

7 September 2021

IMMEDIATE RELEASE

THE ALUMASC GROUP PLC

("ALUMASC")

FULL YEAR RESULTS ANNOUNCEMENT

**STRONG PERFORMANCE ACROSS ALL DIVISIONS; WELL-POSITIONED TO
BENEFIT FROM LONG-TERM GROWTH DRIVERS**

Alumasc (ALU.L), the premium sustainable building products, systems and solutions Group, announces results for the year ended 30 June 2021.

Commenting on the results reported today, Paul Hooper, Chief Executive, said:

"After a record first half performance, in which volume growth was supplemented by around £2.5m of sales delayed from 2020 by the initial Covid-19 lockdown, the numbers today reflect the determined efforts by Alumasc employees across the Group to ensure the underlying momentum was maintained throughout the second half.

I am delighted to report this excellent set of results to our shareholders and believe Alumasc is well-positioned to benefit from the long-term growth drivers in our market."

Financial Highlights:

- Double-digit growth in revenues from continuing operations: £90.5m (2019/20: £76.0m): +19.0%
- Group underlying operating profit £11.0m (2019/20: £4.2m): +162% reflecting both strong growth and the benefit of structural cost and efficiency gains
- Underlying operating margin: 12.2% (2019/20: 5.5%)
- Reported PBT £9.8 million (2019/20: £2.7 million)
- Robust balance sheet with net bank debt of £0.9m (2020: £4.3m). Headroom c.£23m
- Underlying EPS: 23.7p (2019/20: 8.2p): +189%
- Basic EPS: 21.2p (2019/20: 6.3p)
- Final dividend: 6.25p (2019/20: nil)
 - o Full year dividend 9.5p (2019/20: 2.0p)

Operational Highlights: Strong performance in all divisions

- Water Management Division delivered an excellent performance with operating profit of £6.1m (2019/20: £4.8m), indicative of the potential for the business as market conditions normalise
- Building Envelope Division saw a significant revenue increase of £7.8m (+24%) and a £5.2m operating profit improvement, including a £1.4m turnaround at Levolux, resulting in the division achieving a double-digit underlying margin of 10.4%
- Housebuilding Products (Timloc) had an outstanding year growing its revenue by 22% and operating profit by 105% versus a Covid affected prior year
 - o Operating margin 23% (2019/20: 13.7%)
 - o Long-term growth drivers remain strong
- The Alumasc portfolio is aligned to environmental growth drivers, with c.80% of sales derived from environmental solution products

Outlook:

- Alumasc remains well-positioned to deliver sustainable growth, underpinned by a clear strategy and strong market positions:
 - o Water Management is benefitting from both its UK and export-focussed strategy
 - o Building Envelope entered the new year with a strong order book, supported by the benefits of the recent restructuring
 - o Housebuilding Products (Timloc) continues to innovate and develop new products, against a favourable UK housebuilding backdrop
- The Group's cost savings programme, liquidity management, strong balance sheet and improved commercial positioning underpin a robust platform that positions Alumasc to benefit from the long-term growth drivers in our markets
- The Board is cognisant of the potential for short-term disruption to our customers' operations from shortages of building materials, labour and road haulage, and delays in the global container shipping industry
- Notwithstanding these risks, the Board believes Alumasc's strong platform provides confidence for another year of progress

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Notes to Editors:

Alumasc is a UK-based supplier of premium sustainable 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 three business segments with strong positions and brands in their individual markets. The three segments are: Water Management; Building Envelope; and Housebuilding Products.

Strategic Report

Chairman's Statement

This has been an extremely successful year for Alumasc.

There have been several reasons for this:

- Our industry -principally UK construction - was fortunate to be able, indeed encouraged, to continue operating, despite the presence of the Covid pandemic throughout the year. We pursued this opportunity enthusiastically while abiding by, and in many cases exceeding, the stringent rules introduced to manage the attendant risks.
- Following the temporary closures that did occur, both of our own operations and of those of our customers, during the latter part of the prior financial year, a number of projects resumed during the year under review, creating demand arguably above the underlying level. This demand was not easy to accommodate, particularly within the Covid rulebook and with Brexit looming. However, the combination of prudent stock building and magnificent co-operation from our workforce enabled us to sustain a high level of service in response. We believe that gains in market share were won as a result.
- During the year prior to that under review, Alumasc had significantly streamlined its business, reducing the number of operating/manufacturing sites from ten to six and taking costs out of the business amounting to some £2.4 million per annum in the process. As a result, a higher proportion of the margins earned on healthy sales was converted to profit and profit margins rose as a result.
- Finally, and perhaps most significantly, our management teams and their colleagues throughout the company responded with calmness and

determination to the very uncertain conditions brought about by the pandemic and made this outcome possible. I thank them all on behalf of fellow Shareholders and Directors.

Performance

Revenues of £90.5 million were £14.5 million (19.0%) ahead of the prior year, which was badly affected by Covid. They were very slightly ahead of the previous "pre-pandemic" year. Roofing Products grew by a remarkable 62% year on year and Housebuilding Products by 22%, both arguably benefitting from the demand that was building during the interruptions suffered in the prior year. Levolux was the only business that saw a reduction in sales, reflecting both the weakness in commercial activity in the period and the intentional focusing of that business to a narrower, more selective market.

Profit, however, was well ahead, not just of the depressed prior year but also of the earlier year, not so affected. Trading Profit of £12.9 million, hence trading margins, were double that of the earlier year, reflecting the reduction in costs referred to above and further efficiencies achieved during the intervening period. See note 4.

Similar improvements in the group's profit have benefitted cash and more than recovered the group's capacity to pay dividends.

Alumasc's focus on the prudent management of cash has reduced net bank debt from £5.1 million two years ago to £4.3 million one year ago at the height of the Pandemic's impact, and further to £0.9 million at 30 June 2021. With debt facilities in excess of £20 million, this places the group in a strong position for further development.

Dividend

The unpredictable consequences of Covid led your Board to suspend dividend payments in the conservation of cash during the first half of last year; and payments were only resumed, albeit at a low level by historical standards, as the year progressed. It is enormously gratifying to be able to recover this year's dividend payment above pre-pandemic levels and your Board is recommending an increase in the final dividend to 6.25p per share (2020: 2p per share), making a total for the year of 9.5p. This compares with a total of 2p in 2019/20, and 7.35p in the earlier "pre-pandemic" year.

Strategy and Corporate Activity

The principal focus has been operational during the year, always within the strategic framework set out in this and previous reports. Hence, it has been a quiet year in the corporate sphere. There has, however, been progress on the twin fronts of outperforming our sector and evolving our sustainable credentials, illustrated by the ESG Statement in the full Annual report and

accounts.

Pensions

There has been significant progress also in reducing the pensions legacy, partly due to the impact of rising gilt yields on our liabilities, and partly to an excellent investment performance.

The Boardroom

Following six years in the post, David Armfield resigned his non-executive directorship during the year in order to concentrate on his other activities. I am grateful to David for his wise support during his time with Alumasc and wish him every success.

In March this year, Simon Dray was appointed to the vacant position of Group Finance Director and is a welcome addition to our team. His broad experience is well matched to our strategic targets and public company responsibilities.

Prospects

It is never easy to follow such success, particularly when an element of that success was due to an abnormal carry over of demand from the prior year. However, demand from our markets remains buoyant, including an anticipated partial recovery from the much depressed commercial sector, which unsurprisingly was most affected by the events of the past year and a half.

The principal area of concern, therefore, relates to the availability of materials and human resources to meet this demand and the cost implications of shortages, which may dampen demand in certain areas, possibly permanently delaying some projects already in the pipeline. At present, the industry understands and is absorbing these rising costs and additional capacity has a way of soon following on the heels of unsatisfied demand.

It is therefore reasonable to anticipate another strong performance from Alumasc in the coming year, as the UK economy recovers from its recent misfortunes.

John McCall
Chairman

Chief Executive's Review

Financial Highlights and Overview

	2020/21	2019/20	% change
Group performance:			
Revenue (£m) *	90.5	76.0	+19%
Underlying profit before tax (£m) *	10.5	3.7	+187%
Statutory profit before tax (£m)	9.8	2.7	+263%
Underlying earnings per share (pence) *	23.7	8.2	+189%
Basic earnings per share (pence)	21.2	6.3	+237%
Dividends per share (pence)	9.5	2.0	+375%

* A reconciliation of underlying to statutory profit before tax is provided in note 5

Covid-19

The response of our employees to the challenges faced this year has been exceptional. Covid-19 has brought many difficult challenges but our number one priority is always the health, safety and wellbeing of our people and visitors to sites. The actions taken to comply, as a minimum, with government advice has resulted in several unannounced HSE visits that have confirmed the actions taken with very positive feedback being received. During the year we had one small Covid-19 outbreak involving less than 20 people. Swift management action contained this with a full return to work within 10 days. Our new norm allowed us to adapt our working practices to have more people working from home while maintaining a good premium customer service. I am immensely proud of our incredible people and all that they have achieved.

Overview of performance

Following an outstanding and record performance in H1, which included around £2.5 million of pent-up demand revenue carried forward from the prior year Covid affected lockdown, Alumasc's underlying momentum was maintained throughout H2, despite the effects of Brexit. Growth was achieved in all three divisions against a backdrop of resilient building and construction activity along with market share gains. In addition, raw material and shipping cost increases to date have been successfully recovered through sales price increases.

Close control of costs and the benefit of the restructuring implemented in FY 2020 have also contributed to the improved profitability. Levolux delivered a substantially improved performance during the financial year, returning to consistent profitability on improved tendering and contract management disciplines and a streamlined cost base.

The star performer of the year was undoubtedly the Building Envelope Division which turned a prior year loss of £0.9 million into a £4.3 million profit. This was a testament to several factors, but both parts of this division, Roofing and Levolux, contributed significantly. As you will see in the section on this division it was really a volume/market share increase that improved Roofing's performance while Levolux had a significant turnaround into profit from a prior year loss assisted by significant cost reductions and efficiency improvements.

The remaining two divisions had record performances, both driven by volume/market share gains and operational efficiencies. New products were also important and, in particular, for the Housebuilding Products Division which launched a record number, supported by its industry leading service, with some

considerable success.

Strategy and performance against strategic objectives

Alumasc's strategy is to:

1. Build leading positions in specialist markets to grow revenues faster than the UK construction market

Although the impact of Covid-19 makes any analysis of the most recent year difficult when compared with the consistent outperformance of the previous years we have however gained market share and grown the business.

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

Compared to the prior year in which export revenues were 15% of Group revenues, during the year under review export revenues were 14% of Group revenue. However, actual export sales grew by £1.1 million (10%). Export sales at AWMS (Gatic and Wade) were marginally behind the prior year, due to a large one-off European order in 2019/20. However sales to the Far East grew strongly, supported by investment in both sales and marketing. The year end export order book for AWMS stood at £1.7 million, versus £1.2 million at the prior year end.

Meanwhile, Levolux accelerated its export revenue by a strong 32%. At the start of the new financial year a second experienced US Senior VP of sales has been appointed in the USA. We anticipate good further growth in the USA from this development.

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

The Group's underlying operating margins grew from a Covid affected prior year 5.5% to 12.2% (and also improved on underlying operating margins in 2019 of 6.5%) representing a pleasing result. This movement into a 'double-digit percentage' return has been achieved earlier than expected. The prior year's structural £2.4 million cost savings have been a significant contribution along with increased sales.

Executing our priorities in FY20/21

Management accelerated the pace of strategic development during its 2021 financial year:

1. Levolux business improvement plan

The objective of this plan was to return Levolux to sustainable profit. At the start of the year the Board announced a refocus of the business to those areas where it could clearly differentiate and add most value to customers and therefore shareholders. This included concentration on developing the more profitable areas of the business, simplifying operational delivery and reducing risk. The key elements have been:

- **Integrated sales approach.** Incorporate Levolux solar shading, screening and

balconies as major constituents in a new "Alumasc Building Envelope" Division, providing integrated solutions for developers and specifiers seeking high quality roofing and walling systems. A new, collaborative divisional sales approach has increased Levolux's existing market reach and leverages existing strong customer relationships. This is the second year of this new division's formation.

This objective is being achieved and examples where the 'cross-sell' and single expert service has been welcomed by specifiers and clients are growing. There are several examples of this including the new DWP Welsh Valleys offices.

- **Leverage core strengths.** Focus on design and supply activities as we do in the rest of the Alumasc Group. In-house installation will only be offered where this service is particularly valuable to customers and Levolux. Over time this will improve margin mix and enhance profit margins.

This objective is being achieved with the order book strengthening for supply only projects.

- **Export opportunities.** Invest in local technical sales resources to accelerate growth in the profitable Levolux business in North America. Current revenues in this market are circa £4.7 million (+32% v PY). This objective was achieved with a US-based Senior VP appointed.

- **Reduce overhead.** We announced a significant restructuring of the existing Levolux operational and overhead cost base, including a relocation of sites, with fixed cost savings achieved of £1.8 million in the Group's 2019/20 financial year versus a target £1.0 million, and further significant annualised savings of £0.7 million. These benefits have assisted the 2020/21 financial year.

Alumasc continues to believe that Levolux, as part of the Building Envelope Division, has a great future potential and continues to be one of the Group's strongest brands.

2. Develop further opportunities for specification cross selling

There remains a significant future opportunity for the Group from offering an integrated "Building Envelope" of exterior building products facilitating the integration of walling, roofing, balconies, solar shading and integrated aluminium detailing. This not only provides a full external envelope solution but also mitigates both client's and contractor's risks by ensuring that the horizontal and vertical planes are detailed to remove tolerance and interfacing detail issues. Closer working between divisions has led to cross-selling opportunities. This will continue to be a focus going forward.

3. Implementation of a more cost-efficient operating structure

Following the move in the prior year of the AWMS Gatic Slotdrain manufacturing from a leased facility in Dover to the freehold AWMS's Wade facility and the restructuring of Levolux described above, some £0.6 million per annum has been saved in leased property costs. The objective to move to six facilities from ten has also been achieved.

Total annualised cost savings of £2.4 million were achieved in the prior year versus a target of £2.0 million and these structural cost savings have assisted the current year.

4. Prioritising and focusing investment to drive profitable growth

Capital expenditure was £2.0 million, slightly below depreciation which was £2.3 million.

Once again investment has been focused on our businesses with the greatest manufacturing activity: our Water Management business and Timloc. Within this was a continued investment in tooling at strategic suppliers for the Water Management business which has improved manufacturing efficiencies and significantly lowered the carbon footprint of our suppliers along with ensuring continuity of supply. Investment continued at Timloc, including to support new product launches. The benefit of the investments is evident in the relatively strong performances of these businesses.

Investment in new people was directed into expanding the sales reach, notably in the Building Envelope Division where previously weaker areas of the UK now have a stronger senior sales representation. Growing Levolux and Water Management divisional export sales have also been a focus.

5. Proactive management of our portfolio of businesses

The Group continues to seek to grow through bolt-on acquisitions and there are no plans to make divestments.

6. Remaining closely aligned with the sustainability agenda

With the ever-increasing low carbon and sustainable agenda Alumasc is in a perfect position to increase supply solutions to its customers that target these criteria. Not only does it have strong positions in energy management through its presence in solar shading, which can reduce the energy consumption required to cool a building, but it also has innovative Roofing solutions, such as Olivine, which can actually reduce CO₂ in the environment. Within the Water Management Division, the increasing scarcity of water can be managed very successfully. There are examples where both divisions combine to provide a 'Blue Roof'. This, in effect, produces an equivalent to an attenuation tank on a flat roof allowing the controlled egress into the water effluent systems while saving clients the significant alternative cost of an attenuation tank installation. Our Housebuilding Products Division has also significantly contributed to the energy management within housing with its sealed ventilation systems, cavity closer and radiator seals. It is constantly innovating and launching new products that deliver sustainable solutions for our clients.

All divisions are totally committed to, and insist on, the use of recycled material where appropriate. Alumasc is very proud to be able to state that 75% of the Group's products are sourced from recyclable material.

The relentless pursuit of both innovative energy and water management solutions combined with the increasing use of recycled material will continue. Alumasc is already well placed in this regard. Our bespoke approach to product and specification means customers will be able to meet more stringent environmental criteria in the years ahead.

All divisions have plans in place to work towards the Net Zero government led construction targets by 2050.

Overview of performance

Revenue analysis

Revenue grew by £14.5 million (19%) compared to a prior year Covid affected performance. This included some carry over of pent-up demand from the Covid-disrupted prior year but also, significantly, benefitted from investing in high quality Roofing salesmen, launching new products and winning market share.

Gross margin

Alumasc's Gross Margin grew by 6.2 percentage points, to 35.9%, a very strong performance and a great testament to the management actions taken in saving costs, increasing efficiencies and growing margins.

Net fixed and operating expenses

Net fixed and operating expenses increased by £1.9 million (excluding any furlough benefit in FY20) during the year mainly due to increased sales resource and variable remuneration.

Underlying operating profit

Underlying operating profit was £11.0 million compared with £4.2 million in the prior year. This was a very strong performance with all 3 divisions performing significantly better than the prior year.

Bank interest

Bank interest of £0.3 million was similar to the prior year.

Underlying profit before tax

Underlying profit before tax was £10.5 million (2019/20: £3.7 million - Covid affected).

Non-underlying, non-recurring items

Non-underlying and non-recurring items amounted to a £0.7 million net cost in the period compared with a £1.3 million net cost in the prior year. Further details are given in the Financial Review.

Coronavirus Job Retention Scheme

Government grant income of £0.1 million was repaid during the period in relation to Coronavirus Job Retention Scheme income that had been claimed in the previous financial period for employees that have, unfortunately, subsequently been made redundant.

Profit after tax for the year

The Group's resulting overall statutory profit after tax for the year was £7.6 million (2019/20: £2.3 million).

Divisional review

(a) Water Management

Revenue: £38.4 million (2019/20: £33.7 million)

Underlying operating profit*: £6.1 million (2019/20: £4.8 million)

Underlying operating margin*: 15.9% (2019/20: 14.3%)

Operating profit: £6.0 million (2019/20: £4.6 million)

* Prior to restructuring costs of £0.1 million in 2019/20 and brand amortisation charges of £0.1 million in both years

Water Management produced a record profit of £6.1 million which was £1.3 million (27%) higher than the previous year.

The drivers of the improvement were revenue related (which increased by £4.7 million (14%)) and by selective price increases, product portfolio management, cost reductions (partly brought about by the move of Gatic Slotdrain manufacturing from Dover to Wade's freehold facility), and general efficiency improvement and tight cost control.

Water Management's operating profit return on sales increased to 15.9% from a prior year of 14.3%. This was a very encouraging performance and is indicative of improved margins.

(b) Building Envelope

Revenue: £41.0 million (2019/20: £33.2 million)

Underlying operating profit / (loss)*: £4.3 million (2019/20: £(0.9) million)

Underlying operating margin*: 10.4% (2019/20: (2.8)%)

Operating profit / (loss): £4.1 million (2019/20: £(1.4) million)

* Prior to restructuring costs of £0.3 million in 2019/20 and brand amortisation charges of £0.2 million in both years

The Building Envelope division sells principally into the high end UK commercial and residential new build construction market.

Levolux's restructuring has taken significant cost out of the business and when combined with a more selective strategy for work that it will target with a focus on supply only, along with a stronger push into export markets, the benefits showed in the year with an outstanding £1.4 million turnaround from a £0.9 million loss to an encouraging £0.5 million profit. This was the result of following the very effective turnaround plan.

Alumasc Roofing's performance was outstanding and driven strongly within the Refurbishment sector. Five new salespeople were recruited and significantly strengthened some of our historically under-represented markets in the UK whilst technical services staffing was increased across the country. It went from strength to strength and with the pressure of Covid-19 encouraging more external work, particularly for schools and health boards, Roofing benefited and increased its revenue stream whilst also securing additional market share.

(c) Housebuilding Products

Revenue: £11.1 million (2019/20: £9.1 million)
Underlying operating profit*: £2.6 million (2019/20: £1.2 million)
Underlying operating margin*: 23.0% (2019/20: 13.7%)
Operating profit: £2.5 million (2019/20: £1.2 million)

* Prior to restructuring costs of £0.1 million in 2020/21

Timloc, our Housebuilding Products Division, had an outstanding year growing its revenue by 22% and PBIT by 105% (versus a Covid affected prior year). In addition, during a challenging year, Timloc continued to launch new products, improve efficiencies and maintain 100% OTIF to customers. Timloc continues to receive very positive feedback from its customers on its excellent service and promotes this through its '#TrustTimloc to deliver' strapline.

New product development is an important factor in Timloc's success and during the year it successfully launched a number of new products including Rad-Seal face-fix, FR60 fire rated cavity closer and FRSTOP cavity stop socks.

With its constant focus on improving efficiencies, new product development and customer service Timloc is well positioned to maximise opportunities presented by the housebuilding sector.

Outlook

Alumasc's cost savings programme, liquidity management, strong balance sheet and improved commercial positioning underpin a robust platform that positions Alumasc to benefit from the long-term growth drivers in our markets. Alumasc's primary aim is to manage the long-term sustainability of the business and to focus on its key strategic objectives, growing revenues faster than the UK construction market and being a supplier of sustainable building products.

The Board believes Alumasc remains well positioned to deliver sustainable earnings progression, underpinned by a clear strategy and strong market positions, together with:

- Water Management benefiting from both its UK and export-focussed strategy, and a growing online offering;
- Building Envelope entered the new year with a strong order book, supported by specification cross-selling and restructuring benefits;
- Housebuilding Products continues to innovate and develop new products, against a favourable backdrop of structural UK housing shortage; and
- the major restructuring of the Levolux business within the Building Envelope Division.

Further investment opportunities exist in:

- sales resource and manufacturing capacity
- bolt-on M&A to expand capabilities, product range and routes to market.

Demand remains strong entering the new financial year, which has started in line with management's expectations. The Board is however cognisant of the potential

for short-term disruption to our customers' operations from shortages of building materials, labour and road haulage, and delays in the global container shipping industry.

Notwithstanding these risks, a strong platform is now in place which should provide the Board with confidence for another strong year.

Paul Hooper

Chief Executive

7 September 2021

Financial Review

Reconciliation of underlying to statutory profit before tax

The underlying profit before tax for the 2020/21 financial year of £10.5 million reconciles to the statutory profit before tax of £9.8 million as follows:

	2020/21	2019/20
	£m	£m
Underlying profit before tax	10.5	3.7
Brand amortisation	(0.2)	(0.2)
Net IAS 19 defined benefit pension scheme costs	(0.3)	(0.3)
IAS 19 past service cost in respect of GMP equalisation	(0.1)	-
Restructuring & relocation costs	(0.1)	(0.8)
Net gain from business disposals	-	0.3
Statutory profit before tax	9.8	2.7

The reconciling items were:

- Amortisation of acquired brands of £0.2 million (2019/20: £0.2 million). This is a non-cash charge arising from the application of accounting standards, to write off the estimated value of brands associated with acquired businesses over their anticipated useful life.
- Net IAS 19 defined benefit pension scheme costs of £0.3 million (2019/20: £0.3 million) are also non-cash charges. These relate to the Group's legacy defined benefit pension scheme, which was closed to future accrual in 2009. The value of the charge is determined by actuarial assessment and represents the notional financing cost of the Group's pension deficit.
- A one-off IAS 19 past service cost of £0.1 million (2019/20: £nil), representing an increase in the estimated cost of guaranteed minimum pension equalisation between men and women, following a High Court ruling in November 2020.
- One-off restructuring and relocation costs of £0.1 million (2019/20: £0.8 million) following changes in the estimated cost of several material reorganisation projects, which were announced during the 2019/20 financial

year.

- The net gain from business disposals was recognised in the prior year following the receipt of £0.3 million of deferred consideration relating to the divestment of the Alumasc Facades business.

Taxation

The Group's underlying effective tax rate was 19.5% (2019/20: 20.3%), slightly above the UK statutory rate of tax of 19% applicable to the Group's financial year due to certain costs that are disallowable for tax purposes. We expect the Group's underlying tax rate to be circa 20% in the 2021/22 financial year.

The Group's effective tax rate on statutory profit before tax was 22.6% (2019/20: 16.4%). Reconciliations from the actual to statutory rates of tax are provided in note 7. The reconciling items chiefly relate to the tax treatment of the one-off items in the Group's income statement and the deferred tax impact of the increase in future tax rate from 19% to 25% from 1 April 2023.

Earnings per share

Underlying earnings per share for the year was 23.7 pence (2019/20: 8.2 pence). This increase is consistent with the increased underlying profit before tax for the year.

Basic earnings per share of 21.2 pence (2019/20: 6.3 pence) reflected both the increase in underlying profit before tax for the year and the lower level of non-underlying costs in 2020/21 relative to 2019/20.

Dividends

The Board have recommended to shareholders a final dividend of 6.25 pence per share (2019/20: 2.0 pence), which will absorb an estimated £2.2m of shareholders' funds. This has not been accrued in these accounts as it was proposed after the end of the financial year. Subject to shareholder approval at the Annual General Meeting, it will be paid on 29 October 2021 to members on the share register on 24 September 2021.

Together with the interim dividend of 3.25p (2019/20: nil) paid to shareholders on 6 April 2021, this will bring the total distribution for the year to 9.5 pence per share (2019/20: 2.0 pence), which is covered 2.5 times (2019/20: 4.1 times) by underlying earnings per share.

The Board continues to follow a progressive distribution policy, where dividends rise broadly in line with earnings, while maintaining sensible cover.

Summarised Cash Flow Statement

	2020/21	2019/20
	£m	£m
EBITDA *	13.8	6.2
Change in working capital	(0.7)	0.7
VAT (paid)/deferred	(1.1)	1.8
Operating cash flow	12.0	8.7

Capital expenditure	(2.0)	(1.7)
Interest	(0.2)	(0.3)
Tax	(0.2)	(0.1)
Pension deficit funding	(2.6)	(2.3)
Finance lease payments	(0.9)	(0.5)
Dividend payments	(1.9)	(1.6)
Sub total	4.2	2.2
Non-underlying payments	(0.8)	(1.4)
Net cash flow	3.4	0.8
Net bank debt at the year end	0.9	4.3

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

Cashflows and net debt

At the onset of the Covid-19 pandemic in the UK, in the second half of financial year 2019/20, the Group undertook a series of measures to conserve cash, including agreements to defer £1.8 million of VAT and £0.6 million of pension payments. The Group's cash management activities in financial year 2020/21 have been focused on repaying these deferred amounts as they fall due, along with managing the working capital demands of a period of strong growth.

The Group's operating cashflow was £12.0 million (2019/20: £8.7 million), after a cash outflow into working capital of £1.8 million, which includes payment of £1.1 million of VAT deferred from 2019/20 (2019/20: £2.5 million inflow, with £1.8 million of VAT payment deferral). The remaining £0.7 million VAT deferral will be repaid in the first half of 2021/22. Trade working capital as a percentage of revenue was 13.9% at 30 June 2021 (30 June 2020: 17.7%).

Capital expenditure was £2.0 million (2019/20: £1.7 million), representing 86% of depreciation (2019/20: 87%). The main investments were on upgrading equipment at our Housebuilding Products facility in Howden, East Yorkshire, and tooling at our Water Management division. The Board see further opportunities for targeted investments to deliver organic growth, and expect capital expenditure to remain above depreciation for the medium term.

Tax payments of £0.2 million were made in the year (2019/20: £0.1 million). The current year payment is stated net of a £0.4 million (2019/20: £nil) tax refund relating to financial year 2018/19.

The Group recorded a net cash inflow for the year of £3.4 million (2019/20: £0.8m), reducing net debt at 30 June 2021 to £0.9 million (30 June 2020: £4.3 million).

Statement of financial position and return on investment

Group net assets increased by £16.3 million in the year to £36.1 million at 30 June 2021, a consequence of the profit retained for the year and a reduction in the pension deficit.

The Group defines its capital invested as the sum of shareholders' funds, including historic goodwill but excluding net bank debt, pension deficit (net of tax) and lease liabilities. Post tax return on investment (underlying operating profit divided by capital invested) was 19.8% (2019/20: 7.2%), reflecting the improved operating performance and close management of capital employed during the year.

Pensions

The Group accounts for its defined benefit retirement obligations in accordance with IAS 19 Employee Benefits, based on the market value of scheme assets and a valuation of scheme liabilities using a discount rate based on AA corporate bond yields at year end. The IAS 19 defined benefit pension scheme deficit at 30 June 2021 was £4.6 million (30 June 2020: £19.3 million). Scheme assets increased by £9.2 million, on a strong investment performance and £2.6 million of deficit reduction payments made by the Group in the period. Scheme liabilities decreased by £5.5 million, with an increase in the discount rate offsetting an increase in inflation. As funding levels rise, the scheme is adopting a lower risk investment strategy, in which interest rate and inflation risks are more closely hedged, which should reduce volatility in the deficit valuation going forward.

The deficit reduction payments are agreed between the Group and the scheme's trustees, based on triennial actuarial valuations. At the last review on 31 March 2019, Alumasc agreed to pay £2.3m annually under a seven year recovery plan. As part of its Covid-19 cash conservation measures, the Group agreed with the trustees to defer £0.6 million of deficit reduction payments due in financial year 2019/20. £0.4 million of this was repaid over financial year 2020/21, and the remaining £0.2 million will be repaid in the first half of financial year 2021/22.

Banking facilities and covenants

The Group maintains facilities with its banking partners to ensure the availability of sufficient liquidity to meet the Group's operational and strategic needs, at optimal cost. The Group projects facility utilisation and compliance with the associated covenants during its short-term forecasting, annual budgeting and strategic planning exercises to ensure adequate headroom is maintained.

During the year, the expiry date of the Group's revolving credit facility was extended by one year. Alumasc's current banking facilities comprise:

- An unsecured committed three-year revolving credit facility of £20.0 million, with a revised expiry date of April 2023 and a further one year extension period;
- Overdraft facilities, repayable on demand, of £4.0 million.

The covenants associated with these facilities are set out below, together with the reported figures at 30 June 2021 and 2020:

	Covenant	30 June 2021
30 June 2020		
Net debt: EBITDA		
Interest cover	>2.5*	
42.1		17.3

* changes to 4 from 31 December 2021.

Going Concern

In assessing the Group's ability to continue as a going concern, the Board has considered medium-term forecasts based on the Group's approved budget and three year plan. The Board has also considered stress test scenarios modelled on both a resumption of Government lockdowns and a 20% reduction in revenue for

the period to September 2022.

Under the stress test scenarios, there remained adequate headroom in banking facilities and no breach of banking covenants over the period covered by the models. The Board also took note of the Group's further ability to reduce its cost base and/or conserve cash resources at short notice if necessary.

A reverse stress test scenario, that would lead to a breach of the Group's banking covenants, was also modelled. The Board considered the risk of such a scenario arising to be remote.

Having taken into account the scenario models above, and in light of the bank facility headroom under various scenarios, the Directors consider that the Group has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. See note 1 for the full Going Concern assessment.

Simon Dray

Group Finance Director

7 September 2021

The contents of this announcement have been extracted from the annual report and accounts for the year ended 30 June 2021 which will be dispatched to shareholders on or around 23 September 2021 and will be available at www.alumasc.co.uk.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties

Mitigating actions taken

COVID-19

Comment

The Coronavirus pandemic is still impacting our customers' businesses and the way we work. As the duration of the pandemic is uncertain, concerns remain over the potential risk of future lockdowns and restrictions returning together with possibly new variants of Covid-19.

Health and safety risks

Comment

The Group has a strong overall track record of health and safety management performance, with the number of lost time accidents significantly reduced.

Staff recruitment and retention risks

Comment

Including recruitment, retention, succession, people development. Risk of loss of skills, ability to innovate and improve.

- The company took swift action in 2020 and managed costs and cash flow intensively. Capital expenditure and non-essential new hires were delayed.
- The primary focus was on the health and wellbeing of staff and additional communication channels were established. In addition, a new wellbeing app has been made available to all staff to help to mitigate stress at home and in the workplace.
- Staff, where possible, switched to working from home without disruption.
- All manufacturing sites have been operational with additional Covid-19 protocols this financial year.
- Supply chain remained resilient.
- Exports and internet sales have been expanding and helped to gain new customers/market share.
- Some business opportunities and mitigations used during the pandemic (including use of TEAMS) continue to provide ways to trade efficiently and improve margin/revenue. Best practices and new ways of working, that proved to be effective, will be adopted going forward.
- All Government guidelines on Health & Safety, including social distancing were implemented and continue to be followed on all sites.
- With new ways of working the business is very agile and can quickly implement Government guidelines to protect employees and customers from Covid-19. There is now greater use of IT and other flexible ways of working have been adopted.
- 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 are reported at Board level monthly, with 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 are conducted in all Group businesses by independent consultants and other specialist advisers.
- Specific focus on improving safety of higher risk operations, with external consultancy support as needed.
- Increasing focus of Board and Executive Committee on staff retention and reward, supported by HR and external advice.
- Competitive remuneration/incentive rates paid to attract and retain talented employees.
- Employee numbers and changes monitored in monthly subsidiary Board meetings.
- Retention plans for key, high performing, and high-potential employees.
- Training and development programmes.
- The Remuneration Committee considers retention and motivation when considering the Remuneration framework.
- Succession planning.

Product/service differentiation relative to competition not developed or maintained

Comment

Innovation, an agile and entrepreneurial spirit is encouraged in all Group companies. Constantly looking for innovation for new products, particularly those that contribute to sustainability within the built environment.

Loss of key customers

Comment

Generally, the Group has a good track record of customer retention and has a diversified customer base.

Legacy defined benefit pension obligations

Comment

Alumasc's pension obligations are material relative to its market capitalisation and shareholders' funds.

- 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 planned at Group level and more regularly in each business. New product ideas are discussed as part of the businesses' strategy.
- 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.
- Customer feedback considered in the design and /or supply of additional products and services.
- Agile approach to business and an ability to meet increasing demand for products.
- Cross selling of products encouraged to grow revenues, and to introduce customers to all our product ranges.
- Develop and maintain strong customer relationships through service excellence and dedicated account management.
- Product, system and service differentiation and reliability.
- Project tracking and enquiry/quote conversion rate KPI.
- Increasing use of, and investment in, customer relationship management (CRM) software.
- Organisational and business agility to adapt to changing and emerging customer needs.
- Continue to grow the business so the relative affordability of pension deficit contributions is improved over time. Active management of scheme liabilities and assets to reduce deficit, with particular success during the year.
- Continue to maintain constructive relationship with Pension Trustees.
- Affordable pension funding commitments agreed and met.
- Regular review at Group Board level.
- Use of specialist advisors.
- Investment performance and risk/return balance overseen by an Investment Committee.
- The Trustees are pursuing a lower risk investment strategy to match liability risks and reduce future volatility.

Supply chain risks

Comment

International supply chain risks could increase through local lockdowns due to the Covid-19 pandemic, increased tariffs/duties, Brexit risks in Europe and political/global volatility.

- Annual strategic reviews, including supplier, quality, reliability and sustainability.
- Regular key supplier visits, good relationships maintained including quality control reviews and training.
- Logistics delays due to post Brexit driver shortages have been managed and delivery times agreed/managed with customers.
- Regular supplier quality, value for money and risk reviews.
- Avoidance of strategic dependence on single sources of supply.
- Contingency plans to manage Brexit and Asian sourcing risks.
- Supplier questionnaires and export checks are completed to ensure compliance with Group policies including anti-bribery and anti-modern slavery.
- Training has been provided on customs duties, particularly on managing new arrangements post Brexit.
- Brand and product strength generally enable increases in raw material prices to be passed on through selling prices.
- IT disaster recovery plans are in place for all businesses and tested regularly.
- Business continuity plans are in place, or being evolved where we are relocating operations, at each business.
- Awareness training and management briefings held on cyber security risks and actions taken as preventative measures.
- New security protocols and software are installed and continually reviewed to help mitigate Cyber threats.
- Regular reviews of cyber security, including external penetration testing and reviews with external IT professionals.
- Critical plant and equipment are identified, with associated breakdown/recovery plans in place.
- Business interruption insurance to cover residual risks.
- Further systems are being implemented to underpin the business strategic growth plans and drive efficiency. Implementation risks are mitigated via the use of third-parties, qualified project managers and increased user-testing.

Cyber security and Business Interruption

Comment

Cyber security risks and Business Interruption risks are increasing globally and have increased during the Covid-19 pandemic.

Economic uncertainty and Brexit risks

Comment

Due to the ongoing pandemic, there is still macroeconomic uncertainty on a global basis. Markets are also not completely settled post Brexit, and this has had an impact on logistics, raw material prices and supplies. This is challenging the housebuilding /house-sales/construction industry. Government spending on infrastructure projects needs to be maintained.

Product warranty /recall risks

Comment

The Group does not have a history of significant warranty claims or product recall.

Credit risk

Comment

The Group has good recent record in managing credit risks and the contribution from the UK Government Export Credit Scheme for overseas opportunities has supported export opportunities.

- Strategic positioning in markets/sectors anticipated to grow faster than the UK construction market.
- Development of export sales opportunities, especially for Levolux (particularly in North America) and Alumasc Water Management (in Asia and the Middle 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 green products, systems, solutions, and services that are market leading and differentiated against the competition.
- The Group has limited exposure to currency risk, mainly the Euro and US Dollar. These exposures are for the most part hedged, with hedging percentages increased in 2019 to manage potential FX volatility associated with Brexit.
- Brexit developments being monitored closely, strong relationships monitored and regular dialogue with key European suppliers. Contingency planning is in place for key residual risk areas, including increased inventory of materials/products imported from the EU.
- Robust internal quality systems, compliance with relevant legislation, building regulations and industry standards (e.g. ISO, BBA etc), and product testing, as appropriate.
- Group insurance programme to cover larger potential risks.
- Back-to-back warranties obtained from suppliers where possible.
- Specific local risk management procedures in Group brands that also install (and supply) building products (i.e. Levolux and Blackdown).
- Most credit risks are insured, including all contracting credit risk.
- Large export contracts are backed by letters of credit, performance bonds, guarantees or similar.
- Due to Covid-19 and related uncertainties credit risks have increased.
- 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021			Year ended 30 June 2020		
		Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
		£'000	£'000		£'000	£'000	
Continuing operations:							
Revenue	4	90,465	-	90,465	75,992	-	75,992
Cost of sales		(57,950)	-	(57,950)	(53,413)	-	(53,413)
Gross profit		32,515	-	32,515	22,579	-	22,579
Net operating expenses							
Net operating expenses before non-underlying items		(21,511)	-	(21,511)	(19,386)	-	(19,386)
Other operating income	5	-	-	-	968	-	968
IAS 19 past service pension cost	5	-	(150)	(150)	-	-	-
Other non-underlying items	5	-	(296)	(296)	-	(1,045)	(1,045)
Net operating expenses		(21,511)	(446)	(21,957)	(18,418)	(1,045)	(19,463)
Operating profit	4, 5	11,004	(446)	10,558	4,161	(1,045)	3,116
Net finance costs		(489)	(268)	(757)	(496)	(261)	(757)
Profit before taxation		10,515	(714)	9,801	3,665	(1,306)	2,359
Tax expense	7	(2,050)	(165)	(2,215)	(744)	302	(442)
Profit for the year from continuing operations		8,465	(879)	7,586	2,921	(1,004)	1,917
Discontinued operations:							
Profit after taxation for the period from discontinued operations		-	-	-	-	339	339
Profit for the year		8,465	(879)	7,586	2,921	(665)	2,256
Other comprehensive income:							
Items that will not be recycled to profit or loss:							
Actuarial gain/(loss) on defined benefit pensions, net of tax				10,393			(6,473)
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				(385)			176
Exchange differences on retranslation of foreign operations				(46)			11
				(431)			187
Other comprehensive gain/(loss) for the year, net of tax				9,962			(6,286)
Total comprehensive profit/(loss) for the year, net of tax				17,548			(4,030)
Earnings per share				Pence			Pence
Basic earnings per share							
- Continuing operations				21.2			5.4
- Discontinued operations				-			0.9
	9			21.2			6.3
Diluted earnings per share							
- Continuing operations				20.8			5.4
- Discontinued operations				-			0.9
	9			20.8			6.3
Alternative Performance Measures:							
Underlying earnings per share (pence)				23.7			8.2

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 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Assets					
Non-current assets					
Property, plant and equipment - owned assets		11,734		11,089	
Property, plant and equipment - right-of-use assets		5,469		5,856	
Goodwill	6	18,705		18,705	
Other intangible assets		3,321		3,352	
Deferred tax assets	7	1,145		3,661	
			40,374		42,663
Current assets					
Inventories		10,871		8,596	
Trade and other receivables		21,389		16,270	
Corporation tax receivable		-		325	
Derivative financial assets		-		207	
Cash at bank		4,999		16,143	
			37,259		41,541
Total assets			77,633		84,204
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings		(5,936)		(19,909)	
Lease liability		(4,811)		(5,244)	
Employee benefits payable		(4,581)		(19,269)	
Provisions		(1,267)		(1,182)	
Deferred tax liabilities	7	(966)		(1,007)	
			(17,561)		(46,611)
Current liabilities					
Trade and other payables		(21,011)		(15,311)	
Lease liability		(795)		(680)	
Provisions		(834)		(1,194)	
Corporation tax payable		(1,019)		-	
Derivative financial liabilities		(268)		-	
Bank overdraft		-		(567)	
			(23,927)		(17,752)
Total liabilities			(41,488)		(64,363)
Net assets			36,145		19,841
Equity					
Share capital		4,517		4,517	
Share premium	10	445		445	
Capital reserve - own shares	10	(406)		(416)	
Hedging reserve	10	(217)		168	
Foreign currency reserve	10	55		101	
Profit and loss account reserve		31,751		15,026	
Total equity			36,145		19,841

The financial statements were approved by the Board of Directors and authorised for issue on 7 September 2021

Paul Hooper

Director

7 September 2021

Company number 1767387

Simon Dray

Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Operating activities			

Operating profit		10,558	3,116
Adjustments for:			
Depreciation		2,146	1,851
Amortisation		361	313
Impairment of assets		-	300
(Gain)/loss on disposal of property, plant and equipment		(16)	4
IAS 19 past service pension cost	5	150	-
(Increase)/decrease in inventories		(2,275)	1,892
(Increase)/decrease in receivables		(5,119)	5,114
Increase/(decrease) in trade and other payables		5,287	(4,564)
Movement in provisions		(275)	(1,229)
Cash contributions to retirement benefit schemes		(2,614)	(2,254)
Share based payments		397	-
Cash generated by operating activities		8,600	4,543
Tax paid		(161)	(93)
Net cash inflow from operating activities		8,439	4,450
Investing activities			
Purchase of property, plant and equipment		(1,666)	(1,342)
Payments to acquire intangible fixed assets		(330)	(417)
Proceeds from sales of property, plant and equipment		46	143
Net proceeds from sale of business activity		-	339
Net cash outflow from investing activities		(1,950)	(1,277)
Financing activities			
Bank interest paid		(207)	(297)
Equity dividends paid		(1,878)	(1,574)
(Repayment)/draw down of amounts borrowed		(14,000)	12,000
Principal paid on lease liabilities		(692)	(346)
Interest paid on lease liabilities		(178)	(153)
Refinancing costs		(65)	-
Net cash (outflow)/inflow from financing activities		(17,020)	9,630
Net (decrease)/increase in cash at bank and bank overdraft		(10,531)	12,803
Net cash at bank and bank overdraft brought forward		15,576	2,762
Net (decrease)/increase in cash at bank and bank overdraft		(10,531)	12,803
Effect of foreign exchange rate changes		(46)	11
Net cash at bank and bank overdraft carried forward		4,999	15,576

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	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 2019		4,517	445	(416)	(8)	90	20,817	25,445
Profit for the period		-	-	-	-	-	2,256	2,256
Exchange differences on retranslation of foreign operations		-	-	-	-	11	-	11
Net gain on cash flow hedges		-	-	-	217	-	-	217
Tax on derivative financial asset		-	-	-	(41)	-	-	(41)
Actuarial loss on defined benefit pensions, net of tax		-	-	-	-	-	(6,473)	(6,473)
Dividends	8	-	-	-	-	-	(1,574)	(1,574)

At 1 July 2020	4,517	445	(416)	168	101	15,026	19,841
Profit for the period	-	-	-	-	-	7,586	7,586
Exchange differences on retranslation of foreign operations	-	-	-	-	(46)	-	(46)
Net loss on cash flow hedges	-	-	-	(475)	-	-	(475)
Tax on derivative financial liability	-	-	-	90	-	-	90
Actuarial gain on defined benefit pensions, net of tax	-	-	-	-	-	10,393	10,393
Tax on share options	-	-	-	-	-	237	237
Own shares used to satisfy exercise of share awards	-	-	10	-	-	-	10
Share based payments	-	-	-	-	-	397	397
Dividends	8	-	-	-	-	(1,878)	(1,878)
Exercise of share based incentives	-	-	-	-	-	(10)	(10)
At 30 June 2021	4,517	445	(406)	(217)	55	31,751	36,145

1 BASIS OF PREPARATION

The Alumasc Group plc is incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM").

The financial information included within this announcement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 30 June 2021 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued.

The statutory accounts for the year ended 30 June 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the going concern basis and adopting the historical cost convention. The Group's accounting policies remain consistent with the previous financial year.

Going concern and COVID-19

Management continued to take actions to allow the business to trade effectively and manage the risks associated with the Covid-19 pandemic.

At 30 June 2021 the Group had cash and cash equivalents of £5.0 million and had utilised £5.9 million of the committed £20m revolving credit facility. This provided total headroom of some £19.1m against committed facilities and, together with £4m overdraft facilities, there is headroom of some £23.1m against total facilities at 30 June 2021. Management extended the expiry date of the committed £20 million revolving credit facility during the year to April 2023, and retain the option

to extend it by a further year.

In assessing going concern to take account of the continued uncertainties caused by Covid-19, the Group has modelled a Base Case (BC) trading scenario on a "bottom up" basis. Given the continuing uncertainty regarding the impact of Covid-19 (including potential further waves of the pandemic) on the economy, customer behaviour and ultimately on the Group's performance, the Group has also modelled a stress test scenario which assumes a 20% reduction in revenue, with no cost reduction or cash conservation measures, and a Covid-19 model, which assumes a five month disruption of trade consistent with that experienced during the first wave of the pandemic. Under the lowest point in these stress tested scenarios, the Group retains adequate headroom against its total banking facilities for the next 13 months to September 2022, with no breach of banking covenants across this period.

The Group has modelled an additional scenario (a reverse stress test) that would lead to a breach of its banking covenants. It is considered that the risk of such a scenario arising is remote. Management have also identified a number of mitigating actions that the Group would take to stay within its banking facilities and comply with the associated covenants throughout the period.

Having taken into account all of the aforementioned comments, actions and factors in relation to going concern and the potential impact of Covid-19, and in light of the bank facility headroom under various scenarios, the Directors consider that the Group has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2 JUDGMENTS AND ESTIMATES

The main sources of estimation uncertainty that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities at 30 June 2021 within the next financial year are the valuation of defined benefit pension obligations, the valuation of the Group's acquired goodwill, the recognition of revenues and profit on contracts with customers where revenue is recognised over time.

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

Goodwill is tested at least annually for impairment, with appropriate assumptions and estimates built into the value in use calculations to determine if an impairment of the carrying value is required. See note 6 for further disclosure of the assumptions and estimates applied.

Revenue and associated margin recognised over time on contracts with customers is recognised using the input method under IFRS15 and therefore progressively as costs are incurred, having regard to latest estimates of cost to complete and expected project margins. Contract revenue includes an assessment of contract variations when their recovery is considered highly probable. Judgment is therefore required in the application of the Group's policy regarding revenue and profit recognition relating to estimates of costs to complete contracts, the final profit margin on those contracts and the inclusion of potential contract variations prior to these being fully agreed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. The following new standards, amendments and interpretations are effective for the period beginning on or after 1 July 2020 and have been adopted for the Group financial statements where appropriate with no material impact on the disclosures made by the Group:

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- Covid-19-Related Rent Concessions (Amendments to IFRS 16).

4 SEGMENTAL ANALYSIS

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

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

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

	Revenue £'000	Segmental operating result £'000
Full Year to 30 June 2021		
Water Management	38,370	6,115
Building Envelope	41,022	4,255
Housebuilding Products	11,073	2,552
Trading	90,465	12,922
Unallocated costs		(1,918)
Total from continuing operations	90,465	11,004
		£'000
Segmental operating result		11,004
Brand amortisation		(238)
Past service cost in respect of GMP equalisation (see note 5)		(150)
Restructuring & relocation costs (see note 5)		(58)
Total operating profit from continuing operations		10,558

Capital expenditure

	Segment Assets £'000	Segment Liabilities £'000	Property, Plant & Equipment £'000	Other Intangible Assets £'000	Deprecia- tion £'000	Amortisa- tion £'000
Water Management	29,866	(9,635)	1,455	271	1,081	137
Building Envelope	25,500	(10,208)	215	36	175	180
Housebuilding Products	14,747	(7,114)	769	23	798	44
Trading	70,113	(26,957)	2,439	330	2,054	361
Unallocated	7,520	(14,531)	-	-	92	-
Total	77,633	(41,488)	2,439	330	2,146	361

	Revenue £'000	Segmental operating result £'000
Full Year to 30 June 2020		
Water Management	33,715	4,824
Building Envelope	33,209	(939)
Housebuilding Products	9,068	1,243
Trading	75,992	5,128
Unallocated costs		(967)
Total from continuing operations	75,992	4,161
		£'000
Segmental operating result		4,161
Brand amortisation		(238)
Restructuring & relocation costs (see note 5)		(807)
Total operating profit from continuing operations		3,116

Capital expenditure						
	Segment Assets £'000	Segment Liabilities £'000	Property, Plant & Equipment £'000	Other Intangible Assets £'000	Deprecia- tion £'000	Amortisa- tion £'000
Water Management	26,645	(7,244)	1,813	264	785	100
Building Envelope	22,267	(8,346)	162	17	175	173
Housebuilding Products	13,051	(5,687)	361	29	798	39
Trading	61,963	(21,277)	2,336	310	1,758	312
Unallocated/discontinued	22,241	(43,086)	19	131	93	1
Total	84,204	(64,363)	2,355	441	1,851	313

Analysis by geographical segment 2020/21

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	78,194	4,133	3,599	1,286	2,663	590	90,465
Segment non-current assets	39,225	-	-	-	4	-	39,229

Analysis by geographical segment 2019/20

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	64,816	4,147	3,184	1,485	1,587	773	75,992
Segment non-current assets	38,996	-	-	-	-	-	39,002

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

5 UNDERLYING TO STATUTORY PROFIT BEFORE TAX RECONCILIATION

	2020/21 Operating profit £'000	Profit before tax £'000	2019/20 Operating profit £'000	Profit before tax £'000
Underlying operating profit/profit before tax	11,004	10,515	4,161	3,665
Brand amortisation	(238)	(238)	(238)	(238)
IAS 19 net pension scheme finance costs	-	(268)	-	(261)
IAS 19 past service cost in respect of GMP equalisation	(150)	(150)	-	-
Restructuring & relocation costs	(58)	(58)	(807)	(807)
Profit/profit before tax from continuing operations	10,558	9,801	3,116	2,359
Profits/gains relating to discontinued operations	-	-	-	339
Statutory operating profit/profit before tax	10,558	9,801	3,116	2,698

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

In addition, management has presented the following specific items that arose in 2020/21 and 2019/20 financial years as non-underlying as they are non-recurring items that are judged to be significant enough to affect the understanding of the year-on-year evolution of the underlying trading performance of the business:

- One-off costs of material restructuring and relocation of separate businesses within the Group in both 2020/21 and 2019/20, including costs associated with the departure and recruitment of a Group Finance Director during the prior financial year;
- The one off IAS 19 past service pension cost relating to Guaranteed Minimum Pension ("GMP") equalisation between men and women, following a High Court decision on 20 November 2020; and
- The one-off deferred tax rate change adjustment charge of £319k relating to the increase in main rate of UK corporation tax from 19% to 25%.

6 GOODWILL

	2021	2020
	£'000	£'000
Cost:		
At 1 July and 30 June	19,428	19,428
Impairment:		
At 1 July and 30 June	723	723
Net book value at 30 June	18,705	18,705

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

	2021	2020
	£'000	£'000
Alumasc Roofing	3,820	3,820
Timloc	2,264	2,264
Levolux	10,179	10,179
Rainclear	225	225
Wade	2,217	2,217
At 30 June	18,705	18,705

Impairment testing of acquired goodwill

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

For the purpose of impairment testing, the recoverable amount of CGUs is based on value in use calculations. The value in use is derived from discounted management cash flow forecasts for the businesses, based on budgets and plans covering a five year period. The growth rate used to extrapolate the cash flows beyond this period was 1% (2020: 1%) for each CGU.

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

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

Each assumption has been considered in conjunction with the local management of the relevant operating businesses who have used their past experience and expectations of future market and business developments, including Covid-19, 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% (2020: between 11% and 12%). These rates were based on the Group's estimated weighted average cost of capital (W.A.C.C.), which was risk-adjusted for each CGU taking into account both external and internal risks. The Group's W.A.C.C. in 2021 was similar to the rate used in 2020.

The surplus headroom above the carrying value of goodwill at 30 June 2021 was significant in the case of Timloc, Rainclear, Wade and Alumasc Roofing, with no impairment arising from either a 2% increase in the discount rate; a growth rate of -1% used to extrapolate the cash flows; or a reduction of 25% in the cash flow generated in the terminal year.

The surplus headroom above the carrying value of goodwill at 30 June 2021 for Levolux was more sensitive and the following change to each of the key assumptions would lead to an impairment:

- a 3% increase in the discount rate;
- a growth rate of -1% used to extrapolate the cash flows;
- a 35% reduction in the cash flow generated in the terminal year.

7 TAX EXPENSE

(a.) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income	2020/21	2019/20
	£'000	£'000
Current tax:		
UK corporation tax	1,443	22
Overseas tax	46	48
Amounts under/(over) provided in previous years	23	(19)
Total current tax	1,512	51
Deferred tax:		
Origination and reversal of temporary differences	405	450
Amounts over provided in previous years	(21)	(157)
Rate change adjustment	319	98
Total deferred tax	703	391
Total tax expense	2,215	442
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial gains/(losses) on pension schemes	2,099	(1,838)
Cash flow hedge	(90)	41
Tax charged/(credited) to other comprehensive income	2,009	(1,797)
Total tax charge/(credit) in the statement of comprehensive income	4,224	(1,355)

(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 22.6% is higher than (2019/20: 16.4% was lower than) the standard rate of corporation tax in the UK of 19% (2019/20: 19.0%).

The differences are reconciled below:

	2020/21	2019/20
	£'000	£'000
Profit before tax from continuing operations	9,801	2,359
Profit before tax from discontinued operations	-	339
Accounting profit before tax	9,801	2,698
Current tax at the UK standard rate of 19.0% (2019/20: 19.0%)	1,862	513
Expenses not deductible for tax purposes	32	71

Use of capital losses	-	(64)
Rate change adjustment	319	98
Tax under/(over) provided in previous years - current tax	23	(19)
Tax over provided in previous years - deferred tax	(21)	(157)
	2,215	442

(c.) Unrecognised tax losses

The Group has agreed tax capital losses in the UK amounting to £16.3 million (2020: £16.3 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 (2020: £1 million). These have been offset in the prior year against the capital losses detailed above. A deferred tax asset has not been recognised in respect of the net capital losses carried forward of £15.3 million (2020: £15.3 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	Share options £'000	Total deferred tax liability £'000	Pension deferred tax asset £'000
At 1 July 2019	540	(66)	482	(2)	-	954	(2,202)
Charged/(credited) to the statement of comprehensive income - current year	170	(12)	11	-	-	169	379
Credited to the statement of comprehensive income - prior year	(160)	3	-	-	-	(157)	-
Charged/(credited) to equity	-	-	-	41	-	41	(1,838)
At 30 June 2020	550	(75)	493	39	-	1,007	(3,661)
Charged/(credited) to the statement of comprehensive income - current year	359	(65)	96	-	(83)	307	417
Credited to the statement of comprehensive income - prior year	(5)	(16)	-	-	-	(21)	-
Charged/(credited) to equity	-	-	-	(90)	(237)	(327)	2,099
At 30 June 2021	904	(156)	589	(51)	(320)	966	(1,145)

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 £3.7 million (2020: £2.9 million) in respect of net capital losses of £15.3 million (2020: £15.3 million) have not been recognised, see note 10 (c).

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

In the Budget on 3 March 2021, the Government announced its intention to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this increased rate. Since the

25% tax rate change was substantively enacted at the 30 June 2021 balance sheet date, deferred tax assets and liabilities have been calculated to reflect the expected timing of reversal of the related temporary difference with an impact of £319k on the 2020/21 tax charge.

8 DIVIDENDS

	2020/21	2019/20
	£'000	£'000
Interim dividend for 2021 of 3.25p paid on 6 April 2021	1,163	-
Final dividend for 2020 of 2.0p paid on 30 October 2020	715	-
Final dividend for 2019 of 4.4p paid on 31 October 2019	-	1,574
	1,878	1,574

A final dividend of 6.25 pence per equity share, at a cash cost of £2,236,000, has been proposed for the year ended 30 June 2021, payable on 29 October 2021. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements. The 2020 interim dividend, which was due to be paid on 7 April 2020 at a cash cost of £1,055,000, was cancelled as part of the Group's Covid-19 cash conservation programme.

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:

	2020/21	2019/20
	£'000	£'000
Net profit attributable to equity holders of the parent - continuing operations	7,586	1,917
Net profit attributable to equity holders of the parent - discontinued operations	-	339
	7,586	2,256
	000s	000s
Weighted average number of shares	35,766	35,764
Dilutive potential ordinary shares - employee share options	637	55
	36,403	35,819
<u>Basic earnings per share:</u>	Pence	Pence
Continuing operations	21.2	5.4
Discontinued operations	-	0.9
	21.2	6.3
<u>Diluted earnings per share:</u>	2020/21	2019/20
	Pence	Pence
Continuing operations	20.8	5.4
Discontinued operations	-	0.9
	20.8	6.3

Calculation of underlying earnings per share:

	2020/21	2019/20
	£'000	£'000
Reported profit before taxation from continuing operations	9,801	2,359
Brand amortisation	238	238
IAS 19 net pension scheme finance costs	268	261
Pension GMP equalisation	150	-
Restructuring & relocation costs	58	807
Underlying profit before taxation from continuing operations	10,515	3,665
Tax at underlying Group tax rate of 19.5% (2019/20: 20.3%)	(2,050)	(744)
Underlying earnings from continuing operations	8,465	2,921
Weighted average number of shares	35,766	35,764
Underlying earnings per share from continuing operations	23.7p	8.2p

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 360,017 (2020: 369,245) ordinary own shares held by the Company. The market value of shares at 30 June 2021 was £954,045 (2020: £265,856). These are held to help satisfy the exercise of awards under the Company's Long Term Incentive Plans. During the year 9,228 shares with an original cost of £10,000 were used to satisfy the exercise of awards. No shares were exercised in the prior financial period. A Trust holds the shares in its name and shares are awarded to employees on request by the Group. The Group bears the expenses of the Trust.

Hedging reserve

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

Foreign currency reserve

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

11 RELATED PARTY DISCLOSURE

The Group's principal actively trading subsidiaries at 30 June 2021 are listed below:

Principal subsidiaries	Principal activity	Country of incorporation	% of equity interest and votes held
			2020 2019

Alumasc Building Products Limited	Building products	England	100	100
Levolux Limited	Building products	England	100	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	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income Statement Summary							
Continuing operations:							
Revenue	69,950	73,005	88,368	87,048	90,104	75,992	90,465
Underlying operating profit	6,341	7,010	8,703	6,224	5,865	4,161	11,004
<i>Underlying operating margin</i>	<i>9.1%</i>	<i>9.6%</i>	<i>9.8%</i>	<i>7.2%</i>	<i>6.5%</i>	<i>5.5%</i>	<i>12.2%</i>
Net interest cost on borrowings	(592)	(215)	(132)	(212)	(281)	(343)	(311)
Interest on lease liabilities	-	-	-	-	-	(153)	(178)
Underlying profit before tax	5,749	6,795	8,571	6,012	5,584	3,665	10,515
Non-underlying items*	(1,434)	(1,502)	(888)	(1,082)	(4,599)	(1,306)	(714)
Profit before taxation	4,315	5,293	7,683	4,930	985	2,359	9,801
Taxation	(1,120)	(1,319)	(1,492)	(967)	(256)	(442)	(2,215)
Profit for the year from continuing operations	3,195	3,974	6,191	3,963	729	1,917	7,586
Discontinued operations - (Loss)/profit after tax	1,181	2,510	349	354	2,912	339	-
Profit for the year	4,376	6,484	6,540	4,317	3,641	2,256	7,586
Underlying earnings per share from continuing operations (pence)							
	12.6	15.1	19.1	13.4	12.4	8.2	23.7
Basic earnings per share (pence)							
	12.3	18.2	18.3	12.0	10.1	6.3	21.2
Dividends per share (pence)							
	6.0	6.5	7.15	7.35	7.35	2.0	9.5
Balance Sheet Summary at 30 June							
Shareholders' funds	15,929	16,580	20,437	24,421	25,445	19,841	36,145
Net debt/(cash)	(914)	(8,632)	(6,076)	4,812	5,095	4,333	937
Lease liabilities	-	-	-	-	-	5,924	5,606
Pension deficit (net of tax)	16,748	18,588	17,095	12,566	10,749	15,608	3,436
Discontinued operations	(3,708)	(479)	(334)	(714)	359	-	-
Capital Invested - continuing operations	28,055	26,057	31,122	41,085	41,648	45,706	46,124
Underlying return on capital invested (post-tax)**	17.9%	20.5%	24.2%	13.8%	10.2%	7.2%	19.8%
Underlying tax rate	22.0%	20.8%	20.6%	20.2%	20.4%	20.3%	19.5%

Notes

* Non-underlying items comprise brand amortisation and IAS 19 pension costs in all years. Further details of the 2019/20 and 2020/21 non underlying items can be found in note 5 of the Report and Accounts 2021.

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

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FULL YEAR RESULTS ANNOUNCEMENT

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