)	(2,368)
Share based payments		-	-	-	-	-	157	157
Own shares used to satisfy exercise of share awards		-	-	390	-	-	-	390
Exercise of share based incentives		-	-	-	-	-	(274)	(274)
At 1 July 2017		4,517	445	(541)	(51)	84	15,983	20,437
Profit for the period		**-**	**-**	**-**	**-**	**-**	**4,317**	**4,317**
Exchange differences on retranslation of foreign operations		**-**	**-**	**-**	**-**	**2**	**-**	**2**
Net loss on cash flow hedges		**-**	**-**	**-**	**(265)**	**-**	**-**	**(265)**
Tax on derivative financial liability		**-**	**-**	**-**	**45**	**-**	**-**	**45**
Actuarial gain on defined benefit pensions, net of tax		**-**	**-**	**-**	**-**	**-**	**2,280**	**2,280**
Dividends	**8**	**-**	**-**	**-**	**-**	**-**	**(2,594)**	**(2,594)**
Share based payments		**-**	**-**	**-**	**-**	**-**	**160**	**160**
Own shares used to satisfy exercise of share awards		**-**	**-**	**300**	**-**	**-**	**-**	**300**
Exercise of share based incentives		**-**	**-**	**-**	**-**	**-**	**(261)**	**(261)**
At 30 June 2018		**4,517**	**445**	**(241)**	**(271)**	**86**	**19,885**	**24,421**

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the

European Union as they apply to the financial statements of the group for the year ended 30 June 2018, and the Companies Act 2006.

The financial information set out in this announcement does not constitute the group's statutory information for the years ended 30 June 2018 or 2017, but is derived from the group's 2018 statutory financial statements. The group's consolidated financial information has been prepared in accordance with accounting policies consistent with those adopted for the year ended 30 June 2018. Statutory accounts for 2017 have been delivered to the registrar of companies and those for 2018 will be delivered following the group's Annual General Meeting. The auditor has reported on these accounts, their reports were unqualified and did not contain statements under the Companies Act 2006, s498(2) or (3).

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. The financial position of the group, its cash flows and liquidity position are set out in the group's full financial statements.

The group has committed borrowing facilities of £12.5 million which expire in August 2020. In addition, the group has recently renewed overdraft facilities totalling £3.5 million for another year. At 30 June 2018 the group's net debt was £4.8 million (2017: £6.1 million net cash).

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

2 JUDGMENTS AND ESTIMATES

The main source of estimation uncertainty that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities at 30 June 2018 within the next financial year are the valuation of defined benefit pension obligations and the recognition of revenues and profit on construction contracts.

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

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

(i) the inclusion of potential contract variations, claims and incentive payments prior to these being fully agreed; and/or
(ii) differences arising, timing or otherwise, between the assessment of internal quantity surveyors and those of our

customers as to the level of work performed.

The group is currently assessing the impact that IFRS 15 'Revenue from Contracts with Customers' will have on the group's revenue recognition, assets and liabilities.

IFRS 15 is applicable to Alumasc's accounting period commencing 1 July 2018 and will impact revenue recognition throughout the group, but is likely to have a more significant impact on the Architectural Screening, Solar Shading & Balconies operating segment as this business supplies bespoke products and performance obligations are satisfied over a period of time. An input cost methodology is therefore deemed a more appropriate measure of revenue recognition rather than the current stage of completion method. The extent of the impact is yet to be fully quantified and audited and will in any case depend on the type and terms of the specific construction contracts undertaken in each financial year and the stage of completion of these contracts at the period end date.

3 PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties	**Mitigating actions taken**
Economic, construction market and Brexit risks *Comment* *Alumasc is a UK-based group of businesses. The majority of group sales are made to the construction sector in the UK. This market can be cyclical in nature.* *There is relatively high economic and political uncertainty at the current time, including surrounding the outcome of the Brexit negotiations.*	• Strategic positioning in markets/sectors anticipated to grow faster than the UK construction market. • Selected development of export sales opportunities, especially for Levolux (particularly in North America) and Alumasc Water Management (particularly in Europe, the Middle East and Far East). • Revenues are derived from a variety of end use construction markets. • Development of added value systems and solutions that are either required by legislation, building regulation and/or specified by architects and engineers. • Continuous development and introduction of innovative products, systems, solutions and services that are market leading and differentiated against the competition. • The group has exposure to currency risk, particularly the Euro and US Dollar. These exposures are for the most part hedged. • Brexit developments being monitored closely. Strong relationships monitored and regular dialogue with key European suppliers. Contingency planning for key residual risk areas.
Loss of key employees *Comment* *Generally turnover of key employees is low.*	• Market competitive remuneration/incentive arrangements. • Employee numbers and changes monitored in monthly subsidiary board meetings. • Key, high performing and high potential employees identified and monitored. • Training and development programmes.

Product/service differentiation relative to competition not developed or maintained *Comment* *Innovation and an entrepreneurial spirit is encouraged in all group companies. Almost 15% of group revenues relate to products launched in the last three years.*	• A devolved operating model with both group and local management responsible for developing a deep knowledge of our specialist markets and identifying opportunities and emerging market trends. • Innovation best practice days held annually at group level and more regularly in each business. • Annual group strategy meetings encourage innovation and "blue sky" thinking. • New product introduction/development KPI used to monitor progress. • Monitoring the market for potentially new and/or disruptive technologies.
Loss of key customers. *Comment* *Generally the group has a good track record of customer retention and has a diversified customer base.*	• Develop and maintain strong customer relationships. • Product, system and service differentiation. • Project tracking and enquiry/quote conversion rate KPI. • Increasing use of, and investment in, customer relationship management (CRM) software. • Organisational and cultural flexibility to adapt to changing and emerging customer needs.
Legacy defined pension obligations *Comment* *Alumasc's pension obligations are material relative to its market capitalisation and shareholders' funds.*	• Continue to grow the business so the relative affordability of pension deficit contributions is improved over time. • Maintain constructive relationship with Pension Trustees. • Meet agreed pension funding commitments. • Regular review at group Board level. • Use of specialist advisors. • Investment performance and risk/return balance overseen by an Investment Committee. • Monitor and seek opportunities to reduce gross pension liabilities. Use of derivatives to partly hedge inflation and interest rate risk.
Supply chain risks *Comment* *Whilst the group does not have undue concentration on any single or small group of suppliers, certain Alumasc businesses do have key strategic suppliers, some of whom are located in the Far East. International supply chain risks are increasing through increased tariffs/duties, Brexit risks in Europe and potential closure of foundries in China for environmental reasons.*	• Annual strategic reviews, including supplier concentration, quality, reliability and sustainability. • Regular key supplier visits, good relationships maintained including quality control reviews and training. • Regular supplier quality, value for money and risk reviews. • Avoidance of strategic dependence on single sources of supply. • Contingency plans to manage Brexit and China sourcing risks.
Business continuity risks *Comment* *The group has not previously experienced any significant loss of operational capability causing business continuity issues.* *Cyber security risks are increasing globally.*	• Business continuity plans prepared at each business. • IT disaster recovery plans are in place, with close to real time back up arrangements. • Awareness training and management briefings held on cyber security risks and actions taken on preventative measures. • Regular reviews of cyber security, including external penetration testing. • Energy supply and contingency arrangements reviewed periodically. • Critical plant and equipment is identified, with associated breakdown/recovery plans, including assessment of engineering spares held on site. • Business interruption insurance to cover residual risks.

Strategic development risks and change projects *Comment* *There are execution risks around a number of current strategic change projects, including export development, business simplification projects, forthcoming factory moves and various ERP and CRM system implementations.*	• Key strategic change projects are governed by Operating Unit Boards, supported by independent specialist consultants where necessary, for example IT and property. • Project risk reviews and plans updated regularly. • Use of proven, reliable software solutions and avoidance of bespoking wherever possible. • Careful documentation and challenge of legacy business processes prior to implementation of new systems. • Pre-implementation system testing, training and communication, with go-live delayed if implementation risk is judged to be too high.
Product warranty/recall risks *Comment* *The group does not have a history of significant claims.*	• Robust internal quality systems; compliance with relevant legislation, building regulations and industry standards (eg ISO, BBA etc) and product testing, as appropriate. • Group insurance programme to cover larger potential risks. • Back to back warranties obtained from suppliers where appropriate. • Specific local risk management procedures in group brands that also install (as well as supply) building products (i.e. Levolux and Blackdown).
Health and safety risks *Comment* *The group has a strong overall track record of health & safety performance, with the number of lost time accidents significantly reduced over recent years.*	• Health and safety is the number one priority of management and the first Board agenda item. • Risk assessments are carried out and safe systems of work documented and communicated. • All safety incidents and significant near misses reported at Board level monthly. Appropriate remedial action taken. • Group health and safety best practice days are held twice a year, chaired by the Chief Executive. • Annual audits of health and safety in all group businesses by independent consultants. • Specific focus on improving safety of higher risk operations.
Credit risk *Comment* *The group has good recent record in managing credit risks.*	• Most credit risks are insured. • Large export contracts are backed by letters of credit, performance bonds, guarantees or similar. • Any risks taken above insured limits are subject to strict delegated authority limits. • Credit checks when accepting new customers/new work. • The group employs experienced credit controllers, and aged debt reports are reviewed in monthly Board meetings.

4 SEGMENTAL ANALYSIS

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

The Chief Executive reviews internal management reports on a monthly basis, with performance being measured based on segmental operating result as disclosed below. Performance is measured on this basis as management believes this information is the most relevant when evaluating the impact of strategic decisions because of similarities between the nature of products and services, routes to market and supply chains in each segment.
Inter-segment transactions are entered into applying normal commercial terms that would be available to third parties. Segment results, assets and liabilities

include those items directly attributable to a segment. Unallocated assets comprise cash and cash equivalents, deferred tax assets, income tax recoverable and corporate assets that cannot be allocated on a reasonable basis to a reportable segment. Unallocated liabilities comprise borrowings, employee benefit obligations, deferred tax liabilities, income tax payable and corporate liabilities that cannot be allocated on a reasonable basis to a reportable segment.

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

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

Analysis by reportable segment 2017/18	**Revenue**			
	External £'000	**Inter-segment £'000**	**Total £'000**	**Segmental Operating Result £'000**
Architectural Screening, Solar Shading & Balconies	21,957	-	21,957	786
Roofing & Walling	31,225	-	31,225	1,812
Water Management	34,454	21	34,475	3,567
Housebuilding & Ancillary Products	10,483	-	10,483	1,660
Sub-total	**98,119**	**21**	**98,140**	**7,825**
Inter-segment elimination / Unallocated costs	-	(21)	(21)	(1,157)
Total *	**98,119**	**-**	**98,119**	**6,668**

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

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

			Capital expenditure			
	Segment Assets £'000	**Segment Liabilities £'000**	**Property, Plant & Equipment £'000**	**Other Intangible Assets £'000**	**Deprecia-tion £'000**	**Amortisa-tion £'000**
Architectural Screening, Solar Shading & Balconies	19,647	(5,317)	100	21	63	258
Roofing & Walling	14,475	(6,998)	120	2	203	-
Water Management	22,908	(7,431)	491	157	610	132
Housebuilding & Ancillary Products	9,426	(3,612)	2,187	57	305	43
Sub-total	**66,456**	**(23,358)**	**2,898**	**237**	**1,181**	**433**
Unallocated	8,248	(26,925)	182	-	23	1

Total	74,704	(50,283)	3,080	237	1,204	434

Analysis by reportable segment 2016/17	Revenue			
	External	Inter-segment	Total	Segmental Operating Result
	£'000	£'000	£'000	£'000
Architectural Screening, Solar Shading & Balconies	24,399	-	24,399	1,989
Roofing & Walling	34,008	10	34,018	2,775
Water Management	32,573	-	32,573	4,112
Housebuilding & Ancillary Products	9,558	4	9,562	1,573
Sub-total	**100,538**	**14**	**100,552**	**10,449**
Inter-segment elimination / Unallocated costs	-	(14)	(14)	(1,306)
Total *	**100,538**	**-**	**100,538**	**9,143**

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

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

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

Analysis by geographical segment 2017/18

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

Analysis by geographical segment 2016/17

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	83,387	3,747	7,953	630	2,359	2,462	100,538
Segment non-current assets	24,176	-	-	-	-	-	24,176

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

5 UNDERLYING TO STATUTORY PROFIT RECONCILIATION

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

In the presentation of underlying profits, management treats the amortisation of acquired brands and IAS 19 pension costs as non-underlying items because they are material non-cash and non-trading items that typically would be excluded in assessing the value of the business.

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

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

6 GOODWILL

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

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

	2018 £'000	2017 £'000
Alumasc Roofing	**3,820**	3,820

Timloc	**2,264**	2,264
Levolux	**10,179**	10,179
Rainclear	**225**	225
Wade	**2,217**	-
At 30 June	**18,705**	16,488

Impairment testing of acquired goodwill

The group considers each of the operating businesses that have goodwill allocated to them, which are those units for which a separate 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 strategic plans covering a five year period.

The growth rate used to extrapolate the cash flows beyond this period was 1% (2017: 1%) for each CGU.

Key assumptions included in the recoverable amount calculation include:

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

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

The range of pre-tax rates used to discount the cash flows of these cash generating units with on-balance sheet goodwill was between 11% and 12% (2017: between 10% and 11%). These rates were based on the group's estimated weighted average cost of capital (W.A.C.C.), which was risk-adjusted for each CGU taking into account both external and internal risks. The group's W.A.C.C. in 2018 was similar to the rate used in 2017.

The surplus headroom above the carrying value of goodwill at 30 June 2018 was significant in the case of all businesses subject to goodwill impairment testing, with no impairment arising from either a 2% increase in the discount rate; a growth rate of -1% used to extrapolate the cash flows; or a reduction of 25% in the cash flow generated in the terminal year for any CGU.

Business Combinations

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

An analysis of the provisional fair value of the Wade net assets acquired and the

fair value of the consideration paid is set out below:

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

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

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

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

7 TAX EXPENSE

(a.) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income

	2017/18	2016/17
	£'000	£'000
Current tax:		
UK corporation tax	**559**	1,117
Overseas tax	**33**	11
Amounts over provided in previous years	**(2)**	(22)
Total current tax	**590**	1,106
Deferred tax:		
Origination and reversal of temporary differences	**491**	478
Amounts under provided in previous years	**5**	78
Rate change adjustment	**(29)**	(79)
Total deferred tax	**467**	477
Total tax expense	**1,057**	1,583

Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial gains on pension schemes	**467**	152
Cash flow hedge	**(45)**	37
Tax charged to other comprehensive income	**422**	189
Total tax charge in the statement of comprehensive income	**1,479**	1,772

(b.) Reconciliation of the total tax charge

The total tax rate applicable to the tax expense shown in the statement of total comprehensive income of 19.7% is higher than (2016/17: 19.5% was lower than) the standard rate of corporation tax in the UK of 19.0% (2016/17: 19.75%). The differences are reconciled below:

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

(c.) Unrecognised tax losses

The group has agreed tax capital losses in the UK amounting to £20 million (2017: £20 million) that relate to prior years. Under current legislation these losses are available for offset against future chargeable gains. The capital losses are able to be carried forward indefinitely. Revaluation gains on land and buildings amount to £1 million (2017: £1 million). These have been offset against the capital losses detailed above. A deferred tax asset has not been recognised in respect of the net capital losses carried forward of £19 million (2017: £19 million) as they do not meet the criteria for recognition.

(d.) Deferred tax

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

	Accelerated capital allowances £'000	**Short term temporary differences £'000**	**Brands £'000**	**Hedging £'000**	**Total deferred tax liability £'000**	**Pension deferred tax asset £'000**
At 1 July 2016	233	(41)	364	(48)	508	(4,080)
Charged/(credited) to the statement of comprehensive income - current year	33	4	(65)	-	(28)	427
Charged to the statement of comprehensive income - prior year	73	5	-	-	78	-
Charged to equity	-	-	-	37	37	152
At 30 June 2017	339	(32)	299	(11)	595	(3,501)
Charged/(credited) to the statement of comprehensive income - current year	**58**	**(15)**	**(41)**	**-**	**2**	**460**

(Credited)/charged to the statement of comprehensive income - prior year	**(12)**	**17**	**-**	**-**	**5**	**-**
(Credited)/charged to equity	**-**	**-**	**-**	**(45)**	**(45)**	**467**
Acquisition of subsidiary	**50**	**-**	**298**	**-**	**348**	**-**
At 30 June 2018	**435**	**(30)**	**556**	**(56)**	**905**	**(2,574)**

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

Deferred tax assets have been recognised where it is probable that they will be recovered. Deferred tax assets of £3.2 million (2017: £3.2 million) have not been recognised in respect of net capital losses of £19 million (2017: £19 million), see note 7 (c).

(e.) Factors affecting the tax charge in future periods

In the Budget on 16 March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate. This rate change was substantively enacted at the balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at both the 30 June 2017 and 30 June 2018 balance sheet dates.

8 DIVIDENDS

	2017/18	2016/17
	£'000	£'000
Interim dividend for 2018 of 2.95p paid on 6 April 2018	**1,056**	-
Final dividend for 2017 of 4.3p paid on 31 October 2017	**1,538**	-
Interim dividend for 2017 of 2.85p paid on 7 April 2017	**-**	1,018
Final dividend for 2016 of 3.8p paid on 1 November 2016	**-**	1,350
	2,594	2,368

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

9 EARNINGS PER SHARE

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

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

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

Calculation of underlying earnings per share:

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

10 MOVEMENTS IN EQUITY

Share capital and share premium

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

Capital reserve - own shares

The capital reserve - own shares relates to 161,411 (2017: 361,789) ordinary own shares held by the company. The market value of shares at 30 June 2018 was £217,905 (2017: £672,928). These are held to help satisfy the exercise of awards under the company's Long Term Incentive Plans. During the year 200,378 shares with a cost of £300,000 were used to satisfy the exercise of awards. A Trust holds the shares in its name and shares are awarded to employees on request by the company. The company bears the expenses of the Trust.

Hedging reserve

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

Foreign currency reserve

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

11 RELATED PARTY DISCLOSURE

The group's principal subsidiaries are listed below:

Principal subsidiaries	**Principal activity**	**Country of incorporation**	**% of equity interest and votes held**	
			2018	2017
Alumasc Exterior Building Products Limited	Building products	England	**100**	100
Alumasc Limited	Building products	England	**100**	100

Levolux Limited	Building products	England	**100**	100
Wade International Limited	Building products	England	**100**	-

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.

Financial Summary

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

Underlying return on capital invested (post-tax)**	7.4%	19.0%	18.8%	22.8%	24.3%	25.0%	14.5%
Underlying tax rate	31.6%	25.7%	24.2%	22.0%	20.8%	20.6%	20.2%

Notes

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

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

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