

Tuesday 6 February 2024

The Alumasc Group plc
Interim results
Encouraging first half, confident of delivering expectations

Alumasc (ALU.L) the sustainable building products, systems and solutions Group today announces results for the six months ended 31 December 2023.

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

"We are very pleased to report an encouraging first half in which we continued to outperform our underlying construction markets. As expected, UK sales were resilient in a challenging environment; and coupled with strong overseas sales, Group revenue and underlying profit before tax grew by 6% and 12% respectively. We have again demonstrated the resilience of our business model with its multi-markets exposure.

"We were delighted to complete the strategic acquisition of ARP Group during the period and welcome our new colleagues to the Group. There are exciting synergies and opportunities for cross-selling ahead, which will support the delivery of the Group's growth ambitions.

"The Board remains confident in achieving full year expectations, despite the expected continuation of UK demand headwinds and the further delay of a significant export contract in Hong Kong."

Organic growth demonstrates resilience of business model and progress against strategic initiatives

- Group revenues up by 6.4% to £47.8m (H1 FY23: £45.0m):
 - o Strong performance in Water Management, with revenues up 12% to £22.0m.

- o Building Envelope resilient, with revenues of £18.7m (H1 FY23: £18.3m).
- o Housebuilding Products also had a resilient first half, with revenues up slightly to £7.1m.
- o Strong recovery in overseas sales to £5.7m, over twice the level of the prior period.
- Underlying Group operating margin of 14.1% (H1 FY23: 13.4%):
 - o Water Management 16.0% (H1 FY23: 12.8%).
 - o Building Envelope 12.8% (H1 FY23: 14.1%).
 - o Record underlying operating margin in Housebuilding Products of 24.5% (H1 FY23: 23.0%).
- Underlying profit before tax grew 12.4% to £6.3m (H1 FY23: £5.6m) as a result of increased volumes, complemented by the management team's focus on price and cost control.
- Reported profit before tax was £5.6m (H1 FY23: £5.3m).
- Underlying earnings per share of 13.0p (H1 FY23: 12.3p).
- Statutory earnings per share (continuing operations) of 11.4p (H1 FY23: 12.5p).
- Net bank debt at December 2023 was £7.4m (H1 FY2023: £6.8m), after net cash outflow on ARP acquisition of £6.5m:
 - o Represents gearing of 0.5x (H1 FY2023: 0.5x).
 - o Comfortably within bank covenant of less than 2.5x.
- Interim dividend per share increased to 3.45p (H1 FY23: 3.40p).

Accelerating growth with the acquisition of ARP Group

- Acquisition of ARP Group ('ARP') for a maximum cash consideration of £10.0m on a cash and debt free basis completed in December 2023.
- ARP is a manufacturer and distributor of specialist metal rainwater and architectural aluminium products and will sit within Water Management division.
- The acquisition strengthens Alumasc's rainwater product offering,

brings exciting consolidation synergies and will support delivery of the Group's strategic growth plans.

Outlook

- The Group's focus on sustainable building products, coupled with innovation, cost base management and outstanding customer service, will help mitigate the external geopolitical and economic environment, which is expected continue to create uncertainty for our sector for the remainder of the year.
- With significant funding capacity and a clear, investment-led strategy supporting both organic and acquisitive growth, the Group is focused on delivering outperformance during this period of market volatility.
- Structural drivers of energy and water management mean the Group remains well positioned to deliver significant long term growth when markets recover.

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REVIEW OF INTERIM RESULTS

Chief Executive's Statement: resilient performance enhanced by increased overseas sales

We are pleased to report an encouraging Group result for the six months ended 31 December 2023. Revenue from continuing operations was £47.8m (H1 FY23: £45.0m), 6.4% ahead of the prior period. UK sales, 2% below the

prior period, were resilient in a challenging market, which was estimated to have declined by over 6%. This was offset, as expected, by a strong first half contribution from overseas sales, which at £5.3m were more than twice the level of the prior period. This was achieved despite further delays in call-offs on a significant project at Chek Lap Kok airport in Hong Kong, announced in November 2022, which is now expected to ship after our June 2024 year end.

Underlying profit before tax grew by 12.4% to £6.3m (H1 FY23: £5.6m) as a result of increased sales volumes, complemented by the management team's focus on control of costs and pricing. Reported profit before tax grew by 6% to £5.6m (H1 FY23: £5.3m).

After investment in the ARP acquisition of £6.5m, net bank debt at December 2023 was £7.4m (H1 FY23: £6.8m), representing gearing of 0.5x (H1 FY23: 0.5x), comfortably within our bank covenant of less than 2.5x. The Group's underlying operating cash flow was £10.0m, 80% higher than H1 FY23, after a £1.7m inflow from working capital (H1 FY23: £1.9m outflow).

The financial and operational performance during the period has provided a good platform, with the Group entering the second half of the year with good momentum and a strong order book. Notwithstanding the current geopolitical and economic uncertainties, the Board remains confident in the Group achieving its full year expectations and has approved an interim dividend per share of 3.45 pence (FY23 interim dividend: 3.40 pence).

This performance further demonstrates the resilience of our business model, and was underpinned by progress against our strategic initiatives, positioning the Group well for when markets recover.

Acquisition of ARP Group: accelerating organic growth with targeted acquisitions

On 25th July 2023, Alumasc announced the proposed acquisition of the entire share capital of ARP Group ("ARP"), a manufacturer and distributor of specialist metal rainwater and architectural aluminium goods, for a maximum cash consideration of £10.0m on a cash and debt free basis. The acquisition completed in December 2023 following its unconditional clearance by the UK Competition and Markets Authority.

ARP marks the first acquisition by Alumasc since 2018 and demonstrates the Group's strategy to supplement organic growth through earnings-accretive acquisitions. ARP shares many qualities with Alumasc, including outstanding customer service, and strong relationships with contractors which will complement Alumasc's business model. ARP also broadens the Group's

existing product offerings, augments the routes to market and improves the online presence for both businesses.

The acquisition aligns with our strategy of accelerating our organic growth with bolt-on acquisitions which complement our existing businesses and broaden our sales offering. Our initial work on ARP's integration has reaffirmed our belief that the acquisition will bring significant synergistic benefits.

Strategic Overview

The Group's performance during the period reflects further progress on delivering the Group's growth strategy:

- Accelerating sales growth
- Driving margin improvement
- Championing sustainable building products
- Value-enhancing investment

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 outperformance versus the UK construction market and its more than doubling of its export revenue in H1 reflects continued strong progress.

The Group's strong margins are as a result of high value-add products, tight cost management, and a relentless focus on efficiency. The restructuring of the sales and commercial teams in our Water Management division right-sizes the team for current UK market activity, while simplifying the organisational structure and improving capability and customer service. We continue to identify opportunities to improve our efficiency and will act quickly should conditions require it.

Alumasc is also in a very strong position to benefit from the growth in sustainable construction and green buildings, both in terms of its own decarbonisation 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 near-term Net Zero targets have been set, and will be verified with the Science Based Target Initiative later in the year.

The Group has continued to invest in value-enhancing growth initiatives, including improving geographical sales coverage in Building Envelope, expanding the overseas sales team in Water Management, and improving new product development capability in Housebuilding Products. The acquisition of ARP Group, which will sit within our Water Management division, strengthens our rainwater product offering, brings exciting consolidation synergies, and will accelerate delivery of our strategic growth ambitions.

Operational Review

Water Management

	H1 FY24	H1 FY23
Revenue	£22.0m	£19.6m
Underlying operating profit	£3.5m	£2.5m
Underlying operating margin	16.0%	12.8%
Operating profit	£3.2m	£2.5m

In H1 FY24 the Water Management division, after a quieter FY23, delivered a very strong performance with revenue ahead by £2.4m (12%). This was augmented by a strong export performance, driven by the recent investments in overseas sales resource and project work at Chek Lap Kok airport in Hong Kong, despite a further delay in call-offs from a £7m order, announced in November 2022, which is now likely to be shipped after our June 2024 year end. Underlying operating profit increased by 40% to £3.5m, and the division achieved an increased 16% operating margin (H1 FY23: 13%).

Significant UK orders were delivered to prison and naval projects, and a large data centre, helping to offset lower levels of work on distribution warehouses. Overseas sales benefited from work at a number of airports, mostly significantly at Chek Lap Kok airport, and projects were also won in New Zealand, Saudi Arabia, Ireland and Peru.

In the light of the subdued UK demand, we announced in October 2023 the reorganisation of the UK sales and commercial teams. This will deliver annualised savings of £0.8m, while simplifying the management structure and improving capability and customer service.

The division finished the half year with a very strong order book, albeit this contains several overseas projects whose financial impact will be after the FY24 year end. Several important projects are, however, expected to support improved UK sales in the second half of the current year.

Building Envelope

	H1 FY24	H1 FY23
Continuing operations		
Revenue	£18.7m	£18.3m
Underlying operating profit	£2.4m	£2.6m
Underlying operating margin	12.8%	14.1%
Operating profit	£2.4m	£2.6m

The Building Envelope Division grew its revenue by 2%, despite a challenging marketplace. New products continued to be an important contributor. The business continued its development of carbon-reducing specified systems and in Green and Blue Roofing areas whilst focusing on Bio Solar techniques and the continued success of the CO₂ reducing product, Olivine. The portfolio was also supplemented by the recently launched metal profiled roof and abutment system and further enhancement of the liquid roofing systems.

The prior year's successful strengthening of areas with previously limited sales representation, whilst expanding the division's internal trainee programme, continues to contribute to the overall performance. A feature of the first half year has been the winning of larger multi-site refurbishment projects, as a result of Alumasc's service reputation. This provides a stronger platform of ongoing work and helps underpin future performance.

Despite the challenging market conditions, the Building Envelope Division's underlying operating profit was only marginally impacted.

Housebuilding Products

	H1 FY24	H1 FY23
Revenue	£7.1m	£7.0m
Underlying operating profit	£1.7m	£1.6m
Underlying operating margin	24.5%	23.0%
Operating profit	£1.7m	£1.4m

Against a housebuilding market widely reported to have declined by over 17% year-on-year, Timloc, our Housebuilding Products Business, delivered a robust first half year and grew its revenue by 1% to £7.1m.

This was partially achieved through the extended distribution of its existing products, where new customers appreciate the industry-leading next day service and low carriage paid order values. In addition, sales were supported by the continued growth of new products even though overall market demand in the housebuilding sector has declined.

Inventive Roof Tile Vents and additional Roofline products, launched in the second half of the prior year, continue to take market share as Timloc

expands its distribution model to Roofing Merchants. These products have been particularly well received for their quality and service proposition. Improved efficiencies, through further investment in automation, energy efficient moulding machines and rigorous cost controls, have all contributed to the division achieving a record first half underlying operating margin of 24.5%, up from 23.0%.

Timloc's focus on sustainability, including being the first building products manufacturer to achieve carbon neutral operations (scope 1 and 2), leaves it well positioned to support the housebuilders' drive to build zero carbon homes and meet the current underlying demand for new houses.

Financial Review

Tax rate and earnings per share (continuing operations)

The Group's underlying tax rate was 25.4% (H1 FY23: 21.2%), reflecting the increase in UK Corporation Tax rate from 19% to 25% from April 2023. Underlying earnings per share for the period was 13.0p (H1 FY23: 12.2p); 6% higher than the prior period, but lower than the underlying profit increase due to the higher tax rate. Basic earnings per share were 11.4p (H1 FY23: 12.5p).

Acquisition of ARP Group

The acquisition of ARP Group completed on 21 December 2023, following its unconditional clearance by the UK Competition and Markets Authority. The initial net cash outflow on acquisition was £6.5m, representing the initial cash and debt free consideration of £8.5m, plus a net debt and working capital adjustment of £0.2m, less £2.2m of net cash held by ARP at completion. A further £1.2m of working capital adjustment, and the first earn out payment of £0.75m, were paid in January 2024. A final earn out payment of £0.75m, due for payment in January 2025, subject to ARP's profit for the year to November 2024, has been accrued in full.

Cash flow and net debt

£m (continuing operations)	H1 FY24	H1 FY23
Underlying operating profit	6.7	6.0
Depreciation/underlying amortisation	1.5	1.3
Share-based payments	0.1	0.1
Working capital inflow/(outflow)	1.7	(1.9)
Underlying operating cash flow	10.0	5.5
Pension deficit funding	(0.6)	(1.0)

Non-underlying cash flows	(0.5)	(0.2)
Cash generated by operating activities	8.9	4.3
Capital expenditure	(1.5)	(1.4)
Interest	(0.3)	(0.3)
Tax	(1.7)	(0.1)
Lease payments	(0.5)	(0.4)
Purchase of own shares	(0.4)	(0.1)
Dividend payment	(2.5)	(2.4)
Acquisition of ARP Group	(6.5)	-
Disposals	-	(1.7)
Increase in net bank debt	(4.5)	(2.1)
£m	H1 FY24	H1 FY23
Net bank debt	7.4	6.8
Lease liabilities	4.8	4.6
Total (IFRS 16) net debt	12.2	11.4

The Group's underlying operating cash flow was £10.0m, 80% higher than H1 FY23, after a £1.7m inflow from working capital (H1 FY23: £1.9m outflow). Average trade working capital as a percentage of sales for the half year was 16.7% (H1 FY23: 19.4%), as surplus inventory holdings unwound with the easing of supply chain pressures.

After pension deficit funding of £0.6m (H1 FY23: £1.0m), reduced in line with the agreement with trustees, and non-underlying cash flows of £0.5m (H1 FY23: £0.2m), cash generated from operating activities was £8.9m (H1 FY23: £4.3m).

Capital expenditure of £1.5m (H1 FY23: £1.4m) was 115% (H1 FY23: 111%) of depreciation. Principal investments were in tooling for new products and capacity upgrades at Timloc, our Housebuilding Products business.

Tax paid was £1.7m (H1 FY23: £0.1m), reflecting the expiry of the capital allowance super deduction which benefited the prior period.

After lease payments of £0.5m (H1 FY23: £0.4m), the payment of the prior year's final dividend of £2.5m (H1 FY23 £2.4m), own share purchases to fulfil the vesting of employee share options of £0.4m (H1 FY23: £0.1m), the initial net consideration for ARP of £6.5m (H1 FY23: £nil), and the cash outflow on disposal of Levolux of £nil (H1 FY23 : £1.7m), the increase in net bank debt in the half year was £4.5m (H1 HY23: £2.1m).

Net bank debt at December 2023 was £7.4m (H1 FY23: £6.8m), representing gearing of 0.5x (H1 FY23: 0.5x), comfortably within our bank covenant of less than 2.5x.

Pension deficit and net assets

The Group's IAS 19 pension deficit was £4.8m (H1 FY23: £8.4m), an increase of £0.5m since June 2023. An increase in the value of scheme liabilities, on lower bond yields, was only partially offset by company contributions and higher asset values. The Group continues to expect the current level of contributions, and a recovery in asset values, to bring the scheme to a low dependency position within a reasonable timeframe.

Group net assets increased to £26.3m (H1 FY23: £20.7m, FY23: £25.7m).

Interim Dividend

The Board declared an increased interim dividend of 3.45p (H1 FY23: 3.40p) per ordinary share, payable on 8 April 2024 to shareholders on the register on 23 February 2024.

Outlook

The Board does not expect the current demand headwinds to alleviate significantly in the second half of the year. However Alumasc has a proven track record of outperforming its UK construction end markets through product innovation, experienced management teams and its focus on best in class service and operational excellence. The Board therefore remains confident in the Group achieving its full year expectations.

Alumasc is well positioned, as a producer of innovative products which meet the growing demand for environmental solutions and sustainable products, to benefit when markets recover and to deliver long-term significant shareholder value.

Paul Hooper, Chief Executive

6 February 2024

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME**
for the half year to 31 December 2023

	Notes	Half year to 31 December 2023			Half year to 31 December 2022			Year to 30 June 2023
		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	47,812	-	47,812	44,953	-	44,953	89,135
Cost of sales		(29,864)	-	(29,864)	(28,449)	-	(28,449)	(56,406)
Gross profit		17,948	-	17,948	16,504	-	16,504	32,729
Net operating expenses								
Net operating expenses before non-underlying items		(11,211)	-	(11,211)	(10,499)	-	(10,499)	(20,620)
Non-underlying items	4	-	(584)	(584)	-	(229)	(229)	(585)
Net operating expenses		(11,211)	(584)	(11,795)	(10,499)	(229)	(10,728)	(21,205)
Operating profit	4, 5	6,737	(584)	6,153	6,005	(229)	5,776	11,524
Net finance costs	7	(460)	(104)	(564)	(419)	(24)	(443)	(985)
Profit before taxation		6,277	(688)	5,589	5,586	(253)	5,333	10,539
Tax expense	8	(1,594)	109	(1,485)	(1,184)	337	(847)	(2,186)
Profit for the period from continuing operations		4,683	(579)	4,104	4,402	84	4,486	8,353
Discontinued operations:								
Loss after taxation for the period from discontinued operations	6	-	-	-	-	(1,795)	(1,795)	(1,750)
Profit/(loss) for the period		4,683	(579)	4,104	4,402	(1,711)	2,691	6,603
Other comprehensive income:								
Items that will not be reclassified to profit or loss:								
Actuarial loss on defined benefit pensions, net of tax				(739)			(5,404)	(2,796)
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				(46)			(27)	(285)
Exchange differences on retranslation of foreign operations				(31)			12	(18)
				(77)			(15)	(303)
Other comprehensive loss for the period, net of tax				(816)			(5,419)	(3,099)
Total comprehensive profit/(loss) for the period, net of tax				3,288			(2,728)	3,504
Earnings per share:				Pence			Pence	Pence
Basic earnings per share								
- Continuing operations	11			11.4			12.5	23.3
- Discontinued operations	11			-			(5.0)	(4.9)
				11.4			7.5	18.4
Diluted earnings per share								
- Continuing operations				11.3			12.4	23.1
- Discontinued operations	11			-			(5.0)	(4.9)
				11.3			7.4	18.2

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 2023

	Notes	31 December 2023 (Unaudited) £'000	31 December 2022 (Unaudited) £'000	30 June 2023 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment - owned assets		14,584	12,733	13,227
Property, plant and equipment - right of use assets		4,517	4,444	5,007
Goodwill	14	13,493	8,526	8,526
Other intangible assets		5,292	2,035	2,073
Deferred tax assets		1,203	2,094	1,081
		39,089	29,832	29,914
Current assets				
Inventories		12,952	14,376	11,561
Trade and other receivables		18,350	15,462	20,748
Derivative financial assets		-	314	-
Cash at bank	12	7,186	5,962	5,995
		38,488	36,114	38,304
Total assets		77,577	65,946	68,218
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	12	(14,556)	(12,782)	(8,848)
Lease liability	12	(3,979)	(3,696)	(4,366)
Employee benefits payable		(4,812)	(8,375)	(4,323)
Provisions		(1,503)	(811)	(1,185)
Deferred tax liabilities		(2,865)	(1,907)	(1,614)
		(27,715)	(27,571)	(20,336)
Current liabilities				
Trade and other payables		(20,854)	(15,259)	(19,120)
Lease liability	12	(836)	(881)	(868)
Provisions		(776)	(1,033)	(612)
Corporation tax payable		(1,005)	(491)	(1,505)
Derivative financial liabilities		(91)	-	(30)
		(23,562)	(17,664)	(22,135)
Total liabilities		(51,277)	(45,235)	(42,471)
Net assets		26,300	20,711	25,747
Equity				
Share capital		4,517	4,517	4,517
Share premium		445	445	445
Capital reserve - own shares		(378)	(587)	(577)
Hedging reserve		(68)	236	(22)
Foreign currency reserve		167	228	198
Profit and loss account reserve		21,617	15,872	21,186
Total equity		26,300	20,711	25,747

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
CASH FLOWS
for the half year to 31 December 2023**

	Half year to 31 December 2023 (Unaudited) £'000	Half year to 31 December 2022 (Unaudited) £'000	Year to 30 June 2023 (Audited) £'000
Operating activities			
Operating profit from continuing operations	6,153	5,776	11,524
Adjustments for:			
Depreciation	1,319	1,249	2,681
Amortisation	124	98	247
Loss on disposal of property, plant and equipment	15	12	1
Decrease/(increase) in inventories	127	(982)	1,833
Decrease/(increase) in receivables	4,334	3,324	1,897
(Decrease)/increase in trade and other payables	(2,728)	(3,796)	(3,948)
Movement in provisions	14	(577)	(624)
Cash contributions to retirement benefit schemes	(600)	(967)	(1,567)
Share based payments	138	130	182
Cash generated by operating activities of continuing operations	8,896	4,267	12,226
Tax paid	(1,674)	(139)	(530)
Net cash inflow from operating activities	7,222	4,128	11,696
Investing activities			
Purchase of property, plant and equipment	(1,274)	(1,378)	(2,545)
Payments to acquire intangible fixed assets	(243)	(7)	(194)
Proceeds from sales of property, plant and equipment	-	-	24
Acquisition of subsidiary	(8,679)	-	-
Cash acquired on acquisition of subsidiary	2,223	-	-
Loss on disposal of subsidiary	-	(1,686)	(1,750)
Net cash outflow from investing activities	(7,973)	(3,071)	(4,465)
Financing activities			
Bank interest paid	(269)	(264)	(671)
Equity dividends paid	(2,482)	(2,381)	(3,599)
Draw down/(repayment) of amounts borrowed	5,700	-	(4,000)
Refinancing costs	(78)	(262)	(262)
Principal paid on lease liabilities	(419)	(362)	(765)
Interest paid on lease liabilities	(88)	(80)	(154)
Purchase of own shares	(480)	(54)	(51)
Exercise of share based payments	89	12	-
Net cash inflow/(outflow) from financing activities	1,973	(3,391)	(9,502)
Net increase/(decrease) in cash at bank and bank overdrafts	1,222	(2,334)	(2,271)
Net cash at bank and bank overdrafts brought forward	5,995	8,284	8,284
Net increase/(decrease) in cash at bank and bank overdrafts	1,222	(2,334)	(2,271)
Effect of foreign exchange rate changes	(31)	12	(18)
Net cash at bank and bank overdrafts carried forward	12 7,186	5,962	5,995

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year to 31 December 2023**

	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 2023	4,517	445	(577)	(22)	198	21,186	25,747
Profit for the period	-	-	-	-	-	4,104	4,104
Exchange differences on retranslation of foreign operations	-	-	-	-	(31)	-	(31)
Net loss on cash flow hedges	-	-	-	(61)	-	-	(61)
Tax on derivative financial liability	-	-	-	15	-	-	15
Share based payments	-	-	-	-	-	138	138

Actuarial loss on defined benefit pension schemes, net of tax	-	-	-	-	-	(739)	(739)
Acquisition of own shares	-	-	(480)	-	-	-	(480)
Own shares used to satisfy exercise of share awards	-	-	679	-	-	-	679
Exercise of share-based incentives	-	-	-	-	-	(590)	(590)
Dividends	-	-	-	-	-	(2,482)	(2,482)
At 31 December 2023	4,517	445	(378)	(68)	167	21,617	26,300
	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year to 31 December 2023

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 2023.

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 2023 and in accordance with AIM Rule 18, and the same accounting policies will be adopted in the 2024 annual financial statements.

The consolidated financial statements of the Group as at and for the year ended 30 June 2023 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 2023 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 2023 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 2023.

These condensed consolidated interim financial statements were approved by the Board of Directors on 6 February 2024.

The Group performed ahead of the Base Case trading scenario modelled as part of the 30 June 2023 year end Going Concern review, and also ahead of 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 2023, namely the valuation of defined benefit pension obligations and the valuation of the Group's acquired goodwill.

During the six months ended 31 December 2023, management reassessed and updated its estimates in respect of retirement benefit obligations based on market data available at 31 December 2023. The resulting impact was a £1.0 million pre-tax actuarial loss, calculated using IAS 19 conventions, recognised in the six month period to 31 December 2023.

3. Risks and uncertainties

A summary of the Group's principal risks and uncertainties was provided

on pages 57 to 60 of Alumasc's Report and Accounts for the year ended 30 June 2023. 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:

- Inflation and interest rates, and their impact on the Group's construction markets;
- Prolonged periods of bad weather which may impact the Group's construction markets; and
- Potential impacts on customer demand or our supply chain from the current global geopolitical environment.

4. Underlying to statutory profit reconciliation

	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
<u>Profit before tax</u>			
Underlying profit before tax from continuing operations	6,277	5,586	11,172
Amortisation of acquired intangible assets	(35)	(35)	(70)
IAS 19 net pension scheme finance costs	(104)	(24)	(48)
Acquisition costs	(259)	-	(253)
Restructuring & legal costs	(290)	(194)	(262)
Reported profit before tax from continuing operations	5,589	5,333	10,539

	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
<u>Operating profit</u>			
Underlying operating profit from continuing operations	6,737	6,005	12,109
Amortisation of acquired intangible assets	(35)	(35)	(70)
Acquisition costs	(259)	-	(253)
Restructuring & legal costs	(290)	(194)	(262)
Reported operating profit from continuing operations	6,153	5,776	11,524

The Group reports underlying profit and underlying earnings in addition to the financial information prepared under IFRS. The Board believes that underlying profit and underlying earnings provide additional and more consistent measures of underlying performance by removing items that are not closely related to the Group's day-to-day trading activities and which would typically be excluded in assessing the value of the business. The following items have been treated as non-underlying, and consequently disclosed separately from underlying profit and earnings:

Amortisation of intangible assets that are acquired through business combinations of £35,000 (H1 FY23: £35,000) are treated as non-underlying, as they are non-cash items that are based on judgements about their value and economic life and are not related to the Group's underlying trading performance.

IAS 19 net pension scheme finance costs of £104,000 (H1 FY23:

£24,000) are considered non-underlying as they are notional non-cash items, and as they are past service costs they are not related to current trading activities.

Acquisition costs of £259,000 (H1 FY23: £nil) relate to the acquisition of ARP Group, which completed in December 2023. These are legal fees which are treated as non-underlying as they are one-off, non-trading items.

Restructuring and legal costs of £290,000 (H1 FY23: £194,000) represent the costs of a restructuring of the Water Management division's sales and commercial teams and, in the prior year, legal costs incurred in resolving a commercial dispute. These items are considered non-underlying as they are significant, one-off items that are non-trading or, in the case of restructuring costs, incremental to normal operations undertaken to add value to the business that will not be incurred in the ongoing business.

5. Segmental analysis

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

<u>Revenue</u>	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Half year to 30 June 2023 £'000
Water Management	22,027	19,581	39,841
Building Envelope	18,680	18,324	34,559
Housebuilding Products	7,105	7,048	14,735
Group Revenue	47,812	44,953	89,135

<u>Operating profit</u>	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Half year to 30 June 2023 £'000
Water Management	3,521	2,510	5,765
Building Envelope	2,384	2,589	4,084
Housebuilding Products	1,741	1,622	3,518
Unallocated central costs	(909)	(716)	(1,258)

Underlying operating profit from continuing operations	6,737	6,005	12,109
Non-underlying items	(584)	(229)	(585)
Operating profit from continuing operations	6,153	5,776	11,524

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 condensed consolidated interim statement of comprehensive income are as follows:

	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
Revenue	-	436	436
Underlying operating loss	-	-	(350)
Write back of Assets held for sale	-	-	350
Loss on disposal	-	(1,795)	(1,750)
Loss before taxation	-	(1,795)	(1,750)
Tax credit	-	-	-
Loss after taxation	-	(1,795)	(1,750)

7. Finance expenses

	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
Finance costs			
- Bank overdrafts	14	12	29
- Revolving credit facility	358	327	754
- Interest on lease liabilities	88	80	154
	460	419	937
- IAS 19 net pension scheme finance costs	104	24	48
	564	443	985

8. Tax expense

	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
Current tax:			
UK corporation tax - continuing operations	729	438	1,704
Overseas tax	138	10	(6)
Amounts under provided in previous years	-	-	175

Total current tax	867	448	1,873
Deferred tax:			
Origination and reversal of temporary differences	618	399	404
Amounts over provided in previous years	-	-	(206)
Rate change adjustment	-	-	115
Total deferred tax	618	399	313
Total tax expense	1,485	847	2,186
Deferred tax recognised in other comprehensive income:			
Actuarial losses on pension schemes	(246)	(1,801)	(932)
Cash flow hedge	(15)	17	(70)
Tax credited to other comprehensive income	(261)	(1,784)	(1,002)
Total tax charge/(credit) in the statement of comprehensive income	1,224	(937)	1,184

9. Dividends

The Directors have approved an interim dividend per share of 3.45 pence (FY23 interim dividend: 3.40 pence) which will be paid on 8 April 2024 to shareholders on the register at the close of business on 23 February 2024. The cash cost of the dividend is expected to be £1,240,000. 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 6.90 pence in respect of the 2022/23 financial year was paid at a cash cost of £2,482,000 during the six months to 31 December 2023.

10. Share Based Payments

During the period the Group awarded 210,000 options (H1 FY23: 225,000) under the Executive Share Option Scheme ("ESOS"). These options have an exercise price of 160.3 pence and require certain criteria to be fulfilled before vesting. 90,000 existing options were exercised during the period (H1 FY23: 15,380) and no existing options lapsed (H1 FY23: 104,620).

Total awards granted under the Group's Long Term Incentive Plans ("LTIP") amounted to 316,472 (H1 FY23: 307,264). LTIP awards have no exercise price but are dependent on certain vesting criteria being met. 130,251 existing LTIP awards were exercised during the period (H1 FY23: 22,175) and 53,691 existing LTIP awards lapsed (H1 FY23: 48,717).

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 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
Net profit attributable to equity holders - continuing operations	4,104	4,486	8,353
Net profit attributable to equity holders - discontinued operations	-	(1,795)	(1,750)
	4,104	2,691	6,603
	000s	000s	000s
Basic weighted average number of shares	35,942	35,806	35,806
Dilutive potential ordinary shares - employee share options	292	334	386
Diluted weighted average number of shares	36,234	36,140	36,192
	Half year to 31 December 2023 Pence	Half year to 31 December 2022 Pence	Year to 30 June 2023 Pence
Basic earnings per share:			
Continuing operations	11.4	12.5	23.3
Discontinued operations	-	(5.0)	(4.9)
	11.4	7.5	18.4
Diluted earnings per share:			
Continuing operations	11.3	12.4	23.1
Discontinued operations	-	(5.0)	(4.9)
	11.3	7.4	18.2

11. Earnings per share (continued)

Calculation of underlying earnings per share:

	Half year to 31 December 2023 £'000	Half year to 31 December 2022 £'000	Year to 30 June 2023 £'000
Reported profit before taxation from continuing operations	5,589	5,333	10,539
Amortisation of acquired intangible assets	35	35	70
IAS 19 net pension scheme finance costs	104	24	48
Restructuring & legal costs	290	194	262
Acquisition costs	259	-	253
Underlying profit before taxation from continuing operations	6,277	5,586	11,172

Tax at underlying Group tax rate of 25.4% (2022/23 first half year: 21.2%; full year: 20.0%)	(1,594)	(1,184)	(2,234)
Underlying earnings from continuing operations	4,683	4,402	8,938
Weighted average number of shares	35,942	35,806	35,806
Basic underlying earnings per share from continuing operations	13.0p	12.3p	25.0p
Diluted underlying earnings per share from continuing operations	12.9p	12.2p	24.7p

12. Movement in borrowings

	Cash at bank /bank overdrafts £'000	Bank loans £'000	Net bank cash/(debt) £'000	Lease liabilities £'000	Total borrowings £'000
At 1 July 2023	5,995	(8,848)	(2,853)	(5,234)	(8,087)
Cash flow movements	1,222	(5,622)	(4,400)	419	(3,981)
Non-cash movements	-	(86)	(86)	-	(86)
Effect of foreign exchange rates	(31)	-	(31)	-	(31)
At 31 December 2023	7,186	(14,556)	(7,370)	(4,815)	(12,185)

	Cash at bank /bank overdrafts £'000	Bank loans £'000	Net bank cash/(debt) £'000	Lease liabilities £'000	Total borrowings £'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)

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 30 of Alumasc's Report and Accounts for the year ended 30 June 2023.

14. Acquisition of ARP

On 21 December 2023 the Group acquired the entire issued share capital of ARP Group, a manufacturer and distributor of specialist metal rainwater and architectural aluminium products, for an initial cash consideration of £8.5 million together with a £0.2 million adjustment for net debt and working capital, with a further £1.5 million payable subject to ARP Group's performance over the two years ending November 2024 and a further £1.2 million working capital adjustment payable by the end of January 2024. ARP's consolidated unaudited results for the year ended February 2023 showed revenue of £10.8 million and adjusted EBITDA of £1.3 million. Reported net assets at completion were £3.3 million,

including £2.2 million of net cash.

Directly attributable acquisition costs of £259,000 were incurred in the period in respect of the transaction and these have been recognised as non-recurring expenses in the income statement. Business combination accounting is expected to be finalised within 12 months from the completion date of the acquisition.

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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Results and Trading Reports

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