

Tuesday 7 February 2023

The Alumasc Group plc Interim results Confidence in delivering full year expectations

Alumasc (ALU.L) the sustainable building products, systems and solutions Group today announces results for the six months ended 31 December 2022.

Commenting on the interim results, Paul Hooper, Chief Executive of Alumasc said:

"This was a strong first half performance, against a comparative that included significant sales to Chek Lap Kok airport in Hong Kong. While the short term market remains uncertain, we enter the second half with encouraging momentum and a record half year order book, which includes the next phase of the Chek Lap Kok project, giving us confidence in the delivery of our expectations for the full year."

Financial Overview: continuing operations

- Group revenues up by 5% to £45.0m (H1 FY22: £42.6m), with organic growth and pricing offsetting significant export orders in the first half of the prior year:
 - o Building Envelope delivered a 29% increase in revenues to £18.3m (H1 FY22: £14.2m).
 - o Housebuilding Products delivered a 24% increase in revenues to £7.0m (H1 FY22: £5.7m).
 - o Water Management delivered revenues of £19.6m (H1 FY22: £22.8m), reflecting significant export project sales in the prior half year.
- Underlying⁽¹⁾ operating margin⁽²⁾ of 13.4% (H1 FY22: 15.3%):
 - o Building Envelope underlying operating margin of 14.1% (H1 FY22: 13.3%).

- o Housebuilding Products underlying operating margin of 23.0% (H1 FY22: 19.3%).
 - o Water Management underlying operating margin of 12.8% (H1 FY22: 18.1%), reflecting the prior year divisional mix benefitting from large export orders.
- Underlying⁽¹⁾ profit before tax of £5.6m (H1 FY22: £6.3m).
 - Reported profit before tax of £5.3m (H1 FY22: £6.2m).
 - Underlying⁽¹⁾ earnings per share of 12.3p (H1 FY22: 14.1p).
 - Dividend per share increased to 3.40p (H1 FY22: 3.35p) reflecting the Board's confidence in the future performance of the business.

Outlook

- Building Envelope and Housebuilding Products had strong first half performances and good momentum going into the second half.
- Water Management has seen lower first half export volumes, but a stronger performance is expected in H2 as a result of the next phase of the Chek Lap Kok airport project and other overseas project phasing.
- Whilst market conditions remain uncertain in the near term, the Group continues to demonstrate its ability to outperform underlying markets through innovation and service, as well as manage costs and improve efficiency.
- As a result, the Board remains confident in the Group achieving its full year expectations.
- With a clear strategy and the majority of revenues directly linked to sustainability benefits to its customers, the Group remains well positioned to deliver long term market outperformance.

Notes:

- (1) A reconciliation of underlying to statutory profit is provided in note 4 to the interim financial statements
- (2) Underlying operating margin: underlying operating profit as a percentage of sales

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REVIEW OF INTERIM RESULTS**Chief Executive's Statement**

Group sales from continuing operations for the six months ended 31 December 2022 were £45.0m (2021: £42.6m). UK sales were strong, increasing by £6.7m (18%). In particular, the Building Envelope and Housebuilding Products Divisions had strong first half performances driven by very good sales, the result of efforts in taking market share and the launch of new products into existing and adjacent markets.

As expected, Export sales in the period were lower, due to the timing of several significant contracts in Asia. The prior period included c.£2.8m of sales of Gatic access and drainage products into a number of projects, notably Chek Lap Kok airport in Hong Kong. This project was successfully completed in the prior year, and the next phase is due to commence in the final quarter of this financial year. Export sales outside Asia were also lower, due to project timings and in particular to the temporary slowing of sales to the Middle East caused by the FIFA World Cup in Qatar, but are expected to recover in the second half of the year.

The results of Levolux, which was sold by the Group on 26 August 2022, have been excluded from continuing operations in the current and prior period, and presented as discontinued operations.

Operational Review**Water Management**

	H1 FY23	H1 FY22
Revenue	£19.6m	£22.8m
Underlying operating profit	£2.5m	£4.1m
Underlying operating margin	12.8%	18.1%
Operating profit	£2.5m	£4.1m

Following two successive years of record performance, the Water Management Division fell back predominantly due to the timing of several significant projects, including at Chek Lap Kok airport in Hong Kong, which delivered c.£2.8m of sales to the prior period. Export sales are expected to recover in the second half of the financial year, as the next phase of the Chek Lap Kok development starts.

UK sales were strong, with several large projects for Gatic Slotdrain and Access Covers and another very good performance by our Architectural Aluminium business, Skyline, which benefitted from the successful introduction of a number of new products to complement the existing ranges.

With its greater exposure to self-build projects, Rainclear had a slower performance than the prior period, due to pressure on household income. However, it mitigated some of these effects through work with regional housebuilders, and the high profile launches of its new canopy and veranda ranges, both of which are showing early promise.

Building Envelope

	H1 FY23	H1 FY22*
Continuing operations Revenue	£18.3m	£14.2m
Underlying operating profit	£2.6m	£1.9m
Underlying operating margin	14.1%	13.3%
Operating profit	£2.6m	£1.9m

* The results for the half year to 31 December 2021 have been re-presented to show the Levolux business as a discontinued operation.

The Building Envelope Division had a very strong first half year, growing its revenue by 29%, the result of investment in high quality employees and some new products, including a very successful flat to pitch roof system along with the successfully increased promotion of the CO₂ reducing product, Olivine.

Previously weaker areas of the UK have improved significantly following the strengthened representation in those areas. A good level of Academy work was won in the year. Some reasonably significant cost increases were successfully passed on. The Roofing business continues to focus on high end specification offers supported by the highest standards, and a customer focused service level which delivers low carbon systems combined with safety in installation, all supported by long term warranties. This has allowed the business to increase market share in its core areas.

Housebuilding Products

	H1 FY23	H1 FY22
Revenue	£7.0m	£5.7m
Underlying operating profit	£1.6m	£1.1m
Underlying operating margin	23.0%	19.3%
Operating profit	£1.4m	£1.1m

Timloc, our Housebuilding Products business, had an outstanding first half, growing its revenue by 24%. This was achieved through the extended distribution of its existing products and the continued growth of new products, including the significant launch of its new range of Tile Vents. These have been very well received by the marketplace for their quality and service proposition and take Timloc into a new distribution channel of roofing merchants.

Despite the challenges of cost increases, which were successfully passed on, the Housebuilding Products Division managed to increase its operating margin to a record 23.0%. Improved efficiencies, outstanding next day service and rigorous cost controls contributed significantly to this performance.

Timloc's continued investment and focus on sustainability, including being the first building products company to become a carbon neutral manufacturer, leaves it well positioned to support the Housebuilders drive to build carbon zero homes. During 2022 Timloc moved all of its company vehicles to fully electric.

Strategic Overview

The significant improvement in the Group's performance across the last two years emanate from the execution of the Group's strategy which includes the stated objectives of:

Short-term:

- Continuing to simplify, streamline and reduce fixed costs across the Group.

Long-term:

- Drive organic growth across the Group by increasing market share and entering adjacent categories.
- Continual efficiency improvements.
- Geographical expansion within selected territories.
- New product development focused on environmental and sustainable solutions.

- Bolt-on M&A to expand products and markets.
- Use of sustainable materials with recycled and fully recyclable materials.

We have managed to streamline the business and have removed reasonable levels of cost in the last three years, while continuing to invest in capacity and capability. The Group's full year operating margin from its continuing operations increased from 8.4% in FY20 to 14.9% in FY22, and our medium term target is to increase this to between 15% and 20%.

The Group has continued to progress its long-term strategy to deliver profitable growth through leveraging its strong strategic positions in sustainable building products, and to outperform the UK construction market while continuing development of export markets. The Group's 18% increase in UK revenues is testament to that.

Alumasc is also in a very strong position to benefit from the move towards sustainable construction and green buildings, both in terms of its own actions and through the development of its portfolio of products to manage energy consumption in buildings, to produce a greener built environment, and to manage the scarce resource of water. Many internal initiatives have also been taken to act in an environmentally sustainable manner, including the sourcing of electricity from renewable sources for 100% of the Group's supply. The Group's Net Zero planning is underway.

Financial Review

Discontinued operations

The Group sold Levolux Ltd on 26 August 2022, for an initial consideration of £1. Additional consideration, contingent on a subsequent sale of the business, is unlikely to be paid and has not been included in the loss on disposal. Levolux's trading results up to the date of disposal, which were formerly reported within the Building Envelope division, have been presented within discontinued operations, together with the loss arising on disposal. Results for H1 FY22 have been re-presented accordingly.

Tax rate and earnings per share

The Group's underlying tax rate was 21.2%, above the H1 FY22 rate of 19.4% reflecting the increase of UK corporation tax rate from 19% to 25% which comes into effect from April 2023, part way through our financial year ending 30 June 2023. Underlying earnings per share for the period were

12.3p, 12.8% lower than H1 FY22 (14.1p), reflecting the lower underlying profit before tax and the higher effective tax rate. Basic earnings per share were 7.5p (H1 FY22: 11.2p).

Cash flows and net debt

	H1 FY23 £m	H1 FY22 £m
Underlying operating profit from continuing operations	6.0	6.5
Underlying depreciation/amortisation	1.4	1.3
Underlying EBITDA	7.4	7.8
Change in working capital	(1.9)	(2.1)
Deferred VAT paid	-	(0.6)
Operating cash flow from continuing operations	5.5	5.1
Discontinued operation	-	(0.7)
Operating cash flow from continuing and discontinued operations	5.5	4.4
Capital expenditure	(1.4)	(1.4)
Interest	(0.3)	(0.2)
Tax	(0.1)	(1.3)
Pension deficit funding	(1.0)	(1.3)
Lease payments	(0.4)	(0.4)
Dividend payments	(2.4)	(2.2)
Purchase of own shares	(0.1)	(0.4)
Sub total	(0.2)	(2.8)
Cash outflow on Levolux disposal	(1.7)	-
Other non-underlying payments	(0.2)	(0.3)
Net cash flow	(2.1)	(3.1)
Net bank debt at 31 December	6.8	4.1

The Group's operating cash inflow was £5.5m (H1 FY22: £4.4m). Operating cash inflow from continuing operations as a percentage of underlying operating profit was 92% (H1 FY22: 78%). Supply chain disruption and cost price inflation eased over the period, allowing partial reversal of the selective inventory investments made over FY22 to maintain customer service. Provided these pressures continue to ease, this trend will continue in H2 FY23. Average trade working capital as a percentage of sales for the half year was 19.4% (H1 FY22: 14.6%).

Capital expenditure was £1.4m (H1 FY22: £1.4m), representing 111% of depreciation (H1 FY22: 111%). Key investments were made on capacity/capability upgrades (£0.9m), tooling for new products (£0.4m) and system upgrades (£0.1m).

Tax paid of £0.1m included the benefit of the capital allowance super-deduction, which is in place until April 2023.

The £1.0m (H1 FY22: £1.3m) of pension fund payments reflects the £1.1m reduction in annual employer contributions, from 1 October 2022, agreed at

the latest triennial valuation.

The disposal of Levolux, which completed on 26 August 2022, led to a £1.7m cash outflow in the period, which represented transaction costs together with cash held by Levolux on disposal.

The net cash outflow for the period was £2.1m (H1 FY22: £3.1m). Net bank debt at December 2022 was £6.8m (December 2021: £4.1m).

Pensions and net assets

The Group's IAS19 pension deficit increased to £8.4m at December 2022 (June 2022: £2.1m, December 2021: £2.5m), as a result of market volatility reducing the value of the scheme's growth assets. This reduction exceeds the reduction in liabilities over the period, driven by the increase in bond yields, which was partially hedged, as intended, by matching assets. The deficit remains within performance scenarios considered at the 2022 triennial valuation, and the Group continues to expect the lower level of contributions agreed with trustees to bring the scheme to a fully funded position over a reasonable timeframe.

Group net assets decreased in the period by £5.0m to £20.7m, as the retained profit was exceeded by the increase in pension deficit, payment of the final dividend for FY22 and the loss on disposal of Levolux. Post tax return on investment (rolling twelve month underlying operating profit from continuing operations divided by capital invested) was 23.1% (December 2022: 19.0%, June 2022: 25.8%).

Interim Dividend

The Board has decided to declare an increased interim dividend of 3.40p (H1 FY22: 3.35p) per ordinary share, payable on 6 April 2023 to shareholders on the register on 24 February 2023.

Outlook

The Group has entered the second half with encouraging momentum, and a record half year order book fortified by the £7.0 m+ Chek Lap Kok Airport project. As a result, the Board remains confident in the Group achieving its full year expectations.

Whilst market expectations remain uncertain in the near term, the Group continues to demonstrate its ability to outperform underlying markets, through innovation and service, as well as manage costs and improve

efficiency. With the majority of revenues directly linked to sustainability benefits to its customers, the Board remains confident in the significant opportunity available to the Group over the longer term.

Paul Hooper, Chief Executive

7 February 2023

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME**
for the half year to 31 December 2022

	Notes	Half year to 31 December 2022			Half year to 31 December 2021 (restated)*			Year to 30 June 2022
		Underlying (Unaudited) £'000	Non-underlying (Unaudited) £'000	Total (Unaudited) £'000	Underlying (Unaudited) £'000	Non-underlying (Unaudited) £'000	Total (Unaudited) £'000	Total (Audited) £'000
Continuing operations:								
Revenue	5	44,953	-	44,953	42,649	-	42,649	89,381
Cost of sales		(28,449)	-	(28,449)	(26,889)	-	(26,889)	(56,015)
Gross profit		16,504	-	16,504	15,760	-	15,760	33,366
Net operating expenses								
Net operating expenses before non-underlying items		(10,499)	-	(10,499)	(9,224)	-	(9,224)	(20,033)
Other non-underlying items	4	-	(229)	(229)	-	(35)	(35)	(634)
Net operating expenses		(10,499)	(229)	(10,728)	(9,224)	(35)	(9,259)	(20,667)
Operating profit	4, 5	6,005	(229)	5,776	6,536	(35)	6,501	12,699
Net finance costs	7	(419)	(24)	(443)	(265)	(67)	(332)	(668)
Profit before taxation		5,586	(253)	5,333	6,271	(102)	6,169	12,031
Tax expense	8	(1,184)	337	(847)	(1,217)	(34)	(1,251)	(2,421)
Profit for the period from continuing operations		4,402	84	4,486	5,054	(136)	4,918	9,610
Discontinued operations:								
Loss after taxation for the period from discontinued operations	6	-	(1,795)	(1,795)	(816)	(84)	(900)	(16,657)
Profit/(loss) for the period		4,402	(1,711)	2,691	4,238	(220)	4,018	(7,047)
Other comprehensive income:								
Items that will not be reclassified to profit or loss:								
Actuarial (loss)/gain on defined benefit pensions, net of tax				(5,404)			616	(25)
Items that are or may be reclassified subsequently to profit or loss:								
Effective portion of changes in fair value of cash flow hedges, net of tax				(27)			83	480
Exchange differences on retranslation of foreign operations				12			10	161
				(15)			93	641
Other comprehensive (loss)/gain for the period, net of tax				(5,419)			709	616
Total comprehensive (loss)/profit for the period, net of tax				(2,728)			4,727	(6,431)
Earnings per share:				Pence			Pence	Pence
Basic earnings per share								
- Continuing operations	11			12.5			13.7	26.8
- Discontinued operations				(5.0)			(2.5)	(46.5)
	11			7.5			11.2	(19.7)
Diluted earnings per share								
- Continuing operations				12.4			13.5	26.4
- Discontinued operations				(5.0)			(2.5)	(46.5)
	11			7.4			11.0	(20.1)

* The results for the half year to 31 December 2021 have been re-presented to show the Levolux business as a discontinued operation.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	Notes	31 December 2022 (Unaudited) £'000	31 December 2021 (Unaudited) £'000	30 June 2022 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment - owned assets		12,733	12,368	12,573
Property, plant and equipment - right of use assets		4,444	5,081	4,926
Goodwill		8,526	18,705	8,526
Other intangible assets		2,035	3,152	2,126
Deferred tax assets		2,094	630	529
		29,832	39,936	28,680
Current assets				
Inventories		14,376	13,488	13,394
Trade and other receivables		15,462	16,895	18,786
Derivative financial assets		314	-	325
Cash at bank	12	5,962	2,878	8,284
		36,114	33,261	40,789
Total assets		65,946	73,197	69,469
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	12	(12,782)	(6,963)	(13,000)
Lease liability		(3,696)	(4,475)	(4,251)
Employee benefits payable		(8,375)	(2,520)	(2,114)
Provisions		(811)	(1,251)	(1,061)
Deferred tax liabilities		(1,907)	(1,010)	(1,730)
		(27,571)	(16,219)	(22,156)
Current liabilities				
Trade and other payables		(15,259)	(16,449)	(19,031)
Lease liability		(881)	(1,145)	(881)
Provisions		(1,033)	(471)	(1,360)
Corporation tax payable		(491)	(419)	(309)
Derivative financial liabilities		-	(165)	-
		(17,664)	(18,649)	(21,581)
Total liabilities		(45,235)	(34,868)	(43,737)
Net assets		20,711	38,329	25,732
Equity				
Share capital		4,517	4,517	4,517
Share premium		445	445	445

Capital reserve - own shares	(587)	(435)	(601)
Hedging reserve	236	(134)	263
Foreign currency reserve	228	65	216
Profit and loss account reserve	15,872	33,871	20,892
Total equity	20,711	38,329	25,732

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
CASH FLOWS
for the half year to 31 December 2022**

	Half year to 31 December 2022 (Unaudited) £'000	Half year to 31 December 2021 (Unaudited) £'000	Year to 30 June 2022 (Audited) £'000
Notes			
Operating activities			
Operating profit from continuing operations	5,776	6,501	12,699
Adjustments for:			
Depreciation	1,249	1,137	2,459
Amortisation	98	90	257
Loss/(gain) on disposal of property, plant and equipment	12	17	(18)
Increase in inventories	(982)	(2,617)	(2,573)
Decrease/(increase) in receivables	3,324	3,175	(2,536)
(Decrease)/increase in trade and other payables	(3,796)	(3,218)	279
Movement in provisions	(577)	(379)	(298)
Cash contributions to retirement benefit schemes	(967)	(1,307)	(2,561)
Share based payments	130	50	118
Cash generated by operating activities of continuing operations	4,267	3,449	7,826
Operating loss from discontinued operations	-	(1,097)	(2,125)
Depreciation/amortisation	-	113	224
Movement in working capital from discontinued operations	-	259	(438)
Cash utilised by operating activities of discontinued operations	-	(725)	(2,339)
Tax paid	(139)	(1,320)	(1,615)
Net cash inflow from operating activities	4,128	1,404	3,872
Investing activities			
Purchase of property, plant and equipment	(1,378)	(1,361)	(2,449)
Payments to acquire intangible fixed assets	(7)	(5)	(123)
Proceeds from sales of property, plant and equipment	-	-	22
Payments for disposal costs of discontinued operation	(1,686)	-	-
Net cash outflow from investing activities	(3,071)	(1,366)	(2,550)
Financing activities			
Bank interest paid	(264)	(141)	(356)
Equity dividends paid	(2,381)	(2,233)	(3,434)
Draw down of amounts borrowed	-	1,000	7,000
Principal paid on lease liabilities	(362)	(352)	(713)
Interest paid on lease liabilities	(80)	(83)	(169)
Purchase of own shares	(54)	(430)	(526)
Exercise of share based payments	12	70	-
Refinancing costs	(262)	-	-
Net cash (outflow)/inflow from financing activities	(3,391)	(2,169)	1,802
Net (decrease)/increase in cash at bank and bank overdrafts	(2,334)	(2,131)	3,124
Net cash at bank and bank overdraft brought forward	8,284	4,999	4,999
Net (decrease)/increase in cash at bank and bank overdraft	(2,334)	(2,131)	3,124
Effect of foreign exchange rate changes	12	10	161
Net cash at bank and bank overdraft carried forward	12 5,962	2,878	8,284

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year to 31 December 2022**

	Share capital £'000	Share premium £'000	Capital reserve - own shares £'000	Hedging reserve £'000	Foreign currency reserve £'000	Profit and loss account reserve £'000	Total £'000
At 1 July 2022	4,517	445	(601)	263	216	20,892	25,732
Profit for the period	-	-	-	-	-	2,691	2,691
Exchange differences on retranslation of foreign operations	-	-	-	-	12	-	12
Net loss on cash flow hedges	-	-	-	(10)	-	-	(10)
Tax on derivative financial liability	-	-	-	(17)	-	-	(17)
Share based payments	-	-	-	-	-	130	130
Actuarial loss on defined benefit pension schemes, net of tax	-	-	-	-	-	(5,404)	(5,404)
Acquisition of own shares	-	-	(55)	-	-	-	(55)
Own shares used to satisfy exercise of share awards	-	-	69	-	-	-	69
Exercise of share based incentives	-	-	-	-	-	(56)	(56)
Dividends	-	-	-	-	-	(2,381)	(2,381)
At 31 December 2022	4,517	445	(587)	236	228	15,872	20,711
	Share capital £'000	Share premium £'000	Capital reserve - own shares £'000	Hedging reserve £'000	Foreign currency reserve £'000	Profit and loss account reserve £'000	Total £'000
At 1 July 2021	4,517	445	(406)	(217)	55	31,751	36,145
Profit for the period	-	-	-	-	-	4,018	4,018
Exchange differences on retranslation of foreign operations	-	-	-	-	10	-	10
Net gain on cash flow hedges	-	-	-	103	-	-	103
Tax on derivative financial liability	-	-	-	(20)	-	-	(20)
Share based payments	-	-	-	-	-	50	50
Actuarial gain on defined benefit pension schemes, net of tax	-	-	-	-	-	616	616
Own shares used to satisfy exercise of share awards	-	-	402	-	-	-	402
Acquisition of own shares	-	-	(431)	-	-	-	(431)
Exercise of share based incentives	-	-	-	-	-	(331)	(331)
Dividends	-	-	-	-	-	(2,233)	(2,233)
At 31 December 2021	4,517	445	(435)	(134)	65	33,871	38,329

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
for the half year to 31 December 2022**

1. Basis of preparation

The condensed consolidated interim financial statements of The Alumasc Group plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 that are effective at 31 December 2022.

The condensed consolidated interim financial statements have been prepared using the accounting policies set out in the statutory accounts for the financial year to 30 June 2022 and in accordance with AIM Rule 18, and the same accounting policies will be adopted in the 2023 annual financial statements.

The consolidated financial statements of the Group as at and for the year ended 30 June 2022 are available on request from the Company's

registered office at Burton Latimer, Kettering, Northants, NN15 5JP or on the website www.alumasc.co.uk.

The comparative figures for the financial year ended 30 June 2022 are not the Company's statutory accounts for that financial year but have been extracted from those accounts. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under [section 498](#) (2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the half year ended 31 December 2022 are not statutory accounts and have been neither audited nor reviewed by the Group's auditors. They do not contain all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2022.

These condensed consolidated interim financial statements were approved by the Board of Directors on 7 February 2023.

The Group performed ahead of the Base Case trading scenario modelled as part of the 30 June 2022 year end Going Concern review, and also compared to the stress testing performed. On the basis of the Group's financing facilities and current financial plans and sensitivity analyses, the Board is satisfied that the Group has adequate resources to continue in operational existence for twelve months from the date of signing this report and accordingly continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

2. Estimates

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

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key

sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022, namely the valuation of defined benefit pension obligations and the recognition of revenue and profit on contracts with customers where revenue is recognised over time.

During the six months ended 31 December 2022, management reassessed and updated its estimates in respect of retirement benefit obligations based on market data available at 31 December 2022. The resulting impact was a £7.2 million pre-tax actuarial loss, calculated using IAS 19 conventions, recognised in the six month period to 31 December 2022.

3. Risks and uncertainties

A summary of the Group's principal risks and uncertainties was provided on pages 46 to 49 of Alumasc's Report and Accounts for the year ended 30 June 2022. The Board considers these risks and uncertainties remain relevant to the current financial year.

Specific risks and uncertainties relating to the Group's performance in the second half year are:

- Continued inflation and interest increases, negatively impacting the Group's construction markets;
- Prolonged period of bad weather impacting the Group's construction markets; and
- Potential impact of the current geopolitical uncertainty globally.

4. Underlying to statutory profit reconciliation

	Half year to 31 December 2022 £'000	Half year to 31 December 2021 £'000	Year to 30 June 2022 £'000
<u>Profit before tax</u>			
Underlying profit before tax from continuing operations	5,586	6,271	12,725
Brand amortisation	(35)	(35)	(70)
IAS 19 net pension scheme finance costs	(24)	(67)	(60)
Restructuring costs	(194)	-	(564)
Reported profit before tax from continuing operations	5,333	6,169	12,031

	Half year to 31 December 2022 £'000	Half year to 31 December 2021 £'000	Year to 30 June 2022 £'000
<u>Operating profit</u>			

Underlying operating profit from continuing operations	6,005	6,536	13,333
Brand amortisation	(35)	(35)	(70)
Restructuring costs	(194)	-	(564)
Reported operating profit from continuing operations	5,776	6,501	12,699

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 certain items as non-underlying as they are non-recurring items that are judged to be significant enough to affect the understanding of the underlying trading performance of the business. In the period to December 2022, these related to one-off professional fees incurred in resolving a commercial dispute.

5. Segmental analysis

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

Revenue	Half year to	Half year to	
	31 December 2022	31 December 2021	Year to 30 June 2022
	£'000	£'000	£'000
Water Management	19,581	22,783	47,564
Building Envelope	18,324	14,197	29,389
Housebuilding Products	7,048	5,669	12,428
Group Revenue	44,953	42,649	89,381

Operating profit	Half year to	Half year to	
	31 December 2022	31 December 2021	Year to 30 June 2022
	£'000	£'000	£'000
Water Management	2,510	4,118	8,753
Building Envelope	2,589	1,894	3,580
Housebuilding Products	1,622	1,096	2,447
Unallocated central costs	(716)	(572)	(1,447)
Underlying operating profit from continuing operations	6,005	6,536	13,333
Non-underlying items	(229)	(35)	(634)
Operating profit from continuing operations	5,776	6,501	12,699

6. Discontinued operations

Discontinued operations relate to the Levolux business which was divested by the Group on 26 August 2022 and therefore disclosed as held for sale at 30 June 2022. At the year end the discontinued operation had liabilities of £3,859,000. The assets held for resale were written down to

a value equivalent to the liabilities to reflect the sales proceeds of £1 received on 26 August 2022. In the period to 31 December 2022, a further loss on disposal of £1,795,000 was recorded, representing cash held by Levolux at the date of disposal, other related write downs and transaction costs.

The results of Levolux included in the condensed consolidated interim statement of comprehensive income are as follows:

	Half year to 31 December 2022 £'000	Half year to 31 December 2021 £'000	Year to 30 June 2022 £'000
Revenue	436	3,620	7,820
Underlying operating loss	-	(1,013)	(1,957)
Brand amortisation	-	(84)	(168)
Write down of goodwill	-	-	(10,179)
Write down of brand	-	-	(874)
Write down of Assets held for sale	-	-	(3,859)
Loss on disposal	(1,795)	-	-
Loss before taxation	(1,795)	(1,097)	(17,037)
Tax credit	-	197	380
Loss after taxation	(1,795)	(900)	(16,657)

7. Finance expenses

	Half year to 31 December 2022 £'000	Half year to 31 December 2021 £'000	Year to 30 June 2022 £'000
Finance costs	12	19	48
- Bank overdrafts	327	163	391
- Revolving credit facility	80	83	169
- Interest on lease liabilities	419	265	608
- IAS 19 net pension scheme finance costs	24	67	60
	443	332	668

8. Tax expense

	Half year to 31 December 2022 £'000	Half year to 31 December 2021 £'000	Year to 30 June 2022 £'000
Current tax:			
UK corporation tax - continuing operations	438	868	1,094
- discontinued operations	-	(197)	(380)
Overseas tax	10	54	207
Amounts over provided in previous years	-	-	(16)
Total current tax	448	725	905
Deferred tax:			
Origination and reversal of temporary differences	399	329	833
Amounts under provided in previous years	-	-	78
Rate change adjustment	-	-	225
Total deferred tax	847	329	1,136
Total tax expense	847	1,054	2,041
Tax charge on continuing operations	847	1,251	2,421
Tax credit on discontinued operations	-	(197)	(380)
Total tax expense	847	1,054	2,041

Deferred tax recognised in other comprehensive income:			
Actuarial (losses)/gains on pension schemes	(1,801)	205	(9)
Cash flow hedge	17	20	113
Tax (credited)/charged to other comprehensive income	(1,784)	225	104
Total tax (credit)/charge in the statement of comprehensive income	(937)	1,279	2,145

9. Dividends

The Directors have approved an interim dividend per share of 3.40 pence (2021/22: 3.35 pence) which will be paid on 6 April 2023 to shareholders on the register at the close of business on 24 February 2023. The cash cost of the dividend is expected to be £1,217,000. In accordance with accounting requirements, as the dividend was approved after the statement of financial position date, it has not been accrued in the interim consolidated financial statements. A final dividend per share of 6.65 pence in respect of the 2021/22 financial year was paid at a cash cost of £2,381,000 during the six months to 31 December 2022.

10. Share Based Payments

During the period the Group awarded 225,000 options (2021/22: 160,000) under the Executive Share Option Scheme ("ESOS"). These options have an exercise price of 150 pence and require certain criteria to be fulfilled before vesting. 15,380 existing options were exercised during the period (2021/22: 78,810) and 104,620 existing options lapsed (2021/22: 41,190).

Total awards granted under the Group's Long Term Incentive Plans ("LTIP") amounted to 307,264 (2021/22: 214,020). LTIP awards have no exercise price but are dependent on certain vesting criteria being met. 22,175 existing LTIP awards were exercised during the period (2021/22: 228,511) and 48,717 existing LTIP awards lapsed (2021/22: 109,713).

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period, after allowing for the exercise of outstanding share options. The

following sets out the income and share data used in the basic and diluted earnings per share calculations:

	Half year to 31 December 2022	Half year to 31 December 2021	Year to 30 June 2022
	£'000	£'000	£'000
Net profit attributable to equity holders - continuing operations	4,486	4,918	9,610
Net profit attributable to equity holders - discontinued operations	(1,795)	(900)	(16,657)
	2,691	4,018	(7,047)
	000s	000s	000s
Basic weighted average number of shares	35,806	35,821	35,825
Dilutive potential ordinary shares - employee share options	334	549	586
Diluted weighted average number of shares	36,140	36,370	36,411
	Half year to 31 December 2022	Half year to 31 December 2021	Year to 30 June 2022
	Pence	Pence	Pence
Basic earnings per share:			
Continuing operations	12.5	13.7	26.8
Discontinued operations	(5.0)	(2.5)	(46.5)
	7.5	11.2	(19.7)
Diluted earnings per share:			
Continuing operations	12.4	13.5	26.4
Discontinued operations	(5.0)	(2.5)	(46.5)
	7.4	11.0	(20.1)

11. Earnings per share (continued)

Calculation of underlying earnings per share:

	Half year to 31 December 2022	Half year to 31 December 2021	Year to 30 June 2022
	£'000	£'000	£'000
Reported profit before taxation from continuing operations	5,333	6,169	12,031
Brand amortisation	35	35	70
IAS 19 net pension scheme finance costs	24	67	60
Restructuring costs	194	-	564
Underlying profit before taxation from continuing operations	5,586	6,271	12,725
Tax at underlying Group tax rate of 21.2% (2021/22 first half year: 19.4%; full year: 19.4%)	(1,184)	(1,217)	(2,469)
Underlying earnings from continuing operations	4,402	5,054	10,256
Weighted average number of shares	35,806	35,821	35,825
Underlying earnings per share from continuing operations	12.3p	14.1p	28.6p

12. Movement in borrowings

	Cash at bank /bank overdrafts	Bank loans	Net bank cash/(debt)	Lease liabilities	Total borrowings
	£'000	£'000	£'000	£'000	£'000
At 1 July 2022	8,284	(13,000)	(4,716)	(5,132)	(9,848)
Cash flow movements	(2,334)	262	(2,072)	362	(1,710)
Non-cash movements	-	(44)	(44)	193	149

Effect of foreign exchange rates	12	-	12	-	12
At 31 December 2022	5,962	(12,782)	(6,820)	(4,577)	(11,397)

	Cash at bank /bank overdrafts £'000	Bank loans £'000	Net bank cash/(debt) £'000	Lease liabilities £'000	Total borrowings £'000
At 1 July 2021	4,999	(5,936)	(937)	(5,606)	(6,543)
Cash flow movements	(2,131)	(1,000)	(3,131)	352	(2,779)
Non-cash movements	-	(27)	(27)	(366)	(393)
Effect of foreign exchange rates	10	-	10	-	10
At 31 December 2021	2,878	(6,963)	(4,085)	(5,620)	(9,705)

13. Related party disclosure

The Group has a related party relationship with its Directors and with its UK pension schemes. There has been no material change in the nature of the related party transactions described in note 29 of Alumasc's Report and Accounts for the year ended 30 June 2022.

Responsibility Statement

The Directors confirm that, to the best of their knowledge, the condensed consolidated interim financial statements have been prepared in accordance with Alternative Investment Market ("AIM") Rule 18.

On behalf of the Board

Paul Hooper
Dray
Chief Executive
Director

Simon

Group Finance

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