

Final Results
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THE ALUMASC GROUP PLC

("ALUMASC")

FULL YEAR RESULTS ANNOUNCEMENT

RESILIENT PERFORMANCE; DELIVERY OF STRATEGIC PRIORITIES

Alumasc (ALU.L), the premium sustainable building products, systems and solutions Group, announces results for the year ended 30 June 2023.

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

"We are delighted to report these full year results which demonstrate the Group's resilience and benefits of our diversified portfolio of innovative, sustainable building products, against a challenging market backdrop and a comparative which included significant overseas project sales.

"The management team has focused on execution of our growth strategy. Strong organic growth was delivered in our Housebuilding Products and Building Envelope divisions. Inorganic growth is also being pursued with the proposed acquisition of ARP Group (subject to CMA approval). ARP will complement Alumasc's business model, broadening our product range in the Water Management division and augmenting our routes to market. We are excited at the prospect of this transaction bringing attractive scaling opportunities for both businesses.

"As we enter FY24, we anticipate that short-term market conditions will remain challenging, but are confident that we have undertaken the right actions to manage these, while positioning the Group well for when markets normalise."

Financial Highlights: Resilient performance against challenging market backdrop

§ Group revenues from continuing operations maintained at £89.1m (FY22: £89.4m)

§ Group underlying* profit before tax from continuing operations £11.2m (FY22: £12.7m)

§ Delays in new Chek Lap Kok project impacted performance; shipments commenced in July 2023

§ Strong cashflow performance; net debt reduced to £2.8m (FY22: £4.7m)

§ Progressive dividend policy reflects Board's confidence in outlook

§ Final dividend 6.9p (FY22: 6.65p) per share

§ Total dividend 10.3p (FY22: 10.0p) per share

Delivery of strategic priorities

§ Innovative, sustainable building products, with excellent customer service and experienced teams

§ Continued focus on operational margin enhancements, with well invested operations and significant capacity headroom, including further investments in efficiency and capability

§ Increased sales presence across new geographies to accelerate future export sales growth

§ Post year end acquisition of ARP Group ('ARP'), a manufacturer of specialist metal rainwater and architectural aluminium goods, for a maximum consideration of £10.0m on a cash and debt free basis

§ Expected to be immediately accretive to underlying earnings and will be funded from existing cash and debt facilities

§ Following completion, Alumasc's balance sheet will remain strong, with June 2023 pro-forma net debt representing approximately 0.75x EBITDA

§ Acquisition remains conditional upon clearance by the UK Competition and Markets Authority, anticipated during the Autumn

Divisional performance

§ Housebuilding Products

§ Outstanding performance with 19% increase in revenue to £14.7m (FY22: £12.4m), 44% increase in underlying** operating profit to £3.5m (FY22: £2.4m)

§ Continuation of market-leading customer service and new product launches into adjacent channels

§ Water Management

§ Revenue £39.8m (FY22: £47.6m), underlying** operating profit £5.8m (£8.8m); significant contribution from overseas projects in comparative

§ New Chek Lap Kok airport project delayed into FY24, deliveries commenced in July 2023

§ Building Envelope

§ Solid performance from continuing operations; 18% revenue growth to £34.6m (FY22: £29.4m) and underlying** operating profit of £4.1m (FY22: £3.6m)

§ Further market share gains assisted by new products and new sales hires

Outlook

§ Healthy order book; year started in line with management's expectations

§ Water Management expected to see positive impact from delayed Chek Lap Kok contract and contribution from ARP acquisition

§ Diversified businesses, innovative products and demand for sustainable building products provide resilience

§ The Board anticipate short-term market conditions will remain challenging, but are confident the Group has taken the right actions to manage these, while the Group remains well positioned to benefit when markets normalise.

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

*** see Divisional Review below for a reconciliation of underlying to statutory operating profit.*

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Notes to Editors:

1 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.

2 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

Chair's Statement

I am pleased to report that Alumasc delivered a robust performance despite challenges for building products from rising interest rates, persistent inflation, labour shortages, political upheaval and weaker market confidence.

Performance

The Group has once again shown its resilience and the benefits of its diversified portfolio. Against a backdrop of challenging market conditions, Group revenues from continuing operations were maintained at around £89 million and underlying profit before tax of £11.2 million delivered in accordance with market expectations. There was some dilution to operating margins from increased investment in capability as well as lower volumes in our Water Management division, which should recover in 2024. Our operating cash flow of £12.2 million (2022: £7.8 million) enabled us to reduce our net bank debt by around £2 million during the year, after payments for capex, dividends and the Levolux business sold in the year.

Our Strategy of organic growth with synergistic M&A

We remain focused on accelerating growth and I am delighted that our Building Envelope and House Building Products divisions grew their revenues by 18% and 19% respectively. Our Water Management division's revenues declined by 16%, reflecting significant export orders in 2022 and the deferment of a new Chek Lap Kok airport project into 2024. Deliveries under this project commenced in July 2023.

In line with our strategic objectives, we acquired post year end (subject to regulatory clearance) ARP into our Water Management division. We believe that the business will enable us to deliver further growth and synergistic benefits, and it is expected to be immediately accretive to underlying earnings.

ESG

Around 80% of our products deliver environmental benefits in the built environment, especially through for example water and energy management. As the move towards a greener economy accelerates, our businesses are focused and well placed to support our customers to deliver on their sustainability needs.

We are also focused on making a tangible difference to the communities in which we operate and to our people, as well as maintaining high standards of governance.

Pension scheme

As previously reported, our annual defined benefit pension scheme contributions have been reduced to £1.2 million (previously £2.3 million), reflecting an agreement with the trustees until 2025. Along with many other schemes, Alumasc's defined benefit pension scheme felt the effects of the financial markets turmoil following the September 2022 mini-budget. The pension scheme deficit was £4.3 million at 30 June 2023 (2022: £2.1 million). The Company continues to work constructively with the Trustees to enable the scheme to have a low dependency on the Company in the medium term.

Dividends

The Company remains committed to its progressive dividend policy. The interim dividend of 3.4p per share paid in April 2023 will be followed by a final dividend of 6.9p per share, if approved by the shareholders, payable in November 2023. This will be a total dividend per share of 10.3p per share (2022: 10.0p per share)

Outlook and Alumasc's People

While markets remain uncertain, Alumasc's strategy remains focused on organic and inorganic growth in sustainable building products. This places us well to capitalise on the many opportunities in our industry

from environmental change. We continue to invest in people, product development and capacity to encourage our divisions to grow market share and enter adjacent product categories.

Our people, including colleagues joining us from ARP, whom we are delighted to welcome, are critical to delivering our strategy. They have once again shown admirable resilience and agility and, on behalf of our other stakeholders, the Board and I thank them for their ongoing hard work and commitment.

Vijay Thakrar

Chair

5 September 2023

Chief Executive's Review

Financial Highlights and Overview

	2022/23	2021/22	% change
Group performance from continuing operations:			
Revenue (£m)	89.1	89.4	-%
Underlying profit before tax (£m) *	11.2	12.7	-12%
Statutory profit before tax (£m)	10.5	12.0	-12%
Underlying earnings per share (pence) *	25.0	28.6	-13%
Basic earnings per share (pence)	23.3	26.8	-13%
Full year dividend per share (pence)	6	6	
	10.3	10.0	+3%

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

Overview of performance

Group sales for the 12 months ending 30 June 2023 were £89.1 million, close to the prior year sales of £89.4 million. Group sales in the UK were strong, increasing by £8.4 million (11%) which was a reasonable achievement against a backdrop of a declining market, particularly for the UK housebuilding sector, which has seen the negative impact of inflation driving higher interest rates and lower demand for mortgages.

As previously reported, against a comparative which included significant sales to overseas projects, Gatic Covers experienced delays in the launch of its new £7 million project to Chek Lap Kok project in Hong Kong, which were scheduled for Q4. There was also a slowdown in activity in the Middle East, believed to be as a result of the focus on the FIFA World Cup. This led to a decline in Water Management export sales. We are pleased to report that shipments for the new Chek Lap Kok project have commenced in quarter one of the new financial year.

Raw material prices were broadly stable over the year, but general inflation remained high and further cost increases were recovered through price rises.

Despite the above challenges and a general slowdown in construction activity the Group achieved its profit forecast and came in at the analysts' consensus for the year.

The divisional star performers of the year were Housebuilding Products (sales +£2.3 million (+19%) and underlying operating profit +£1.1 million (+44%)) and Building Envelope (sales +£5.2 million (+18%) and underlying operating profit +£0.5 million (+14%)).

Divisional review

(a) Water Management

Revenue: £39.8 million (2021/22: £47.6 million)

Underlying operating profit*: £5.8 million (2021/22: £8.8 million)

Underlying operating margin*: 14.5% (2021/22: 18.4%)

Operating profit: £5.6 million (2021/22: £8.7 million)

* Prior to restructuring costs of £0.1 million (2021/22: £nil) and brand amortisation charges of £0.1 million (2021/22: £0.1 million)

Following two successive years of record performance, and a doubling of its profit over three years, the Water Management Division fell back due to the delays of several significant export projects, including at Chek Lap Kok Airport in Hong Kong, which delivered £6.6 million sales in the prior period. The delayed new circa £7.0 million Chek Lap Kok project is now underway, with shipments commencing in quarter one of our 2024 financial year.

UK sales remained strong and despite the challenging marketplace managed to move slightly ahead of the prior year. Several large projects for Gatic Slotdrain and Access Covers were delivered and another good performance was achieved by the Architectural Aluminium business, Skyline, which also benefitted from the successful introduction of a number of new products. Of note was also the second half year launch of the new patented Slotdrain E, designed to require much less concrete during installation while allowing faster installation. The first successful installation took place at the historic and large business jet facility at Farnborough Airport, and we anticipate strong demand for this new product.

Rainclear, which has a certain reliance on self-build projects, had a slower performance than the prior period due to pressure on household income. However, it was successful in mitigating some of this shortfall through work with regional housebuilders plus the launches of its new canopy, veranda and skylight ranges, all which are showing early promise.

The Water Management Division commences the new financial year with an order book over twice the size of a year ago.

We should take the opportunity here to welcome, subject to The Competition Markets Authority's approval, our new colleagues from The ARP Group, a business with which we exchanged contracts on 24 July 2023.

(b) Building Envelope

Revenue: £34.6 million (2021/22: £29.4 million)

Underlying operating profit*: £4.1 million (2021/22: £3.6 million)

Underlying operating margin*: 11.8% (2021/22: 12.2%)

Operating Profit: £4.1 million (2021/22: £3.1 million)

1 * Prior to restructuring costs of £nil (2021/22: £0.5 million)

The Building Envelope Division had a strong revenue growth (+18%) in the year under review driven by pro-active management including the hiring of very experienced and effective sales managers. It has increased market share also aided by new product launches including a very successful flat to pitched roof system along with the successful promotion of its CO₂ reducing product, Olivine.

A good level of Academy work was won. Some reasonably significant cost increases were passed on through sales prices. The Roofing business continues to focus on high-end specification offers supported by the highest standards, and a customer service level which delivers low carbon systems combined with safety in installation, all supported by long term warranties.

Long standing relationships with key clients, developers and contractors, along with the increasing influence in large scale projects (£1.0m+) is benefitting the Division. Work is ongoing to broaden and to continually improve the environmental performance of the product range.

(c) Housebuilding Products

Revenue: £14.7 million (2021/22: £12.4 million)

Underlying operating profit*: £3.5 million (2021/22: £2.4 million)

Underlying operating margin*: 23.9% (2021/22: 19.7%)

Operating profit: £3.3 million (2021/22: £2.4 million)

* Prior to restructuring costs of £0.2 million (2021/22: £nil)

Timloc, our Housebuilding Products business, had an outstanding year, growing its revenue 19% and its underlying operating profit by 44%. This was achieved by the continuation of its industry-leading next day delivery service and the continued growth of its new products, which in 2022/23 accounted for approximately 25% of its revenue. This included the launch of the Inventive Tile Vent range which has taken a significant market share during the year. This highlights Timloc's ability to identify commercial opportunities to launch innovative products and demonstrate its position as an efficient manufacturer, supported by a brand, endorsed by its reputation for outstanding service (100% OTIF in the year). The Inventive Tile Vents have also taken Timloc into a new distributor channel of specialist roofing merchants.

Despite the challenges of a weakening housing market and cost increases, which were largely recovered, the Housebuilding Products Division managed to deliver a strong operating margin of 24%. Improved efficiencies, outstanding next day service and rigorous cost controls contributed significantly, along with additional manufacturing throughput and continued investment in automation.

Timloc's continued focus on sustainability, including being the first UK building products manufacturer to become carbon neutral, leaves it well positioned to support the housebuilders' drive to build carbon zero homes. During the year, Timloc was the first of our businesses to fully comply with the Group's move to electric vehicles.

Further investments are planned in operational capacity (including automation), external sales

representation and new product development capabilities to support continued growth.

Strategic Overview

The Group continued to progress its long-term growth strategy.

Accelerating sales growth by:

- **Servicing markets with long term structural growth drivers.** Demand for our products is underpinned by building regulations and legislation;
- **Preserving and growing market share** with market-leading customer service and leveraging cross-selling opportunities across our businesses;
- **New product development** to grow share and access adjacent markets; and
- **Geographical sales expansion.**

Driving margin improvement by:

- **Maintaining agile and flexible production capacity;** and
- **Simplifying and streamlining** our businesses and reducing fixed overheads.

Championing sustainable business products:

- **Creating durable, low maintenance products** which reduce the whole-life energy and financial cost of buildings.
- **Addressing some of the environmental challenges facing the construction industry:** building decarbonisation, water management and occupant wellbeing/urban biodiversity; and
- **Embracing the circular economy** by using recycled and recyclable materials.

Investing in value-enhancing opportunities, using our strong balance sheet and operating cash generation:

- **Organic growth through improving operational capability, R&D/NPD, sales and marketing resource;** and
- **Inorganic growth through bolt-on acquisitions** in current or adjacent markets.

Alumasc is in a very strong position to benefit from the move towards sustainable construction and green buildings, both in terms of its portfolio of products and in its championing of the circular economy. 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, supported by a Group policy to move to electric vehicles and make our operations as carbon efficient as possible.

Outlook

Alumasc's cost savings programme, liquidity management, strong balance sheet and improved commercial positioning underpin a business that is well positioned to benefit from the long-term growth drivers in its 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.

Notwithstanding uncertainty over the short-term macro-economic outlook, a robust platform is now in place which provides the Board with confidence for another strong year, which has started in line with management's expectations.

G Paul Hooper

Chief Executive

5 September 2023

Financial Review

Performance from continuing operations

fm	2022/23	2021/22
Continuing operations	fm	fm
Revenue	89.1	89.4
Gross profit	32.7	33.4
Gross margin	36.7%	37.3%
Underlying operating expenses	(20.6)	(20.1)
Underlying operating profit	12.1	13.3
Underlying operating margin	13.6%	14.9%
Net finance costs	(0.9)	(0.6)
Underlying profit before tax	11.2	12.7
Non-underlying items	(0.7)	(0.7)
Statutory profit before tax	10.5	12.0

The Group produced a resilient performance against a challenging UK construction sector backdrop. Group revenue was £89.1 million (2021/22: £89.4 million), broadly in line with a strong comparative which included a £6.6 million contribution from significant export contracts. Call-offs expected in the year for the new circa £7 million Chek Lap Kok airport project were delayed, but commenced in 2023/24.

Gross margin was 36.7% (2021/22: 37.3%). While raw material prices stabilised over the year, general inflation remained high and the Group continued to recover cost increases through selling prices where they could not be mitigated or avoided.

Underlying operating expenses of £20.6 million (2021/22: £20.1 million) reflect wage inflation and investments made in sales and marketing capabilities, and are presented net of a £0.8 million (2021/22: £nil) research and development credit, against qualifying expenditure of £4.1 million (2021/22: £3.9 million).

Underlying operating profit was £12.1 million (2021/22: £13.3 million), representing a return on sales of 13.6% (2021/22: 14.9%).

Net finance costs were £0.9 million (2021/22: £0.6 million), the increase driven by higher interest rates in the year.

Underlying profit before tax was £11.2 million (2021/22: £12.7 million) and, after £0.7 million (2021/22: £0.7 million) of non-underlying charges, statutory profit before tax was £10.5 million (2021/22: £12.0 million).

Non-underlying items

The Board uses underlying profit and earnings as an alternative performance measure, to track and assess the Group's trading performance. This measure excludes certain non-underlying items, which include brand amortisation, pension scheme finance costs, acquisition expenses, and other items which are significant and one-off in nature. The non-underlying items in the current and prior financial year were:

£m	2022/23	2021/22
Continuing operations	£m	£m
Brand amortisation	0.1	0.1
Restructuring and legal costs	0.3	0.5
Acquisition costs	0.2	-
Non-underlying operating expenses	0.6	0.6
IAS 19 net pension scheme finance costs	0.1	0.1
Non-underlying finance costs	0.1	0.1
Total non-underlying items	0.7	0.7

- Amortisation of acquired brands of £0.1 million (2021/22: £0.1 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.
- Restructuring and legal costs of £0.3 million (2021/22: £0.5 million), mainly representing one-off professional fees incurred to resolve a commercial dispute and, in the prior year, in exiting the Group's roofing installation business.
- Acquisition costs of £0.2 million (2021/22: £nil) which are professional fees incurred in the Group's acquisition activities, primarily in relation to the acquisition of ARP Group announced on 25 July 2023.
- IAS 19 net pension scheme finance costs of £0.1 million (2021/22: £0.1 million). These non-cash charges relate to the Group's legacy defined benefit pension scheme, and are calculated by actuaries to reflect the notional financing cost of the Group's pension deficit.

Taxation

The Group's underlying effective tax rate on continuing operations was 20.0% (2021/22: 19.4%), compared to the UK corporation tax average rate for the year of 20.5% (2021/22: 19.0%). The tax rate varies in line with the UK rate and the balance of available reliefs, non-taxable income and expenses. The Group's underlying effective tax rate for 2023/24 is expected to be around 25.5%.

The Group's effective tax rate on statutory profit from continuing operations was 24.9% (2021/22: 20.6%). A reconciliation of this rate to the average UK corporation tax rate is included in note 8.

Earnings per share

Basic earnings per share from continuing operations was 23.3p (2021/22: 26.8p), and underlying earnings per share from continuing operations was 25.0p (2021/22: 28.6p).

Dividends

The Board have recommended to shareholders a final dividend of 6.9 pence per share (2021/22: 6.65 pence), which will absorb an estimated £2.5m 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 on 26 October 2023, it will be paid on 3 November 2023 to members on the share register on 29 September 2023.

Together with the interim dividend of 3.40 pence (2021/22: 3.35 pence) paid to shareholders on 6 April 2023, this will bring the total distribution for the year to 10.3 pence per share (2021/22: 10.0 pence), which is covered 2.4 times (2021/22: 2.9 times) by underlying earnings per share from continuing operations.

Discontinued Operations

The Group sold its Levolux business on 26 August 2022, and its trading results up to the date of disposal have been reported within discontinued operations in the current and prior year. Proceeds from the sale were £1, and further contingent consideration is unlikely to be paid. The prior year results include a charge of £14.9 million to write down the carrying value of Levolux's net held for sale assets to £1. A further £1.7 million loss on disposal was recorded in the current year, representing cash held by Levolux at the date of disposal, other related write-downs and transaction costs.

Cash Flows and Net Debt

Underlying operating cash flow from continuing operations

£m	2022/23	2021/22
Continuing operations	£m	£m
Underlying operating profit	12.1	13.3
Depreciation and underlying amortisation	2.9	2.7
Share-based payments	0.2	0.1
Working capital movements	(1.0)	(4.9)
Underlying operating cash flow	14.2	11.2
Operating cash conversion	117%	84%

The Group's underlying operating cashflow from continuing operations was £14.2 million (2021/22: £11.2 million), representing 117% (2021/22: 84%) of underlying operating profit, reflecting the partial unwind of investments in inventory made in the prior year, to maintain customer service during a period of supply chain disruption. Further reductions in working capital are expected over 2023/24 as inventory holdings continue to reduce. Average trade working capital as a percentage of revenue for the year was 19.1% (2021/22: 18.1%).

Movement in net bank debt

£m	2022/23	2021/22
Underlying operating cash flow from continuing operations	14.2	11.2
Pension deficit funding	(1.6)	(2.6)
Non-underlying cash flows	(0.4)	(0.8)
Cash generated by continuing operating activities	12.2	7.8
Capital expenditure	(2.7)	(2.6)
Interest	(0.8)	(0.6)
Tax	(0.5)	(1.6)
Lease principal repaid	(0.8)	(0.7)
Purchase of own shares	(0.1)	(0.5)
Dividend payment	(3.6)	(3.4)
Other	(0.1)	0.1
Net bank debt movement before discontinued operations	3.6	(1.5)
Net bank debt movement - discontinued operations	(1.7)	(2.3)
Decrease/(increase) in net bank debt	1.9	(3.8)

Cash generated from continuing operating activities was £4.4 million higher than the prior year at £12.2 million, largely due to the increase in underlying operating cash flows and the £1.0 million reduction in pension deficit funding, following the lower schedule of contributions agreed with the trustees. Cash outflows in respect of non-underlying items were £0.4 million (2021/22: £0.8 million).

Capital expenditure was £2.7 million (2021/22: £2.6 million), representing 101% of depreciation (2021/22: 104%). The main investments were capacity and efficiency investments at the Housebuilding Products site in Howden, and in process automation in the Water Management division. The Board see further opportunities to invest in organic growth across the Group, and expect capital expenditure to remain at or above the level of depreciation over the medium term.

Interest payments were £0.8 million (2021/22: £0.6 million) and tax payments £0.5 million (2021/22: £1.6 million).

After lease principal repayments of £0.8 million (2021/22: £0.7 million), own share purchases to fulfil the vesting of employee share options of £0.1 million (2021/22: £0.5 million), and dividend payments of £3.6 million (2021/22: £3.4 million), the reduction in net bank debt before discontinued operations was £3.6 million (2021/22: £1.5 million increase in debt).

The cash outflow in respect of discontinued operations was £1.7 million (2021/22: £2.3 million), leading to a reduction in net bank debt for the year of £1.9 million (2021/22: £3.8 million increase).

Net Debt

£m	30 June 2023 £m	30 June 2022 £m
Net bank debt	2.8	4.7
Lease liabilities	5.3	5.1
Total (IFRS 16) net debt	8.1	9.8

Net bank debt at June 2023, on which the Group's banking covenants are based, was £2.8 million (June 2022: £4.7 million). Total net debt, including lease liabilities, was £8.1 million (2021/22: £9.8 million).

Financial Position

Group net assets at 30 June 2023 were £25.7 million (2021/22: £25.7 million).

Pensions

The Group accounts for its defined benefit pension 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. Mortality and inflation assumptions have been aligned to updated actuarial information. The IAS 19 defined pension scheme deficit at 30 June 2023, before deferred taxes, was £4.3 million (June 2022: £2.1 million). Lower valuations led to scheme assets decreasing in the year, by £15.8 million, to £71.5 million. Scheme liabilities decreased by £13.6 million to £75.8 million, due to an increase in the discount rate.

The contribution rate is agreed with the trustees based on actuarial valuations rather than the IAS 19 deficit. Following the triennial review in March 2022, the Group agreed to reduce annual contributions from £2.3 million to £1.2 million from 1 October 2022. These payments are designed to enable the scheme to reach a position of low dependency (where the scheme is expected to be able to meet its future

liabilities using prudent investment assumptions and without further Group support) over a reasonable timescale.

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, taking into account the Group's expected performance and investment plans.

At 30 June 2023, the Group's banking facilities comprised:

- An unsecured committed £25.0 million revolving credit facility, which expires in August 2025 with two single year extension options to August 2026 and 2027. In July 2023 the Group exercised the first of these options, to extend the facility expiry to August 2026;
- An uncommitted £20.0 million accordion facility, which would allow the Group to increase its revolving credit facility to £45.0 million if exercised and approved; and
- 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 2023 and 2022:

	Covenant	30 June 2023	30 June
2022			
Net debt: EBITDA	2.5	0.2	0.4
Interest cover	>3.5	18.9	31.7

Return on investment

The Group defines its invested capital as shareholders' funds, including historic goodwill but excluding net bank debt, pension deficit (net of tax) and lease liabilities. The Group's post tax return on invested capital (underlying operating profit from continuing operations after tax, divided by invested capital) was 26.1% (2021/22: 29.8%); lower than the prior year due to the lower operating profit and higher tax rate; but still substantially higher than the Group's weighted average cost of capital, which the Group estimates to be 11%.

Capital structure and capital allocation

The Group aims to deliver strong and sustainable financial returns well in excess of its cost of capital. It achieves this by investing the capital provided by its cash-generative operations and its strong balance sheet in a disciplined manner consistent with its long-term strategy, while maintaining debt at a prudent level. The Board's allocation priorities are:

- Investment in organic growth, principally through capital expenditure and investment in organisational capabilities, particularly in research and development, manufacturing capacity and efficiency, and sales and marketing resources.
- Providing regular returns to shareholders through a progressive dividend policy, which aims to increase dividends broadly in line with underlying earnings, while maintaining a prudent level of cover.

- Investment in inorganic growth, identifying bolt-on acquisition targets in current or adjacent markets which complement the Group's existing business and deliver synergies.

The Group's solid financial platform has allowed it to continue to invest in opportunities to build resilience and generate sustainable growth. The acquisition of ARP Group, announced on 25 July 2023 and subject to CMA approval, is consistent with the Group's inorganic growth strategy and disciplined approach to capital allocation, and is expected to be immediately accretive to underlying earnings while further enhancing the Group's prospects over the medium term.

Going concern

As detailed in note 1, 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 including stress test scenarios based on 10% and 20% reductions in revenue.

Under the stress test scenarios, there remained adequate headroom under the Group's banking facilities and no breach of banking facilities over the period to September 2024. The Board also took note of the Group's ability to reduce its cost base and/or conserve cash facilities if necessary.

A reverse stress test scenario, that would lead to a breach of the Group's banking covenants, was also modelled. The Board consider the risk of such a scenario to be remote, and the Board would take immediate mitigating actions were it to arise.

Having taken into account the scenario models above, and in light of the remaining headroom against banking covenants and total facilities under the various scenarios, the Board 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.

Simon Dray

Group Finance Director

5 September 2023

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties

Mitigating actions taken

Climate Change

Risk/Impact

Potential to impact our supply chain and increase volatility in the prices of raw materials, and other supplies.

Sudden climate changes events, such as increased severe weather conditions and storms could impact our supply chains and shipments.

Regulations increasing costs could be imposed on manufacturing, certain processes, fuels/goods used, impacting prices for products that customers require.

- Improving partnerships and relationships in our supply chain to combat disruption and potential price increases.
- Greater resilience by using suppliers from different geographical locations.
- Ensuring suppliers and logistics partners understand the risks of climate change.
- Strategic buying of core products and careful stocking.
- Development of targets for our Scope 1, 2 and 3 emissions.
- Investment in new technology to manufacture new products to address the needs of climate change, with improved energy efficiency.
- Our strategy includes helping customers address climate change, by selling and creating innovative new products with sustainable qualities and eco-friendly credentials.
- Providing environmental data for our customers, employees, investors and stakeholders

Geopolitical and macroeconomic uncertainty

Risk/Impact

Macroeconomic uncertainty on a global basis post pandemic, and global geopolitical uncertainty. Markets are not settled post-Brexit and ongoing potential for delays due to strikes and disruption to other services.

Continuing inflationary pressures on raw material, energy supplies and services, also impacting pay and other costs.

- Strategic positioning in export markets/sectors anticipated to grow faster than the UK construction market.
- Revenues are derived from a variety of end-use construction markets - this provides resilience.
- Development of added value systems and solutions that are 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.
- Increasing supply chain flexibility
- Limited exposure to currency risk, mainly the Euro and US Dollar. These exposures are for the most part hedged, with hedging percentages increased to manage potential FX volatility
- Brexit developments being monitored closely, strong relationships monitored and regular dialogue with key European suppliers. Contingency planning is in place for residual risk areas, including increased inventory of materials/ products imported from the UK.
- Robust management has ensured cost increases are passed on to customers.

Supply chain/Inflation

Risk/Impact

International supply chain risks had increased following the pandemic and geopolitical uncertainty. The residual issue is price inflation, skilled staff shortages, increased tariffs/duties, Brexit risks in Europe and geopolitical uncertainty following the war in Ukraine.

- Annual strategic reviews, including supplier, quality, reliability, and sustainability.
- Brand and product strength has allowed cost increases to be largely recovered through higher prices
- Regular key supplier visits, good relationships maintained including quality control reviews and training.
- Supply chain flexibility to avoid strategic dependence on single sources of supply.
- Supplier questionnaires and export checks are completed to ensure compliance with Group policies including anti-bribery and anti-modern slavery.
- Training provided on customs duties, particularly on managing evolving arrangements post Brexit.

Cyber security and Business Interruption

Risk/Impact

Cyber security risks and Business Interruption risks are increasing globally and have increased during the Covid-19 pandemic and following recent geo-political events globally.

The risk of a cyber threat from increased failure/and/or ICT cyber crime could cause interruption or loss.

- IT disaster recovery plans are in place for all businesses and tested regularly - reviews are being held with each business to ensure that the Recovery Time Objective (RTO) is adequate for the 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 updated to mitigate evolving 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.
- Employee awareness of potential risk are mitigated through cyber training.
- 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.

Credit risk

Risk/Impact

The risk is that credit is extended and customers are unable to settle invoices. The Group manages credit risks and the contribution from the UK Government Export Credit Scheme for overseas opportunities has supported export opportunities.

- Most credit risks are insured, including all contracting credit risk.
- Large export contracts are backed by letters of credit, performance bonds, guarantees or similar, where possible.
- Due to Covid-19 and related uncertainties credit risks have increased, which has also been an area impacted by local lockdowns due to the pandemic.
- 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.

Health & Safety Risks

Risk/Impact

Health & safety incident/injury could occur despite a strong culture and previous management performance. Consequential reputational risk and legal costs.

- Health & safety and the wellbeing of staff is a core value of management and the first Board agenda item.
- H&S commitment communicated to all levels of the business
- 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 & Safety best practice days are held twice year, chaired by the Chief Executive.
- Annual audits of health & safety are conducted in all Group businesses by independent consultants and other specialist advisers.
- Health & Safety training is provided, and implementation is monitored, there has been a focus on increasing the number of staff trained in H&S across the business.
- Specific focus on improving safety of higher risk operations, with external consultancy support as needed.
- Serious near misses are reported to the Board.

Staff recruitment and retention risks

Risk/Impact

Potential lack of skilled employees being available for recruitment and risk of loss due to inflation in the jobs market. Risk of not being able to take- on/retain key skilled staff.

- Remuneration packages are appropriate to the position: staff are encouraged and supported to grow their careers through training and development.
- Board and Executive Committee focus on staff retention and reward, supported by HR and external advice.
- Employee numbers and changes monitored in monthly subsidiary Board meetings.
- We offer competitive wages, training and development.
- Retention plans for key, high performing, and high-potential employees.
- The Remuneration Committee considers retention and motivation when considering the remuneration framework.
- Succession planning.
- New training and development courses have been added to the list of programmes available.
- 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 is planned at Group level and carried out 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.
- Devolved structure allows an agile approach to business and an ability to meet increasing demand for products.
- Employed new product managers to help identify gaps in the market and to ensure we have a leading edge portfolio of products and services.

Product/service differentiation relative to competition not developed or maintained

Risk/Impact

Failure to innovate. New products are required to grow and maintain competitive advantage.

Loss of key customers

Risk/Impact

The risk is the loss of markets or customers. Risk of loss of customers to competitors.

- 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 understand and adapt to changing and emerging customer needs.
- Developing new products for new customers/markets.
- Outstanding service and innovative products protect and help to retain customers.
- The Group operates credit insurance to cover the potential impact of loss of bad debts. Service and client relationships also need to be maintained to retain and grow the business.

Legacy defined benefit pension obligations

Risk/Impact

The long-term funding of the pension scheme removes funds that need to be re-invested into new technology to grow the business. The pension scheme's obligations need to reduce by investments and by the maturity of the Scheme.

- Continue to grow the business so that 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 advisers.
- Investment performance and risk/return balance overseen by an Investment Committee that receives specialist investment advice.
- The Trustees are pursuing a lower risk investment strategy to match liability risks and reduce future volatility.
- 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.

Product warranty/ recall risks

Risk/Impact

Risk is one of product recall with subsequent cost and reputational risks, however the Group does not have a history of significant warranty claims or product recalls.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	Year ended 30 June 2023			Year ended 30 June 2022		
		Underlying £'000	Non-underlying £'000	Total £'000	Underlying £'000	Non-underlying £'000	Total £'000
Continuing operations:							
Revenue	4	89,135	-	89,135	89,381	-	89,381
Cost of sales		(56,406)	-	(56,406)	(56,015)	-	(56,015)
Gross profit		32,729	-	32,729	33,366	-	33,366
Net operating expenses							
Net operating expenses before non-underlying items		(20,620)	-	(20,620)	(20,033)	-	(20,033)
Other non-underlying items	5	-	(585)	(585)	-	(634)	(634)
Net operating expenses		(20,620)	(585)	(21,205)	(20,033)	(634)	(20,667)
Operating profit	4, 5	12,109	(585)	11,524	13,333	(634)	12,699
Net finance costs		(937)	(48)	(985)	(608)	(60)	(668)
Profit before taxation	5	11,172	(633)	10,539	12,725	(694)	12,031
Tax expense	8	(2,234)	48	(2,186)	(2,469)	48	(2,421)
Profit for the year from continuing operations		8,938	(585)	8,353	10,256	(646)	9,610
Discontinued operations:							
Loss after taxation for the year from discontinued operations	6	-	(1,750)	(1,750)	(1,577)	(15,080)	(16,657)
Profit/(loss) for the year		8,938	(2,335)	6,603	8,679	(15,726)	(7,047)
Other comprehensive income:							

Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pensions, net of tax	(2,796)	(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	(285)	480
Exchange differences on retranslation of foreign operations	(18)	161
	(303)	641
Other comprehensive (loss)/profit for the year, net of tax	(3,099)	616
Total comprehensive profit/(loss) for the year, net of tax	3,504	(6,431)
Earnings per share	Pence	Pence
Basic earnings per share		
- Continuing operations	23.3	26.8
- Discontinued operations	(4.9)	(46.5)
10	18.4	(19.7)
Diluted earnings per share		
- Continuing operations	23.1	26.4
- Discontinued operations	(4.9)	(45.7)
10	18.2	(19.3)

Reconciliations of underlying to statutory profit and earnings per share are provided in notes 5 and 10 respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	2023 £'000	2023 £'000	2022 (restated)* £'000	2022 (restated)* £'000
Assets					
Non-current assets					
Property, plant and equipment - owned assets		13,227		12,573	
Property, plant and equipment - right-of-use assets		5,007		4,926	
Goodwill	7	8,526		8,526	
Other intangible assets		2,073		2,126	
Deferred tax assets	8	1,081		529	
			29,914		28,680
Current assets					
Inventories		11,561		13,394	
Trade and other receivables		20,748		18,786	
Assets classified as held for sale		-		3,859	
Derivative financial assets		-		325	
Cash at bank		5,995		8,284	
			38,304		44,648
Total assets		3	5	4	6
			68,218		73,328
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings		(8,848)		(13,000)	
Lease liability		(4,366)		(4,251)	
Employee benefits payable		(4,323)		(2,114)	
Provisions		(1,185)		(1,061)	
Deferred tax liabilities	8	(1,614)		(1,730)	
			(20,336)		(22,156)
Current liabilities					
Trade and other payables		(19,120)		(19,031)	
Lease liability		(868)		(881)	

Provisions		(612)	(1,360)
Liabilities classified as held for sale		-	(3,859)
Derivative financial liabilities		(30)	-
Corporation tax payable		(1,505)	(309)
		(22,135)	(25,440)
Total liabilities		(42,471)	(47,596)
		7	8
Net assets		25,747	25,732
Equity			
Share capital		4,517	4,517
Share premium	11	445	445
Capital reserve - own shares	11	(577)	(601)
Hedging reserve	11	(22)	263
Foreign currency reserve	11	198	216
Profit and loss account reserve		21,186	20,892
		9	10
Total equity		25,747	25,732

* The financial position at 30 June 2022 has been restated to separately present the gross held for sale assets and liabilities of the Levolux business. See note 1.

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2023

Paul Hooper

Director

Simon Dray

Director

5 September 2023 Company number 1767387

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Year ended 30 June 2023	Year ended 30 June 2022
	Notes	
	£'000	£'000
Operating activities		
Operating profit	11,524	12,699
Adjustments for:		
Depreciation	2,681	2,459
Amortisation	247	257
Loss/(gain) on disposal of property, plant and equipment	1	(18)
Decrease/(increase) in inventories	1,833	(2,573)
Decrease/(increase) in receivables	1,897	(2,536)
(Decrease)/increase in trade and other payables	(3,948)	279
Movement in provisions	(624)	(298)
Cash contributions to retirement benefit schemes	(1,567)	(2,561)
Share based payments	182	118
Cash generated by operating activities of continuing operations	12,226	7,826
Operating loss from discontinued operations	-	(2,125)
Depreciation	-	224
Movement in working capital from discontinued operations	-	(438)
Cash utilised by operating activities of discontinued operations	-	(2,339)
Tax paid	(530)	(1,615)
Net cash inflow from operating activities	11,696	3,872

Investing activities		
Purchase of property, plant and equipment	(2,545)	(2,449)
Payments to acquire intangible fixed assets	(194)	(123)
Proceeds from sales of property, plant and equipment	24	22
Loss on disposal of subsidiary	(1,750)	-
Net cash outflow from investing activities	(4,465)	(2,550)
Financing activities		
Bank interest paid	(671)	(356)
Equity dividends paid	9	(3,434)
(Repayment)/draw down of amounts borrowed	(4,000)	7,000
Principal paid on lease liabilities	(765)	(713)
Interest paid on lease liabilities	(154)	(169)
Purchase of own shares	(51)	(526)
Refinancing costs	(262)	-
Net cash (outflow)/inflow from financing activities	(9,502)	1,802
Net (decrease)/increase in cash at bank and bank overdraft	(2,271)	3,124
Net cash at bank and bank overdraft brought forward	8,284	4,999
Net (decrease)/increase in cash at bank and bank overdraft	(2,271)	3,124
Effect of foreign exchange rate changes	(18)	161
Net cash at bank and bank overdraft carried forward	5,995	8,284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

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 2021	4,517	445	(406)	(217)	55	31,751	36,145
Loss for the year	-	-	-	-	-	(7,047)	(7,047)
Exchange differences on retranslation of foreign operations	-	-	-	-	161	-	161
Net gain on cash flow hedges	-	-	-	593	-	-	593
Tax on derivative financial asset	-	-	-	(113)	-	-	(113)
Actuarial loss on defined benefit pensions, net of tax	-	-	-	-	-	(25)	(25)
Tax on share options	-	-	-	-	-	(140)	(140)
Acquisition of own shares	-	-	(597)	-	-	-	(597)
Own shares used to satisfy exercise of share awards	-	-	402	-	-	-	402
Share based payments	-	-	-	-	-	118	118
Dividends	9	-	-	-	-	(3,434)	(3,434)
Exercise of share based incentives	-	-	-	-	-	(331)	(331)
At 1 July 2022	4,517	445	(601)	263	216	20,892	25,732
Profit for the year	-	-	-	-	-	6,603	6,603
Exchange differences on retranslation of foreign operations	-	-	-	-	(18)	-	(18)
Net loss on cash flow hedges	-	-	-	(355)	-	-	(355)
Tax on derivative financial liability	-	-	-	70	-	-	70
Actuarial loss on defined benefit pensions, net of tax	-	-	-	-	-	(2,796)	(2,796)
Tax on share options	-	-	-	-	-	(21)	(21)
Acquisition of own shares	-	-	(72)	-	-	-	(72)
Own shares used to satisfy exercise of share awards	-	-	96	-	-	-	96
Share based payments	-	-	-	-	-	182	182
Dividends	9	-	-	-	-	(3,599)	(3,599)
Exercise of share based incentives	-	-	-	-	-	(75)	(75)
At 30 June 2023	4,517	445	(577)	(22)	198	21,186	25,747

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

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2023. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group's financial statements have been prepared in accordance with UK adopted international accounting standards.

Going concern

At 30 June 2023 the Group had cash and cash equivalents of £6.0 million and had utilised £8.9 million of the committed £25.0 million revolving credit facility. This provided total headroom of some £22.1 million against committed facilities and, together with £4.0 million overdraft facilities, there is headroom of some £26.1 million against total facilities at 30 June 2023. On 24 July 2023 the Group triggered the first of the two single year extension periods, which extends the £25.0 million committed revolving credit facility expiry date to August 2026. One further single year extension period to August 2027 is still in place.

In assessing going concern to take account of the continued uncertainties caused by continued increasing inflation and interest rates, the Group has modelled a Base Case (BC) trading scenario on a "bottom up" basis. The Group has also modelled stress test scenarios which assume a 10% reduction in revenue and a 20% reduction in revenue, with no cost reduction or cash conservation measures. 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 the end of September 2024, with no breach of banking covenants across this period.

For the same 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 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.

Prior year restatement

During 2023, the Financial Reporting Council (FRC) submitted a request for further information on the Group's Annual Report and Accounts for the year ended 30 June 2022. The FRC's review was based solely on the Group's published Annual Report and Accounts and does not provide assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

As a result of this review, the Directors have agreed that the gross assets and gross liabilities held for sale at 30 June 2022 relating to the Levolux business, which were originally presented as a net receivable of £1, should have been separately presented gross in the consolidated statement of financial position.

As a consequence, the comparative information for 30 June 2022 in the consolidated statement of financial position has been restated to include £3,859,001 of assets and £3,859,000 of liabilities classified as held for sale.

This restatement does not have an impact on the Group's profit, earnings per share, net assets or cash flows reported in the 2022 Annual Report and Accounts.

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 2023 within the next financial year are the valuation of defined benefit pension obligations and the valuation of the Group's acquired goodwill.

The assumptions applied in determining the defined benefit pension obligation are particularly sensitive. Advice is taken from a qualified actuary to determine appropriate assumptions at each reporting date. The actuarial valuation involves making assumptions about discount rate, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

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.

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 2022 and have been adopted for the Group financial statements where appropriate with no material impact on the disclosures and results made by the Group:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Business Combinations - Reference to the conceptual framework (IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and

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 believe 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.

	2022/23	Segmental operating result	2021/22	Segmental operating result
	Revenue £'000	£'000	Revenue £'000	£'000
Water Management	39,841	5,765	47,564	8,753
Building Envelope	34,559	4,084	29,389	3,580
Housebuilding Products	14,735	3,518	12,428	2,447
Trading	89,135	13,367	89,381	14,780
Unallocated costs		(1,258)		(1,447)
Total from continuing operations	89,135	12,109	89,381	13,333
		£'000		£'000
Segmental operating result		12,109		13,333
Brand amortisation (see note 5)		(70)		(70)
Restructuring & legal costs (see note 5)		(262)		(564)
Acquisition costs (see note 5)		(253)		-
Total operating profit from continuing operations		11,524		12,699

Year to 30 June 2023

	Capital expenditure					
	Segment Assets £'000	Segment Liabilities £'000	Property, Plant & Equipment £'000	Other Intangible Assets £'000	Deprecia-tion	Amortisa-tion
					£'000	£'000
Water Management	31,118	(8,261)	1,774	70	1,285	200
Building Envelope	11,258	(8,958)	301	30	331	5
Housebuilding Products	16,489	(7,549)	1,381	94	1,025	42
Trading	58,865	(24,768)	3,456	194	2,641	247
Unallocated	9,353	(17,703)	8	-	40	-
Total	68,218	(42,471)	3,464	194	2,681	247

Year to 30 June 2022

	Capital expenditure					
	Segment Assets £'000	Segment Liabilities £'000	Property, Plant & Equipment £'000	Other Intangible Assets £'000	Deprecia-tion	Amortisa-tion
					£'000	£'000
Water Management	35,084	(11,236)	1,427	70	1,207	190

Building Envelope	13,849	(12,484)	141	12	360	187
Housebuilding Products	15,851	(7,346)	1,310	41	866	48
Trading	64,784	(31,066)	2,878	123	2,433	425
Unallocated	8,544	(16,530)	5	-	82	-
Total	73,328	(47,596)	2,883	123	2,515	425

Included in the Building Envelope analysis are Segment assets of £3,859,001 and Segment liabilities of £3,859,000 in relation to discontinued operations.

Sales to external customers by geographical segment

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Year to 30 June 2023	84,079	2,515	126	769	944	702	89,135
Year to 30 June 2022	75,714	2,983	21	2,006	8,071	586	89,381

Segment revenue by geographical segment represents revenue from external customers based upon the geographical location of the customer.

All non-current assets are held within the United Kingdom.

5 UNDERLYING TO PROFIT BEFORE TAX RECONCILIATION

	2022/23 Operating profit £'000	Profit before tax £'000	2021/22 Operating profit £'000	Profit before tax £'000
Underlying operating profit & profit before tax from continuing operations	12,109	11,172	13,333	12,725
Brand amortisation	(70)	(70)	(70)	(70)
IAS 19 net pension scheme finance costs	-	(48)	-	(60)
Restructuring & legal costs	(262)	(262)	(564)	(564)
Acquisition costs	(253)	(253)	-	-
Profit before tax from continuing operations	11,524	10,539	12,699	12,031
Underlying operating loss of Levolut	(350)	(350)	(1,957)	(1,957)
Brand amortisation Levolut	-	-	(168)	(168)
Write back/(down) of assets held for sale	350	350	-	(14,912)
Loss on disposal of Levolut	-	(1,750)	-	-
Operating profit & profit/(loss) before tax	11,524	8,789	10,574	(5,006)

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 2022/23 and 2021/22 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 restructuring and legal costs incurred to resolve a commercial dispute and, in the prior year, to exit the Blackdown Roofing installation business; and
- Acquisition costs relating to professional fees incurred in the Group's acquisition activities, primarily in connection with the acquisition of ARP Group announced on 25 July 2023.

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. The liabilities held for resale at 30 June 2022 were £3,859,000, and the assets held for resale were written down to £3,859,001 to reflect the sales proceeds of £1 received on 26 August 2022. In the year to 30 June 2023, a further loss on disposal of £1,750,000 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 consolidated statement of comprehensive income are as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Revenue	436	7,820
Underlying operating loss	(350)	(1,957)
Brand amortisation	-	(168)
Write down of goodwill	-	(10,179)
Write down of brand	-	(874)
Write back/(down) of Assets held for sale	350	(3,859)
Loss on disposal	(1,750)	-
Loss before taxation	(1,750)	(17,037)
Tax credit (see note 8)	-	380
Loss after taxation	(1,750)	(16,657)

7 GOODWILL

	2023 £'000	2022 £'000
Cost:		
At 1 July	19,428	19,428
Disposals	(10,179)	-
At 30 June	9,249	19,428
Impairment:		
At 1 July	10,902	723
Disposals	(10,179)	-
Write down of Assets held for sale	-	10,179
At 30 June	723	10,902
Net book value at 30 June	8,526	8,526

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

	2023 £'000	2022 £'000
Alumasc Roofing (Building Envelope)	3,820	3,820
Timloc (Housebuilding Products)	2,264	2,264
Rainclear (Water Management)	225	225
Wade (Water Management)	2,217	2,217
At 30 June	8,526	8,526

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 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% (2022: 1%) for each CGU.

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

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

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

The pre-tax rate used to discount the cash flows of these cash generating units with on-balance sheet goodwill was 15% (2022: 12%). This rate was based on the Group's estimated weighted average cost of capital (WACC) of 11% (2022: 7%), which was risk-adjusted for each CGU taking into account both external and internal risks. The Group's WACC in 2023 was higher than the rate used in 2022, reflecting an increase in interest costs and the equity market risk premium.

The surplus headroom above the carrying value of goodwill at 30 June 2023 was significant for all CGU's, 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 carrying value of goodwill at 30 June 2022 for Levolux was written down to £nil to reflect the sale of the business on 26 August 2022.

8 TAX EXPENSE

(a.) Tax on profit

Tax charged in the statement of comprehensive income		
	2022/23 £'000	2021/22 £'000
Current tax:		
UK corporation tax - continuing operations	1,704	1,094
- discontinued operations	-	(380)
Overseas tax	(6)	207
Amounts under/(over) provided in previous years	175	(16)
Total current tax	1,873	905
Deferred tax:		
Origination and reversal of temporary differences	404	833
Amounts (over)/under provided in previous years	(206)	78
Rate change adjustment	115	225
Total deferred tax	313	1,136
Total tax expense	2,186	2,041
Tax charge on continuing operations	2,186	2,421
Tax credit on discontinued operations	-	(380)
Total tax expense	2,186	2,041
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial losses on pension schemes	(932)	(9)
Cash flow hedge	(70)	113
Tax charged to other comprehensive income	(1,002)	104
Total tax charge in the statement of comprehensive income	1,184	2,145

(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 24.9% is higher than (2021/22: 20.6% was higher than) the standard rate of corporation tax in the UK of 20.5% (2021/22: 19.0%).

The differences are reconciled below:

	2022/23 £'000	2021/22 £'000
Profit before tax from continuing operations	10,539	12,031
Loss before tax from discontinued operations	(1,750)	(2,125)
Accounting profit before tax	8,789	9,906
Current tax at the UK standard rate of 20.5% (2021/22: 19.0%)	1,802	1,882
Expenses not deductible for tax purposes	486	42
Income not taxable	(186)	(170)
Rate change adjustment	115	225
Tax under/(over) provided in previous years - current tax	175	(16)
Tax (over)/under provided in previous years - deferred tax	(206)	78
	2,186	2,041

(c.) Unrecognised tax losses

The Group has tax capital losses in the UK amounting to £16.3 million (2022: £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 (2022: £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 (2022: £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 2021	904	(156)	589	(51)	(320)	966	(1,145)
Charged/(credited) to the statement of comprehensive income - current year	463	22	(60)	-	8	433	625
Charged/(credited) to the statement of comprehensive income - prior year	79	(1)	-	-	-	78	-
Charged/(credited) to equity	-	-	-	113	140	253	(9)
At 30 June 2022	1,446	(135)	529	62	(172)	1,730	(529)
Charged/(credited) to the statement of comprehensive income - current year	216	(36)	(18)	-	(23)	139	380
(Credited)/charged to the statement of comprehensive income - prior year	(14)	25	(217)	-	-	(206)	-
(Credited)/charged to equity	-	-	-	(70)	21	(49)	(932)
At 30 June 2023	1,648	(146)	294	(8)	(174)	1,614	(1,081)

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 £3.8 million (2022: £3.8 million) in respect of net capital losses of £15.3 million (2022: £15.3 million) have not been recognised.

(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. Since the 25% tax rate change was enacted at the 30 June 2023 reporting date, deferred tax assets and liabilities have been calculated to reflect the expected timing of reversal of the related temporary difference.

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9 DIVIDENDS

	2022/23 £'000	2021/22 £'000
Interim dividend for 2023 of 3.40p paid on 6 April 2023	1,217	-
Final dividend for 2022 of 6.65p paid on 4 November 2022	2,382	-
Interim dividend for 2022 of 3.35p paid on 6 April 2022	-	1,201
Final dividend for 2021 of 6.25p paid on 29 October 2021	-	2,233
	3,599	3,434

A final dividend of 6.90 pence per equity share, at a cash cost of £2,471,000, has been

proposed for the year ended 30 June 2023, payable on 3 November 2023. This dividend has not been accrued in these consolidated financial statements as it was proposed after the year end.

10 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:

	2022/23	2021/22
	£'000	£'000
Net profit attributable to equity holders of the parent - continuing operations	8,353	9,610
Net loss attributable to equity holders of the parent - discontinued operations	(1,750)	(16,657)
	6,603	(7,047)
	000s	000s
Weighted average number of shares	35,806	35,825
Dilutive potential ordinary shares - employee share options	386	586
	36,192	36,411

	2022/23	2021/22
	Pence	Pence
<u>Basic earnings per share:</u>		
Continuing operations	23.3	26.8
Discontinued operations	(4.9)	(46.5)
	18.4	(19.7)

	2022/23	2021/22
	Pence	Pence
<u>Diluted earnings per share:</u>		
Continuing operations	23.1	26.4
Discontinued operations	(4.9)	(45.7)
	18.2	(19.3)

Calculation of underlying earnings per share:

	2022/23	2021/22
	£'000	£'000
Reported profit before taxation from continuing operations	10,539	12,031
Brand amortisation	70	70
IAS 19 net pension scheme finance costs	48	60
Restructuring & legal costs	262	564
Acquisition costs	253	-
Underlying profit before taxation from continuing operations	11,172	12,725
Tax at underlying Group tax rate of 20.0% (2021/22: 19.4%)	(2,234)	(2,469)
Underlying earnings from continuing operations	8,938	10,256
Weighted average number of shares	35,806	35,825
Basic underlying earnings per share from continuing operations	25.0p	28.6p
Diluted underlying earnings per share from continuing operations	24.7p	28.2p

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11 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 322,418 (2022: 327,493) ordinary own shares held by the Company. The market value of shares at 30 June 2023 was £475,567 (2022: £519,076). These are held to help satisfy the exercise of awards under the Company's Long Term Incentive Plans. During the year 52,630 (2022: 297,021) shares with an original cost of £96,000 (2022: £402,000) were used to satisfy the exercise of awards. A Trust holds the shares in its name and shares are awarded to employees on request by the 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.

Financial Summary	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Income Statement Summary					
Continuing operations:					
Revenue	71,315	60,299	77,805	89,381	89,135
Gross profit:	24,184	20,432	29,441	33,366	32,729
<i>Gross margin</i>	<i>33.9%</i>	<i>33.9%</i>	<i>37.8%</i>	<i>37.3%</i>	<i>36.7%</i>
Underlying operating profit:	6,973	5,053	10,506	13,333	12,109
<i>Underlying operating margin</i>	<i>9.8%</i>	<i>8.4%</i>	<i>13.5%</i>	<i>14.9%</i>	<i>13.6%</i>
Net interest cost on borrowings	(281)	(343)	(311)	(439)	(783)
Interest on lease liabilities	-	(153)	(178)	(169)	(154)
Underlying profit before tax	6,692	4,557	10,017	12,725	11,172
Non-underlying items*	(4,431)	(1,138)	(546)	(694)	(633)
Profit before taxation	2,261	3,419	9,471	12,031	10,539
Taxation	(256)	(442)	(2,118)	(2,421)	(2,186)
Profit for the year from continuing operations	2,005	2,977	7,353	9,610	8,353
Discontinued operations - Profit/(loss) after tax	1,636	(721)	233	(16,657)	(1,750)
Profit/(loss) for the year	3,641	2,256	7,586	(7,047)	6,603
Underlying earnings per share from continuing operations:					
(pence)	14.8	10.2	22.5	28.6	25.0
Basic earnings per share (pence)	10.1	6.3	21.2	(19.7)	18.4
Dividends per share (pence)	7.35	2.0	9.5	10.0	10.3
Balance Sheet Summary at 30 June					
Shareholders' funds	25,446	19,841	36,146	25,732	25,747
Net debt/(cash)	5,095	4,333	937	4,716	2,853
Lease liabilities	-	5,924	5,606	5,132	5,234
Pension deficit (net of tax)	10,749	15,608	3,436	1,585	3,242
Discontinued operations	359	-	(11,221)	-	-
Capital invested - continuing operations	41,648	45,206	34,903	37,165	37,076
Underlying return on capital invested (post-tax)**	13.4%	9.2%	21.0%	29.8%	26.1%
Underlying tax rate	20.4%	20.3%	19.5%	19.4%	20.0%

* Non-underlying items comprise brand amortisation and IAS19 pension costs in all years.

Further details of the 2021/22 and 2022/23 non-underlying items can be found in note 5.

** 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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