

THE ALUMASC GROUP PLC – FULL YEAR RESULTS ANNOUNCEMENT

Alumasc (ALU.L), the premium building products, systems and solutions group, announces results for the year ended 30 June 2016.

Full year financial highlights

Year to 30 June	2016	2015	% change
Continuing operations:			
Order book at 30 June (£m)	26.6	24.0	+11%
Revenue (£m)	92.2	90.3	+2%
Underlying profit before tax (£m)*	8.3	7.7	+7%
Underlying earnings per share (pence)*	18.4	16.9	+9%
Dividends per share (pence)	6.5	6.0	+8%
Total group (including discontinued¹ operations):			
Profit before tax (£m)	7.7	4.8	+59%
Basic earnings per share (pence)	18.2	12.3	+48%
Net cash at 30 June (£m)	8.6	0.9	

* Underlying profits and earnings per share from continuing operations are stated prior to the deduction of brand amortisation of £0.3 million (2014/15: £0.3 million) and IAS 19 pension charges of £1.2 million (2014/15: £1.2 million).

¹ Discontinued operations comprise Dyson Diecastings in 2015/16; and Dyson Diecastings, Alumasc Precision Components and Pendock Profiles in 2014/15.

Key points

- Alumasc completed its strategic re-focusing on **Premium Building Products, Systems & Solutions** with the £4m sale in June of its last remaining engineering business, Dyson Diecastings.
- **Quality of building products' earnings was strong** across all business segments. Revenues, excluding large projects of £1m or more, grew by 9% and operating cash generation exceeded operating profit.
- The current **order book is at record levels** and has grown since the financial year end to over £30m (30 June 2015: £24.0m). This includes the increasing success of Levolux in North America and initial signs of recovery in the scheduling of larger projects which will benefit the latter part of the new financial year and beyond.
- **Solar Shading & Screening** revenue up 8% to £17.4m and operating profit up 3% to £1m resulted from Levolux trading ahead of expectations with a closing order book of £18.9m. Its growing presence in North America reflects the transformation over the past ten years into a business offering innovative and bespoke architectural, screening, balcony, solar shading and internal blind solutions.
- **Roofing & Walling** performed strongly albeit with a marginally lower outturn for the year. Revenue was down 1% to £40.1m and operating profit down 11% to £4m reflecting the completion of the £12m Kitimat project in 2014/15 and government cuts to the Eco and Green Deal Schemes. Strong trading momentum in roofing in the second half in both the new build and refurbishment markets is carrying through into the current year. Following investment in new sales resources and products, walling is gaining traction in new build and beginning to develop new export markets in the Middle East.

- **Water Management** revenue up 2% to £27.6m and operating profit up 7% to £3.5m was driven by a strong trading performance by Alumasc Water Management Solutions for most of the year, albeit pre-EU referendum uncertainties impacted “spot” orders in Q4. The Gatic engineered access covers business has recently won a number of significant projects, mainly for export markets.
- **Housebuilding & Ancillary Products** revenue up 10% to £8.6m and operating profit up 25% to £1.4m reflects another record year for Timloc which continues to out-perform the UK house building products sector, adding new products and expanding geographic reach. Investment in sales and management resources and a new business system will support further growth and enhance Timloc’s reputation for excellent customer service. As part of growth plans, a lease on premises at Goole was signed in July 2016 and the new facility will be available for occupation in late 2017.
- Alumasc’s **net cash** inflow for the year was £7.7m and the group finished the year with £8.6m of net cash resources, which will be used to support continued organic growth and, should there be opportunities at the right price, complementary acquisitions.

Paul Hooper, Chief Executive, commented:

“This was Alumasc’s fifth successive year of profit growth and our order books are at record levels. We believe all our businesses have significant growth opportunities because of their strategic positioning in growing market niches and international potential.”

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Strategic Report

Chairman's Statement

Developments

This year marks Alumasc's 30th anniversary as a public company. For the past thirty years, our Annual Report, including my statement as Chairman, has covered a diverse group of small businesses, operating in several unrelated sectors. This year, following the sale of Dyson Diecastings, its last remaining engineering subsidiary, Alumasc's continuing business now operates within a single market sector.

This concentration of activity within building and construction is the outcome of a strategy to focus resource where our strengths lie and to exchange the historic resilience of diversity for the greater possibilities of building on a winning formula, while continually developing our skills and sharing best practice. This approach is discussed in greater detail in the Chief Executive's review that follows.

In order to counter the resultant risk of exposure to a single industry and its cycles, we endeavour to direct each business towards sectoral opportunities where demand is expected to outstrip the industry benchmark and to seek opportunities to introduce our products and services to new geographic markets judged to hold potential. This is not a new endeavour; however, it has required patience and investment. We believe that it has already delivered results during the difficult years that followed the financial crisis and, with greater focus, will yield greater rewards in future years.

Performance

Importantly, Alumasc has delivered another strong performance in the review year to 30 June 2016, with our continuing business progressing for the fifth consecutive year. The group's underlying profit before tax from continuing operations grew by 7%, from £7.7 million to £8.3 million, and statutory profit before tax by 59% to £7.7 million. Our balance sheet was already strong as a result of this improving performance and, following the sale of Dyson Diecastings in June, included net cash balances of £8.6 million at the year end.

The Board is recommending a final dividend of 3.8 pence per share (2015: 3.5 pence), to give a total of 6.5 pence for the year. This represents an increase of 8% over the previous year (6.0 pence) and is 2.8 times covered by basic earnings per share of 18.2 pence.

Future Development

Despite the transformation referred to above from diversity to greater focus, Alumasc remains a family of specialist businesses, each dedicated to satisfying specialist demands with specific, frequently bespoke, solutions. The more we succeed, by providing outstanding service to discriminating customers, the more we can expect to win market share and grow our revenues. Innovation is a vital contributor to this process and remains high on the agenda of all our businesses.

In the past, the diversity of our group may have provided a buffer against individual sectoral decline and cycles but limited opportunity for intra-group collaboration. The nuanced market focus of our continuing businesses still provides a degree of diversity within the sector but one where opportunities and best practice can frequently be shared.

These two points – innovation and evolving best practice – give our strategy a distinctly 'organic' flavour, which we view as a strength. The complementary strength of our balance sheet, and the operational focus on margin and cash generation, also provides us with the wherewithal to supplement organic growth by acquisition. We will be on the lookout for such opportunities, where they complement the market focus that has been achieved in recent years.

Prospects

Alumasc ended the year to June 2016 with positive momentum and with rising order books which have continued to grow since the year end to record levels, both positive indicators for the new financial year. A major contributor to the growth in order books is the success of Levolux in the United States, where patient groundwork has begun to yield tangible results. There are also signs of recovery in the scheduling of larger projects, following a quieter period during the past year, which will benefit the latter part of our new financial year and beyond.

More generally, it is still too close to the June referendum to predict with confidence any consequential change in prospects for the wider economy.

We assess the impact on our business of the fall in Sterling to be limited at current levels and our businesses have not detected any significant change in demand for their products and services.

At this moment, therefore, given the encouraging fundamentals outlined above, we continue to believe that Alumasc can outperform its underlying markets and that the group is well positioned to adapt to reality as necessary, with the expectation of achieving further progress both short and longer term.

John McCall
Chairman

Chief Executive's Strategic and Performance Overview

Strategic overview

Alumasc's strategic focus is to supply premium building products, systems and solutions with the objectives of:

1. Building strong positions in specialist niche markets where specifiers and end customers recognise the value added by our products and services
2. Growing group revenues on average at a faster rate than the UK construction market
3. Generating consistently superior financial returns, underpinned by strong operating margins and returns on investment.

All Alumasc businesses operate in niche segments that benefit from growing demand for one or more of the following:

1. The management of energy in the built environment
2. The management of water in the built environment
3. Bespoke solutions involving significant design input and technical expertise
4. Solutions that improve the efficiency and quality of the construction and installation process.

Alumasc leverages this strong strategic positioning through:

- The recruitment and development of talented people
- Fostering an innovative and entrepreneurial culture
- Dedicated management and sales focus for each niche market segment
- Developing synergies within the group
- The promotion of recognised and trusted brands
- The development of innovative products
- Expanding our geographical reach including internationally
- Prioritised investment: both in human and capital resources to support further growth in the business.

The above is illustrated in more detail in the annual results presentation which can be found at www.alumasc.co.uk.

Overview of performance

Alumasc achieved its strategic ambition to become a focused supplier of niche building products at the end of the 2015/16 financial year, when the group sold its last remaining engineering products business, Dyson Diecastings.

Continuing operations

I am pleased to report Alumasc's fifth successive year of profit and earnings growth. The results for the year from continuing building products operations were the second best on record:

- Group revenues increased by 2% to £92.2 million
- Underlying operating profit increased by 2% to £8.5 million
- We invested an incremental £1.2 million during the year mainly in additional sales resources to support the continued future growth in the business, the costs of which were absorbed within our operating profit for the year

- Underlying profit before tax grew by 7% to £8.3 million, benefiting from the increase in operating profit and lower interest costs on borrowings due to lower average levels of net debt during the year
- Underlying earnings per share grew by 9% to 18.4 pence.

The quality of the group's earnings in the 2015/16 financial year was high for a number of reasons:

- The majority of our businesses improved their profit in the year, with profitability far more evenly balanced throughout the group than has been the case in prior years
- The impact of large projects on group revenues and on group results was far less than it has been in recent years. We estimate that revenues from day to day business, excluding the impact of projects worth £1 million or more, increased by 9% in the year. This was a far stronger performance than the headline figures suggest.
- Conversion of profit into operating cash flow was strong, with operating cash flow of £11.2 million in excess of earnings before interest, tax, depreciation and amortisation ("EBITDA") of £9.7 million.

Discontinued operations

Profit before tax from discontinued operations was £0.9 million, mainly arising from the gain on sale of the Dyson Diecastings business, which had traded at just above break-even levels for the year prior to its sale.

Statutory profit and earnings per share

Statutory profit before tax grew by 59% to £7.7 million, benefiting from the growth in underlying profit, the £0.9 million profit from the sale of Dyson Diecastings and non-repeat of operating losses from the engineering products business sold towards the end of the prior year.

Basic earnings per share of 18.2 pence were 48% ahead of the prior year's 12.3 pence per share.

Outlook

The group's positive momentum and rising order books, together with signs of recovery in the scheduling of larger construction projects referred to in the Chairman's Statement, are encouraging signs for this financial year. The timing of the larger projects in the current order book suggests there could be a second half bias to this financial year's performance.

More broadly, we believe all our businesses have significant medium and longer term growth opportunities because of their strategic positioning in growing market niches and international potential.

As Alumasc's building products business approaches record ever levels of revenue and profit, it will require continued investment in human resources, together with investment in new capacity for Alumasc Water Management Solutions and Timloc, described further below, to fully realise this potential.

Dividends

The Board is recommending a final dividend of 3.8 pence per share (2014/15: 3.5 pence), taking the total dividend for the year to 6.5 pence (2014/15: 6.0 pence), an increase of 8%.

The dividend will be paid, subject to shareholder approval at the AGM to be held on 27 October 2016, on 1 November to shareholders on the register on 7 October.

Operational review

Health & safety

Alumasc's priority is to provide a safe place for our employees to work. The group further improved its safety performance in the year and recorded its second best safety performance rate on record.

Solar shading and screening

Revenue: £17.4 million (2014/15: £16.0 million), up 8%
Underlying operating profit: £1.0 million (2014/15: £0.9 million), up 3%
Underlying operating margin: 5.5% (2014/15: 5.8%)

Levolux's trading performance was ahead of expectations set at the beginning of the year, reporting higher revenues and profits than in the prior year. This was despite there being only one project of above £1 million revenue being completed in its entirety during the financial year.

More importantly, Levolux had an excellent year in broadening the market reach of the business including exports to North America, and also new products in the UK. This was reflected in closing order books at 30 June 2016 of £18.9 million, a substantial increase of 21% on the position at the beginning of the financial year.

Around a third of Levolux's 30 June 2016 order book is for export sales to North America and we expect this to be reflected in the sales mix later in the 2016/17 financial year. This is testament to the significant business development effort of recent years where Levolux has now established strong positions for the provision of premium and unique shading and screening solutions in a number of key regions in North America. Levolux plans to build on this success by adding two further vice presidents of sales in North America in the current financial year.

When Alumasc acquired Levolux in 2007 it was principally a UK solar shading and internal blinds business with the potential to expand its product range both in the UK and internationally. Ten years later it has been transformed into a business with a strong presence in both the UK and North America and that now provides:

- Bespoke architectural solutions for architects and building owners encompassing innovative external façade and internal features
- Innovative screening solutions for otherwise architecturally uninteresting buildings such as power plants and car parks
- Bespoke balcony solutions, including off-site construction options, to prestige residential developments
- Unique solar shading solutions that, where specified, can include electronic automation and photovoltaics, enabling architects and building owners to manage and reduce energy use in buildings
- Bespoke internal blind solutions to reduce glare and improve the comfort of building occupants.

Roofing & Walling

Revenue: £40.1 million (2014/15: £40.6 million), 1% down
Underlying operating profit: £4.0 million (2014/15: £4.5 million), 11% down
Underlying operating margin: 9.9% (2014/15: 11.0%)

This business segment performed strongly and remained the most profitable in the group albeit with a marginally lower outturn for the year due to:

- Lower revenues and profits from the large £12 million Kitimat smelter refurbishment project, which was already substantially complete in the 2014/15 year, with only the final account settled in the 2015/16 financial year
- Lower activity levels in England and Wales for exterior wall insulation following government funding cuts to the Eco and Green Deal schemes for social housing refurbishment work.

Our roofing business started the year more slowly than expected with delays caused by market-wide shortages of installation labour. However it recovered to have a much stronger second half of the year, with the core business reporting its best performance on record for the year as a whole and strong trading momentum in both new build and refurbishment markets carrying through into the new financial year.

Further significant investment was made in high quality technical sales resources during the year, and the larger sales team is broadening the geographic reach of the business within the UK and is attracting higher levels of specifications for our products and solutions.

Alumasc Roofing is benefiting from the much wider product range introduced over the last few years, including the integration of the Blackdown green roofing and Roof-Pro roofing services businesses into the core waterproofing business. This has been combined with a comprehensive service offer including the Alumasc Promise. This enables us to offer specifiers, main contractors and building owners high quality solutions that provide longevity and lower the life cycle costs of the roof, assist in the management of energy and water and help provide a safe roof environment.

Our walling business had a transitional year as we invested in new sales resources and new products to build our positions in new build markets to offset the cuts to funded refurbishment work in England and Wales. The new build business began to gain traction towards the end of the financial year, with encouraging initial sales of the recently introduced Alumasc Base Coat Render and the Alumasc Ventilated System. The latter offers off-site construction options. We have also had interest from new export markets in the Middle East and initial sales were made in summer 2016. The exterior wall insulation refurbishment business in Scotland remains very strong, supported by ongoing funding under the Scottish government's HEEPS and forthcoming SEEPS schemes.

Water management

Revenue: £27.6 million (2014/15: £27.0 million), up 2%
Operating profit: £3.5 million (2014/15: £3.3 million), up 7%
Operating margin: 12.7% (2014/15: 12.1%)

The Alumasc Water Management Solutions ("AWMS") brand launched a year ago, which brought together in a holistic way our approach to the market for the Alumasc Rainwater, Harmer building drainage and Gatic civil drainage product ranges, was well received by customers and helped to drive a strong performance throughout most of the financial year. The new Gatic Filcoten and Harmer SML drainage products introduced a year ago, together with the new generation Gatic Slotdrain range introduced during the year each bedded in well.

The business was impacted by slowing UK economic growth rates towards the end of the financial year, including uncertainty ahead of the UK's Referendum on membership of the European Union, where some investment decisions in the UK relating to new infrastructure and industrial projects were delayed affecting order intake and sales for Gatic Slotdrain in particular. We also began to see upward pressure on galvanised steel costs towards the end of the financial year as part of an apparent over-correction to recent global over supply, and this is expected to impact Gatic Slotdrain margins in at least the first part of the new financial year.

AWMS further developed its strategy to provide a comprehensive water management within the built environment offer to the marketplace, including the 'Rain to Drain' concept, and is actively working with specifiers and industry bodies to help evolve our business to meet growing demand in this area.

It remains the intention to relocate the AWMS business to a new facility in the Kettering area at capital cost of circa £10 million in the next two to three years, as this business approaches physical capacity.

The Gatic engineered access covers business had a solid year, but unusually and for no other reason than timing, did not benefit from any large £1 million or more revenue projects in 2015/16 and therefore was unable to match the prior year's financial performance. Encouragingly, there are now a number of large projects both in the order book and in the pipeline beyond that, mainly for export markets.

House building products and ancillaries

Revenue: £8.6 million (2014/15: £7.8 million), up 10%
Operating profit: £1.4 million (2014/15: £1.1 million), up 25%
Operating margin: 16.6% (2014/15: 14.6%)

Timloc Building Products goes from strength to strength, reporting another record year and continuing to out-perform a buoyant UK house building products sector through the addition of new products to its range and expansion of its geographic reach within the UK. This business has close to trebled its operating profit since acquisition by Alumasc in 2004.

The first products in the new 'Above the Roofline' range were successfully launched in the second half of the year and the remainder of the products in this range will be rolled out in the coming months.

Investment has been made in additional sales and management resources during the year and a new business system was successfully launched in October. These provide the firm foundations needed to further grow the business and enhance its reputation for excellent customer service.

Timloc leveraged revenue growth with further purchasing, manufacturing and warehousing efficiencies in the year, supported by investment in new plant and equipment, allowing the business to earn improved operating margins. A lease on a new expanded facility was signed in July 2016 to support plans to further grow the business. The new facility is planned to be available for occupation in late 2017.

Paul Hooper
Chief Executive

Financial Review

Financial KPIs

The group's financial KPIs are summarised in the table below, together with comments on their year on year evolution. Most 2015/16 KPIs show positive progress compared with 2014/15.

Financial KPIs: Continuing Operations	2015/16	2014/15	Comment/explanation
Year end group order book (£m)	26.6	24.0	Strong order books driven mainly by Levolux's international expansion and some recovery in the scheduling of larger projects
Group revenues (£m)	92.2	90.3	Continued growth in building products sales
Underlying operating margin %	9.2	9.2	Strong margins, after increased costs of investment in people in 2015/16
Underlying profit before tax (£m)	8.3	7.7	Growth in Building Products operating profit driven by higher revenues, and lower interest costs on borrowings
Underlying earnings per share (pence)	18.4	16.9	Growth in underlying profit before tax at a lower underlying group tax rate
Average trade working capital % sales*	11.3	11.6	The reduction in this ratio is a positive development and reflects further working capital efficiency
Net cash (£m)	8.6	0.9	Improved cash conversion of profit. Sales proceeds from Dyson Diecastings divestment
Pension deficit (IAS 19) (£m)	22.7	20.9	The deficit increased due to actuarial losses on the revaluation of pension liabilities to present values, reflecting lower UK bond yields
Year-end shareholders' funds (£m)	16.6	15.9	Increased due to retained profits after tax, net of pension actuarial gains/losses
Return on investment (post-tax) (%)	24.3	22.8	Strong operating margins from less capital intensive continuing building product operations

*excluding the exceptionally large Kitimat contract that is now complete

Taxation

The group's underlying tax rate reduced from 22.0% in 2014/15 to 20.8% in 2015/16, broadly in line with the reduction in the UK statutory rate. The group's overall tax rate increased from 9.2% in 2014/15 to 15.6% in 2015/16 mainly due to the year on year reduction in non-taxable profits from business and related property disposals.

Cash flow and year end cash position

The group's cash flow performance for the year is summarised in the table below. This was another strong year for cash generation in Alumasc, with:

- Net operating cash flow from continuing activities of £11.2 million (2014/15 £9.3 million), benefiting from EBITDA of £9.7 million and a strong working capital performance. Rolling average trade working capital as a percentage of sales for the year improved to 11.3% from 11.6% a year ago, and some £1.8 million of cash was received in excess of profit recognised during the year on larger construction contracts reflecting the timing of milestone payments under those contracts

- Relatively modest capital investment of £1.1 million, broadly similar to the depreciation and amortisation charge for the year and the capital spend in the prior year. Investments were made principally in replacement plant and machinery, additional machinery to expand capacity at Timloc, and in new business systems at Levolux and Timloc
- Cash contributions to legacy defined benefit pension schemes were £2.9 million, unchanged on the prior year
- The net cash inflow for the year from continuing operations was £3.2 million, prior to the business disposal proceeds and trading cash flows of £4.5 million from Dyson Diecastings in the year
- A total cash inflow for the year of £7.7 million, including the Dyson Diecastings cash flows.

Alumasc's net cash resources at 30 June 2016 were therefore £8.6 million, an increase of £7.7 million on the 30 June 2015 net cash position of £0.9 million. In the last five years Alumasc has generated £19.3m of net cash, transforming a net debt position of £10.7 million at 30 June 2011 into a net cash position of £8.6 million at 30 June 2016.

Summarised Cash Flow Statement

	2015/16 £m	2014/15 £m
Continuing operations:		
EBITDA*	9.7	9.6
Underlying change in working capital	(0.3)	0.2
Short term changes in working capital on large construction contracts	1.8	(0.5)
Operating cash flow from continuing operations	<u>11.2</u>	<u>9.3</u>
Capital expenditure	(1.1)	(1.1)
Pension deficit & scheme expenses funding	(2.9)	(2.9)
Interest	(0.2)	(0.4)
Tax	(1.0)	(0.9)
Dividends	(2.2)	(1.9)
Share schemes and other	<u>(0.6)</u>	<u>(0.1)</u>
Net cash flow from continuing operations	3.2	2.0
Operating and investing cash flows from discontinued operations	-	0.4
Net sales proceeds from sale of businesses	4.5	6.2
	<u>7.7</u>	<u>8.6</u>
Increase in net cash		

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

Reconciliation of underlying profit before tax to profit for the year

	2015/16 £m	2014/15 £m
Underlying profit before tax from continuing operations	8.3	7.7
IAS19 pension costs	(1.2)	(1.1)
Brand amortisation	(0.3)	(0.3)
Profit before tax from continuing operations	<u>6.8</u>	<u>6.3</u>
Discontinued operations:		
Dyson Diecastings	0.9	0.7
Alumasc Precision Components	-	(3.0)
Pendock Profiles	-	0.8
Profit before tax	<u>7.7</u>	<u>4.8</u>
Tax expense	(1.2)	(0.4)
Profit for the year	<u><u>6.5</u></u>	<u><u>4.4</u></u>

Pensions

The Pension Trustees are in the process of finalising the triennial valuation of Alumasc's legacy defined benefit pension liabilities as at 31 March 2016. The draft valuation shows a deficit of £33 million, which equates to a funding level of 73%. The deficit is unchanged on the position three years ago, with the impact in the intervening period of falling gilt yields that are used to value pension liabilities offset by lower long term inflation expectations, mortality experience, transfers out of the scheme and investment performance.

The impact of the 2016 triennial valuation on recovery plan payments to be made by the company is still under discussion with the Pension Trustees. In view of the improved profitability of the group in the period since the 2013 actuarial review it is likely that company contributions will increase, albeit by a relatively modest amount.

The valuation of Alumasc's pensions deficit for accounting purposes, using IAS 19 valuation conventions, which are less stringent than those used in the formal triennial review, resulted in an increase in the deficit to £22.7 million at 30 June 2016, compared with £20.9 million at 30 June 2015. The increase is largely due to a reduction in the corporate bond yield used to value gross pension liabilities, particularly in the final quarter of the 2015/16 financial year, including the initial impact on bond yields of the UK referendum decision on 23 June 2016.

Balance sheet and capital structure

The group's net assets and shareholders' funds increased from £15.9 million at the beginning of the financial year to £16.6 million at 30 June 2016 as retained profits for the year were partially offset by pension scheme actuarial losses.

The group defines its capital invested as the sum of shareholders' funds, plus the pension deficit (net of the related deferred tax asset), less net cash resources. On this basis capital invested reduced from £31.8 million at the end of the prior year to £26.5 million at 30 June 2016, largely reflecting the sale of Dyson Diecastings for net proceeds of £4.0 million at the year end.

Our strategy to focus the group on building products activities has benefited both the group's operating margin and returns on investment over recent years as lower margin and higher capital intensity engineering products businesses have been sold whilst the ongoing building products business, which generates higher operating margins at lower capital intensity, has expanded.

Post tax return on investment from continuing operations was 24.3% in the 2015/16 financial year, substantially above the group's weighted average cost of capital.

Alumasc has a strong balance sheet. This will be used (together with the bank facilities described below as needed) to finance the anticipated further organic growth of the group and complementary acquisitions should the right opportunities arise at the right price.

Banking facilities

Alumasc's banking facilities comprise:

- An unsecured committed five year revolving credit facility of £12.5 million, expiring in August 2020
- The ability to extend this facility to £30 million, subject to further credit approval by relationship banks
- Overdraft facilities, repayable on demand, of £2 million.

Going concern and viability

In view of the current and anticipated trading position of the group, its strong balance sheet including substantial cash resources and the unutilised committed banking facilities described above, and based on information available to it as at the date of this report, the Board does not foresee issues with regard to going concern status of the group or its viability during the three year period for which it prepares financial plans.

Business risk, internal control and systems

The group continues to improve its risk management and control processes. Risk management is embedded in the way we work across the group and, in addition to the formal annual review process, it is considered wherever appropriate in monthly Board meetings at both operating business and group levels. Internal audits carried out by group finance concentrate on compliance with internal financial controls across Alumasc, and are increasingly focused on higher risk and judgmental areas.

Two new business systems were implemented during the year at Timloc and Levolux and substantial enhancements to the AWMS system are planned in 2017. At the end of the 2016/17 financial year, almost all of the Alumasc group will be supported by Microsoft Dynamics business systems.

Andrew Magson
Group Finance Director

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board

Paul Hooper

Chief Executive

Andrew Magson

Group Finance Director

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 30 June 2016 which will be despatched to shareholders on or around 23 September 2016 and will be available at www.alumasc.co.uk. Accordingly the responsibility statement makes reference to the financial statements of the company and the group and to the relevant narratives appearing in that annual report and accounts rather than the contents of this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

		2015/16	2014/15 (re-stated)
Continuing operations:	Notes	£'000	£'000
Revenue	4	92,233	90,295
Cost of sales		<u>(61,434)</u>	<u>(60,741)</u>
Gross profit		30,799	29,554
Net operating expenses		<u>(23,101)</u>	<u>(21,963)</u>
Operating profit	4	7,698	7,591
Finance income		-	5
Finance expenses	5	<u>(939)</u>	<u>(1,308)</u>
Profit before taxation	5	6,759	6,288
Tax expense	7	<u>(1,581)</u>	<u>(1,483)</u>
Profit for the period		5,178	4,805
Discontinued operations:			
Profit/(loss) after taxation for the period from discontinued operations	6	1,306	(429)
Profit for the period		<u>6,484</u>	<u>4,376</u>
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Actuarial loss on defined benefit pensions		(3,412)	(4,726)
Tax on actuarial loss on defined benefit pensions	7	<u>240</u>	<u>945</u>
		<u>(3,172)</u>	<u>(3,781)</u>
Items that are or may be recycled subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		(22)	(179)
Exchange differences on retranslation of foreign operations		1	17
Tax on cash flow hedge	7	<u>(1)</u>	<u>43</u>
		<u>(22)</u>	<u>(119)</u>
Other comprehensive loss for the period, net of tax		<u>(3,194)</u>	<u>(3,900)</u>
Total comprehensive profit for the period, net of tax		<u>3,290</u>	<u>476</u>
Earnings per share		Pence	Pence
Basic earnings per share			
- Continuing operations		14.5	13.5
- Discontinued operations		<u>3.7</u>	<u>(1.2)</u>
	9	<u>18.2</u>	<u>12.3</u>
Diluted earnings per share			
- Continuing operations		14.3	13.3
- Discontinued operations		<u>3.6</u>	<u>(1.2)</u>
	9	<u>17.9</u>	<u>12.1</u>

A reconciliation of the statutory results to underlying results is provided in note 5 and of underlying to basic earnings per share in note 9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Assets					
Non-current assets					
Property, plant and equipment		5,250		7,473	
Goodwill		16,488		16,488	
Other intangible assets		2,642		2,831	
Financial asset investments		17		17	
Deferred tax assets	7	4,080		4,187	
			28,477		30,996
Current assets					
Inventories		10,238		10,667	
Trade and other receivables		19,759		20,317	
Cash and cash equivalents		10,540		5,914	
			40,537		36,898
Total assets			69,014		67,894
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings		(1,908)		-	
Employee benefits payable		(22,668)		(20,935)	
Provisions		(1,064)		(1,224)	
Deferred tax liabilities	7	(508)		(390)	
			(26,148)		(22,549)
Current liabilities					
Interest bearing loans and borrowings		-		(5,000)	
Trade and other payables		(25,351)		(23,338)	
Provisions		(478)		(402)	
Corporation tax payable		(188)		(429)	
Derivative financial liabilities		(269)		(247)	
			(26,286)		(29,416)
Total liabilities			(52,434)		(51,965)
Net assets			16,580		15,929
Equity					
Called up share capital		4,517		4,517	
Share premium	10	445		445	
Capital reserve – own shares	10	(931)		(618)	
Hedging reserve	10	(221)		(198)	
Foreign currency reserve	10	50		49	
Profit and loss account reserve		12,720		11,734	
Total equity			16,580		15,929

G P Hooper
Director

A Magson
Director

1 September 2016
Company number 1767387

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2015/16	2014/15
	£'000	(re-stated) £'000
Operating activities		
Operating profit	7,698	7,591
Adjustments for:		
Depreciation	931	905
Amortisation	364	332
Gain on disposal of property, plant and equipment	(11)	(14)
Increase in inventories	(400)	(1,120)
Increase in receivables	(804)	(1,963)
Increase in trade and other payables	2,958	2,510
(Decrease)/increase in provisions	(84)	358
Cash contributions to retirement benefit schemes	(2,500)	(2,500)
Share based payments	181	300
Cash generated by operating activities of continuing operations	8,333	6,399
Operating profit/(loss) from discontinued operations	27	(896)
Depreciation and amortisation	141	1,050
Movement in working capital from discontinued operations	15	526
Cash generated by operating activities of discontinued operations	183	680
Tax paid	(980)	(907)
Net cash inflow from operating activities	7,536	6,172
Investing activities		
Purchase of property, plant and equipment – continuing operations	(869)	(888)
Purchase of property, plant and equipment – discontinued operations	(148)	(226)
Payments to acquire intangible fixed assets	(255)	(322)
Proceeds from sales of plant and equipment	21	60
Proceeds from sale of business activities	4,474	6,168
Interest received	-	5
Net cash inflow from investing activities	3,223	4,797
Financing activities		
Interest paid	(221)	(408)
Equity dividends paid	(2,208)	(1,889)
Repayment of amounts borrowed	(3,000)	(5,000)
Refinancing costs	(119)	-
Purchase of own shares (net)	(612)	-
Net cash outflow from financing activities	(6,160)	(7,297)
Net increase in cash and cash equivalents	4,599	3,672
Net cash and cash equivalents brought forward	5,914	2,224
Effect of foreign exchange rate changes	27	18
Net cash and cash equivalents carried forward	10,540	5,914

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Notes	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 equity £'000
At 1 July 2014		4,517	445	(618)	(62)	32	12,728	17,042
Profit for the period		-	-	-	-	-	4,376	4,376
Exchange differences on retranslation of foreign operations		-	-	-	-	17	-	17
Net loss on cash flow hedges		-	-	-	(179)	-	-	(179)
Tax on derivative financial liability		-	-	-	43	-	-	43
Actuarial loss on defined benefit pensions, net of tax		-	-	-	-	-	(3,781)	(3,781)
Dividends	8	-	-	-	-	-	(1,889)	(1,889)
Share based payments		-	-	-	-	-	300	300
At 1 July 2015		4,517	445	(618)	(198)	49	11,734	15,929
Profit for the period		-	-	-	-	-	6,484	6,484
Exchange differences on retranslation of foreign operations		-	-	-	-	1	-	1
Net loss on cash flow hedges		-	-	-	(22)	-	-	(22)
Tax on derivative financial liability		-	-	-	(1)	-	-	(1)
Actuarial loss on defined benefit pensions, net of tax		-	-	-	-	-	(3,172)	(3,172)
Dividends	8	-	-	-	-	-	(2,208)	(2,208)
Share based payments		-	-	-	-	-	181	181
Acquisition of own shares (net)		-	-	(313)	-	-	-	(313)
Exercise of share based incentives		-	-	-	-	-	(299)	(299)
At 30 June 2016		4,517	445	(931)	(221)	50	12,720	16,580

1 BASIS OF PREPARATION

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

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as they apply to the financial statements of the group for the year ended 30 June 2016, and the Companies Act 2006.

Prior year figures have been restated, where applicable, due to the presentation in 2015/16 of Dyson Diecastings as a discontinued operation. This business was sold on 30 June 2016.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report above. The financial position of the group, its cashflows and liquidity position are set out in the above financial statements.

The group has committed borrowing facilities of £12.5 million which expire in August 2020. In addition, the group has recently renewed overdraft facilities totalling £2 million for another year. At 30 June 2016 the group's net cash resources were £8.6 million (2015: £0.9 million).

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

2 JUDGMENTS AND ESTIMATES

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and valuation of defined benefit pension obligations and the recognition of revenues and profit on construction contracts.

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

Revenue recognised on construction contracts is determined by the assessment of the stage of completion of each contract. The requirement for Directors' judgment is limited in most cases due to the involvement of quantity surveyors during the assessment process.

Risks and uncertainties	Mitigating actions taken
<p>Economic, construction market and foreign exchange risks</p> <p><i>Comment</i> Alumasc is a UK-based group of businesses with the majority of group sales made to the construction sector in the UK, which can be cyclical in nature.</p> <p><i>The UK's 'Brexit' vote adds to economic uncertainty at the current time.</i></p>	<ul style="list-style-type: none"> • Strategic positioning in markets/sectors anticipated to grow faster than the UK construction market with potential for growth through the cycle. • Develop international sales (particularly in North America, the Middle East and Far East). • Increasing sales to the more resilient building refurbishment (relative to new build) markets. • Increasing mix of UK sales towards the stronger London & South East regional markets. • Development of added value systems and solutions that are either required by building regulation and/or specified by architects and engineers. • Develop and retain strong management teams. • Ensure Alumasc products are market leading and differentiated against the competition to improve specification and to protect margin. • Management has developed contingency plans to mitigate risks arising from Brexit uncertainty, including the further development of international markets in view of the recent depreciation of Sterling. • The group has some exposure to currency risk, particularly the Euro, following Sterling's recent devaluation. This is being mitigated by purchasing efficiencies, some selling price increases and currency hedging.
<p>Loss of key employees</p> <p><i>Comment</i> Generally, staff turnover is low.</p>	<ul style="list-style-type: none"> • Market competitive remuneration and incentive arrangements. • Changes in numbers of people employed monitored in monthly subsidiary board meetings. • Key and high potential employees identified and monitored on a local and group basis. • Focused training and development programmes for high potential and key people. • Exit interviews held for senior people who leave the business, with learning points shared.

Risks and uncertainties	Mitigating actions taken
<p>Product/service differentiation relative to competition not developed or maintained</p> <p><i>Comment</i> <i>Innovation and an entrepreneurial spirit is encouraged in all group companies. Some 20% of sales are earned from products launched in the last three years.</i></p>	<ul style="list-style-type: none"> • Devolved operating model with both group and local management responsible for identifying opportunities and emerging niche market trends. • Group-wide innovation best practice days are held annually. • Innovation and new product development workshops held regularly in most group companies. • Annual group strategic planning meetings encourage innovation and “blue sky” thinking, with group resources allocated and prioritised as appropriate to support approved ideas.
<p>Risk of loss of customers.</p> <p><i>Comment</i> <i>Generally good track record of customer retention. The group has a diversified customer base with the largest customer representing only circa 2% of group revenues.</i></p>	<ul style="list-style-type: none"> • Develop and maintain strong relationships through regular contact and seeking always to provide superior products, systems, solutions and service. • Good project tracking and enquiry/quote conversion rate tracking. • Increasing use of, and investment in, customer relationship management (CRM) software. • Organisational and cultural flexibility to adapt to changing and emerging customer needs.
<p>Pension obligations</p> <p><i>Comment</i> <i>Alumasc’s pension obligations are material relative to its market capitalisation and net asset value.</i></p>	<ul style="list-style-type: none"> • Continue to grow the business so the relative affordability of pension contributions is improved over time. • Maintain a good, constructive and open relationship with Pension Trustees. • Meet agreed pension funding commitments. • Pension scheme management is a regular group board agenda item. • Use of specialist advisors on actuarial, investment and advisory matters. • Monitor and seek market opportunities to reduce gross pension liabilities, through, for example, transfers or partial buy outs.

Risks and uncertainties	Mitigating actions taken
<p>Product warranty/recall risks</p> <p><i>Comment</i> The group has a good track record with regard to the management of these risks and does not have a history of significant claims.</p>	<ul style="list-style-type: none"> • Robust internal quality systems, compliance with relevant industry standards (eg ISO, BBA etc) and close co-operation with customers in their design and specification of the group's products. • Group insurance programme to cover larger potential risks and exposures, where available. • Back to back warranties from suppliers, where appropriate. • Seek to manage contractual liabilities to ensure potential consequential losses are minimised and proportionate, and overall liabilities are capped, where possible. • Specific local risk management procedures in group brands that also install (as well as supply) building products (i.e. Levolux and Blackdown). • Internal audits of quality and supply chain and design procedures targeted at higher risk areas, particularly Solar Shading and Roofing.
<p>Reliance on key suppliers</p> <p><i>Comment</i> Whilst the group does not have undue concentration on any single or small group of suppliers, certain Alumasc businesses do have key strategic suppliers, some of whom are located in the Far East.</p>	<ul style="list-style-type: none"> • Annual reviews of supplier concentration as part of strategic planning/formal business risk review process, with alternative suppliers sought and developed where practicable. • Regular key supplier visits, good relationships maintained and quality control checks/training carried out. • Regular reviews as to whether work should be brought back to the UK (or elsewhere) as economic conditions evolve, including the impact of foreign exchange rate movements.
<p>Business continuity risks</p> <p><i>Comment</i> The group has not previously experienced any significant loss of operational capability causing business continuity issues. Whilst the likelihood of a catastrophic loss is low, the impact if it were to happen could be high. Particular areas of focus this year with regard to risk mitigation have been cyber security and resilience of energy supplies.</p>	<ul style="list-style-type: none"> • Business continuity plans prepared at each business, having regard to the specific risk factors. • Advice is being taken from insurers on continuous improvement of these plans. • IT disaster recovery plans are in place, with close to real time back up arrangements using either off-site servers or cloud technology. • Cyber security reviews carried out at a group level and in all operating companies during the year. • Reviews of energy supply and contingency arrangements reviewed during the year, with back up supplies in place as needed. • Critical plant and equipment is identified, with associated breakdown/recovery plans, including assessment of engineering spares held on site.

Risks and uncertainties	Mitigating actions taken
<p>Strategic development risks and change projects</p> <p><i>Comment</i> There are execution risks around a number of current strategic change projects, including new product launches, the relocation of Timloc to a new property in 2017 and various ERP and CRM systems implementations.</p>	<ul style="list-style-type: none"> • Key strategic change projects are governed by Steering Committees sponsored by the managing director of the business, with group executive director involvement, supported by independent specialist consultants where necessary (for example IT and property). • Project risk reviews conducted and updated regularly. • Project plans established and monitored monthly. • Project boards established. The project manager reports to the Steering Committee. • Use of proven, reliable software solutions and avoidance of bespokeing wherever possible. • Careful documentation and challenge of legacy business processes prior to implementation of new systems. • Pre-implementation testing, training and communication, with go-live delayed if implementation risk is judged to be too high.
<p>Health and safety risks</p> <p><i>Comment</i> The group has a strong overall track record of health & safety performance, with the number of lost time accidents significantly reduced over the last 10 years.</p>	<ul style="list-style-type: none"> • Health and safety is the number one priority of management and the first agenda item on all subsidiary and group board agendas. • Risk assessments are carried out and safe systems of work documented and communicated. • All safety incidents and significant near misses reported to board level monthly. Appropriate remedial action taken. • Group health and safety best practice days are held twice a year, chaired by the Chief Executive. • Annual audit of health and safety in all group businesses by independent consultants. • Specific focus on improving health and safety in higher risk operations.
<p>Credit risk</p> <p><i>Comment</i> The group has a generally good record in managing credit risks. Risks can be higher amongst smaller building contractor customers, who are often installers of the group's products.</p>	<ul style="list-style-type: none"> • Most credit risks are insured. • Large export contracts are backed by letters of credit, performance bonds, guarantees or similar. • Any risks taken above insured limits in the Building Products division are subject to strict delegated authority limit sign offs, including group executives' sign off for uninsured risks above £50k. • Credit checks when accepting new customers/prior to accepting new work. • The group employs experienced credit controllers, and aged debt reports are reviewed in monthly Board meetings.

4 SEGMENTAL ANALYSIS – CONTINUING OPERATIONS

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

The Chief Executive reviews internal management reports on a monthly basis, with performance being measured based on segmental operating result as disclosed below. Performance is measured on this basis as management believes this information is the most relevant when evaluating the impact of strategic decisions.

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

Since the publication of Alumasc’s 2015 Report and Accounts the group’s operating segments have been revised to reflect changes to internal management responsibilities and the reports reviewed by the Chief Executive. The principal changes are the combination of our former Construction Products and Rainwater and Drainage businesses into the new Water Management segment to reflect the formation of the Alumasc Water Management Solutions brand in July 2015, and the separate analysis of our Housebuilding & Ancillary Products business this year. The segmental analysis of comparative data for the period ended 30 June 2015 has been re-presented to show Dyson Diecastings as a discontinued operation where necessary.

Analysis by reportable segment 2015/16

	Revenue			Segmental Operating Result £'000
	External £'000	Inter- segment £'000	Total £'000	
Solar Shading & Screening	17,359	-	17,359	954
Roofing & Walling	40,045	6	40,051	3,959
Water Management	26,269	1,299	27,568	3,489
Housebuilding & Ancillary Products	8,560	10	8,570	1,420
Sub-total	92,233	1,315	93,548	9,822
Elimination / Unallocated costs	-	(1,315)	(1,315)	(1,346)
Total	92,233	-	92,233	8,476
				£'000
Segmental operating result				8,476
Brand amortisation				(268)
IAS 19 pension scheme administration costs				(510)
Total operating profit from continuing operations				7,698

4 SEGMENTAL ANALYSIS – CONTINUING OPERATIONS (CONTINUED)

Analysis by reportable segment 2015/16 (continued)

	Capital expenditure					
	Segment Assets £'000	Segment Liabilities £'000	Property, Plant & Equipment £'000	Other Intangible Assets £'000	Depreciation £'000	Amortisation £'000
Solar Shading & Screening	19,266	(7,178)	80	57	70	214
Roofing & Walling	16,281	(10,185)	71	-	146	104
Water Management	11,439	(5,256)	212	34	422	17
Housebuilding & Ancillary Products	6,350	(2,390)	488	91	213	27
Sub-total	53,336	(25,009)	851	182	851	362
Unallocated & Discontinued	15,678	(27,425)	88	-	219	4
Total	69,014	(52,434)	939	182	1,070	366

Analysis by reportable segment 2014/15 (re-stated)

	Revenue			Segmental Operating Result £'000
	External £'000	Inter- segment £'000	Total £'000	
Solar Shading & Screening	16,007	-	16,007	929
Roofing & Walling	40,577	8	40,585	4,461
Water Management	25,935	1,109	27,044	3,272
Housebuilding & Ancillary Products	7,776	-	7,776	1,137
Sub-total	90,295	1,117	91,412	9,799
Elimination / Unallocated costs	-	(1,117)	(1,117)	(1,485)
Total	90,295	-	90,295	8,314

Segmental operating result	£'000	8,314
Brand amortisation		(268)
IAS 19 pension scheme administration costs		(455)
Total operating profit from continuing operations		7,591

Analysis by reportable segment 2014/15 (re-stated) (continued)

	Capital expenditure					
	Segment Assets £'000	Segment Liabilities £'000	Property, Plant & Equipment £'000	Other Intangible Assets £'000	Depreciation £'000	Amortisation £'000
Solar Shading & Screening	18,171	(4,708)	127	267	46	168
Roofing & Walling	16,759	(9,420)	84	5	139	111
Water Management	11,522	(4,913)	475	18	438	21
Housebuilding & Ancillary Products	5,497	(2,192)	203	127	191	11
Sub-total	51,949	(21,233)	889	417	814	311
Unallocated & Discontinued	15,945	(30,732)	275	5	1,134	28
Total	67,894	(51,965)	1,164	422	1,948	339

4 SEGMENTAL ANALYSIS – CONTINUING OPERATIONS (CONTINUED)

Analysis by geographical segment 2015/16

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	84,217	3,262	1,860	337	1,593	964	92,233
Segment non-current assets	24,397	-	-	-	-	-	24,397

Analysis by geographical segment 2014/15 (re-stated)

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	81,527	2,576	2,004	2,134	1,432	622	90,295
Segment non-current assets	26,808	-	-	-	1	-	26,809

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

5 UNDERLYING TO STATUTORY PROFIT RECONCILIATION

		2015/16 Operating profit before tax £'000	2014/15 (re-stated) Operating profit before tax £'000	2014/15 (re-stated) Profit before tax £'000
Underlying profit		8,476	8,261	7,722
Less: Brand amortisation		(268)	(268)	(268)
Less: IAS 19 pension scheme administration costs		(510)	(510)	(455)
Less: IAS 19 net pension scheme finance costs		-	(724)	(711)
Statutory profit from continuing operations		<u>7,698</u>	<u>6,759</u>	<u>6,288</u>
Discontinued operations		<u>27</u>	<u>928</u>	<u>(1,466)</u>
Total statutory profit		<u>7,725</u>	<u>7,687</u>	<u>4,822</u>

Underlying profits are stated prior to brand amortisation and IAS 19 pension scheme finance costs, as these are non-trading and non-cash items, and prior to IAS 19 pension scheme administration costs, as this is a non-trading expense.

6 DISCONTINUED OPERATIONS

Discontinued operations in 2015/16 relate to the sale of the trade and assets of the Dyson Diecastings business on 30 June 2016. Discontinued operations in 2014/15 relate to the sale of the trade and assets of Pendock Profiles in September 2014 and the sale of the trade and assets of Alumasc Precision Components in June 2015. Further details are provided in the Strategic Report above. The results of discontinued operations included in the consolidated statement of comprehensive income are as follows:

	Dyson Diecastings £'000
<u>Year ended 30 June 2016</u>	
Revenue	6,556
Cost of sales	(5,897)
Gross profit	<u>659</u>
Net operating expenses	(632)
Operating profit	<u>27</u>
Non-cash gain on disposal of discontinued operations	1,401
Costs of disposal of discontinued operations	(500)
Profit before taxation	928
Tax credit	378
Profit after taxation	<u><u>1,306</u></u>

	Dyson Diecastings Period to 30 June 2015 £'000	Alumasc Precision Components Period to 26 June 2015 £'000	Pendock Profiles Period to 30 September 2014 £'000	Total £'000
<u>Year ended 30 June 2015 (re-stated)</u>				
Revenue	7,787	16,672	785	25,244
Cost of sales	(6,528)	(17,140)	(530)	(24,198)
Gross profit/(loss)	<u>1,259</u>	<u>(468)</u>	<u>255</u>	<u>1,046</u>
Net operating expenses	(551)	(1,191)	(200)	(1,942)
Operating profit/(loss)	708	(1,659)	55	(896)
Non-cash (loss)/gain on disposal of discontinued operations	-	(300)	862	562
Costs of disposal of discontinued operations	-	(1,040)	(92)	(1,132)
Profit/(loss) before taxation	708	(2,999)	825	(1,466)
Tax (charge)/credit	(156)	1,205	(12)	1,037
Profit/(loss) after taxation	<u><u>552</u></u>	<u><u>(1,794)</u></u>	<u><u>813</u></u>	<u><u>(429)</u></u>

The net cash flows attributable to discontinued operations are as follows:

	Dyson Diecastings £'000
<u>Year ended 30 June 2016</u>	
Operating cash flows	183
Investing cash flows – proceeds from sale of business	4,474
Investing cash flows – purchase of property, plant and equipment	(148)
Net cash inflow	<u><u>4,509</u></u>

6 DISCONTINUED OPERATIONS (CONTINUED)

	Dyson Diecastings £'000	Alumasc Precision Components £'000	Pendock Profiles £'000	Total £'000
<u>Year ended 30 June 2015 (re-stated)</u>				
Operating cash flows	874	(134)	(60)	680
Investing cash flows– proceeds from sale of businesses	-	4,760	1,408	6,168
Investing cash flows – purchase of property, plant and equipment	(45)	(136)	(45)	(226)
Net cash inflow	829	4,490	1,303	6,622

Details of the sale of the trade and assets of discontinued operations are as follows:

<u>Year ended 30 June 2016</u>	Dyson Diecastings £'000
Sales proceeds	4,500
Assets disposed of:	
Land and buildings	1,643
Plant and equipment	454
Working capital	1,002
Gain on disposal	1,401
Costs of disposal	(500)
Net gain on disposal	901

	Alumasc Precision Components £'000	Pendock Profiles £'000	Total £'000
<u>Year ended 30 June 2015</u>			
Sales proceeds	5,800	1,500	7,300
Assets disposed of:			
Land and buildings	1,043	-	1,043
Plant and equipment	2,631	78	2,709
Working capital	2,426	560	2,986
(Loss)/gain on disposal	(300)	862	562
Costs of disposal	(1,040)	(92)	(1,132)
Net (loss)/gain on disposal	(1,340)	770	(570)

Included within the Alumasc Precision Components costs of disposal of £1,040,000 are consequential intra-group restructuring costs of £171,000 and insurance run-off premium costs of £270,000.

7 **TAX EXPENSE**

(a.) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income

	2015/16	2014/15
	£'000	(re-stated) £'000
Current tax:		
UK corporation tax – continuing operations	1,433	922
– discontinued operations	(697)	(81)
Overseas tax	5	11
Amounts (over)/under provided in previous years	(2)	39
Total current tax	<u>739</u>	<u>891</u>
Deferred tax:		
Origination and reversal of temporary differences:		
– continuing operations	247	543
– discontinued operations	319	(956)
Amounts over provided in previous years	(48)	(56)
Rate change adjustment	(54)	24
Total deferred tax	<u>464</u>	<u>(445)</u>
Total tax expense	<u>1,203</u>	<u>446</u>
Tax charge on continuing operations	1,581	1,483
Tax credit on discontinued operations	(378)	(1,037)
Total tax expense	<u>1,203</u>	<u>446</u>
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial losses on pension schemes	(240)	(945)
Cash flow hedge	1	(43)
Tax credited to other comprehensive income	(239)	(988)
Total tax charge/(credit) in the statement of comprehensive income	<u>964</u>	<u>(542)</u>

7 TAX EXPENSE (CONTINUED)

(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 15.6% is lower than (2014/15: 9.2% was lower than) the standard rate of corporation tax in the UK of 20% (2014/15: 20.75%). The differences are reconciled below:

	2015/16	2014/15
	£'000	(re-stated) £'000
Profit before tax from continuing operations	6,759	6,288
Profit/(loss) before tax from discontinued operations	928	(1,466)
Accounting profit before tax	7,687	4,822
Current tax at the UK standard rate of 20.00% (2014/15: 20.75%)	1,537	1,001
Expenses not deductible for tax purposes	139	212
Chargeable gains/use of capital losses	(369)	(774)
Rate change adjustment	(54)	24
Tax (over)/under provided in previous years – current tax	(2)	39
Tax over provided in previous years – deferred tax	(48)	(56)
	1,203	446

The group's total tax charge in 2015/16 of £1,203,000 (2014/15: £446,000) benefited from the impact of business disposals where capital gains on sale of assets were shielded by indexation allowances and capital losses brought forward.

(c.) Unrecognised tax losses

The group has agreed tax capital losses in the UK amounting to £20 million (2015: £20 million) that relate to prior years. Under current legislation these losses are available for offset against future chargeable gains. The capital losses are able to be carried forward indefinitely. Revaluation gains on land and buildings amount to £1 million (2015: £1 million). These have been offset against the capital losses detailed above. A deferred tax asset has not been recognised in respect of the net capital losses carried forward of £19 million (2015: £19 million) as they do not meet the criteria for recognition.

7 TAX EXPENSE (CONTINUED)

(d.) Deferred tax

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

	Accelerated capital allowances £'000	Short term temporary differences £'000	Brands £'000	Hedging £'000	Total deferred tax liability £'000	Pension deferred tax asset £'000
At 1 July 2014	724	(10)	512	(6)	1,220	(3,584)
(Credited)/charged to the statement of comprehensive income – current year	(649)	(28)	(54)	-	(731)	342
Credited to the statement of comprehensive income – prior year	(56)	-	-	-	(56)	-
Credited to equity	-	-	-	(43)	(43)	(945)
At 30 June 2015	19	(38)	458	(49)	390	(4,187)
Charged/(credited) to the statement of comprehensive income – current year	267	(8)	(94)	-	165	347
(Credited)/charged to the statement of comprehensive income – prior year	(53)	5	-	-	(48)	-
Charged/(credited) to equity	-	-	-	1	1	(240)
At 30 June 2016	233	(41)	364	(48)	508	(4,080)

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 £3.4 million (2015: £3.8 million) have not been recognised in respect of net capital losses of £19 million (2015: £19 million).

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

In the Budget on 16 March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate. This rate change was not substantively enacted at the balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 18% substantively enacted at the balance sheet date.

8 DIVIDENDS

	2015/16 £'000	2014/15 £'000
Interim dividend for 2016 of 2.7p paid on 7 April 2016	960	-
Final dividend for 2015 of 3.5p paid on 28 October 2015	1,248	-
Interim dividend for 2015 of 2.5p paid on 7 April 2015	-	891
Final dividend for 2014 of 2.8p paid on 5 November 2014	-	998
	2,208	1,889

A final dividend of 3.8 pence per equity share, at a cash cost of £1,349,000, has been proposed for the year ended 30 June 2016, payable on 1 November 2016. In accordance with IFRS accounting requirements this dividend has not been accrued in the above consolidated financial statements.

9 EARNINGS PER SHARE

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

	2015/16	2014/15
	£'000	(re-stated) £'000
Profit attributable to equity holders of the parent – continuing operations	5,178	4,805
Profit/(loss) attributable to equity holders of the parent – discontinued operations	1,306	(429)
Net profit attributable to equity holders of the parent	6,484	4,376
	000s	000s
Weighted average number of shares	35,618	35,648
Dilutive potential ordinary shares – employee share options	520	567
	36,138	36,215

Calculation of underlying earnings per share from continuing operations:

	2015/16	2014/15
	£'000	(re-stated) £'000
Reported profit before taxation from continuing operations	6,759	6,288
Add: brand amortisation	268	268
Add: IAS 19 pension scheme administration costs	510	455
Add: IAS 19 net pension scheme finance costs	724	711
Underlying profit before taxation from continuing operations	8,261	7,722
Tax at underlying group tax rate of 20.8% (2014/15: 22.0%)	(1,718)	(1,699)
Underlying earnings from continuing operations	6,543	6,023
Weighted average number of shares	35,618	35,648
Underlying earnings per share from continuing operations	18.4p	16.9p

10 MOVEMENTS IN EQUITY

Share capital and share premium

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

Capital reserve – own shares

The capital reserve – own shares relates to 622,528 (2015: 485,171) ordinary own shares held by the company. The market value of shares at 30 June 2016 was £756,372 (2015: £802,958). These are held to help satisfy the exercise of awards under the company's Long Term Incentive Plans. A Trust holds the shares in its name and shares are awarded to employees on request by the company. The company bears the expenses of the Trust.

Hedging reserve

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

Foreign currency reserve

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

11 RELATED PARTY DISCLOSURE

The group's principal subsidiaries are listed below:

Principal subsidiaries	Principal activity	Country of incorporation	% of equity interest and votes held	
			2016	2015
Alumasc Exterior Building Products Limited	Building products	England	100	100
Alumasc Limited	Building products	England	100	100
Levolux Limited	Building products	England	100	100

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at arms-length market prices. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Transactions with other related parties

Key management personnel are determined as the Directors of The Alumasc Group plc.

FIVE YEAR SUMMARY

	2015/16 £'000	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000
Income Statement Summary					
Continuing operations:					
Revenue	92,233	90,295	80,301	85,291	71,094
Underlying operating profit	8,476	8,314	6,645	7,133	3,234
Net interest cost on borrowings	(215)	(592)	(521)	(767)	(706)
Underlying profit before tax	8,261	7,722	6,124	6,366	2,528
Brand amortisation	(268)	(268)	(268)	(273)	(299)
IAS 19 pension scheme costs	(1,234)	(1,166)	(900)	(1,396)	(317)
Non-recurring costs	-	-	-	(1,315)	(273)
Profit before taxation	6,759	6,288	4,956	3,382	1,639
Taxation	(1,581)	(1,483)	(1,016)	(1,025)	(372)
Profit for the year from continuing operations	5,178	4,805	3,940	2,357	1,267
Discontinued operations - Profit/(loss) after tax	1,306	(429)	101	(471)	(854)
Profit for the year	6,484	4,376	4,041	1,886	413

Continuing operations:

Order book at 30 June	26,569	24,014	19,737	21,116	28,524
Return on sales	9.2%	9.2%	8.3%	8.4%	4.5%
Underlying tax rate	20.8%	22.0%	24.2%	25.7%	31.6%
Underlying earnings per share	18.4	16.9	13.0	13.3	4.9
Basic earnings per share	14.5	13.5	11.1	6.6	3.6
Dividends per share (pence)	6.5	6.0	5.0	4.5	2.0
Basic earnings per share (total group)	18.2	12.3	11.3	5.3	1.2

Balance Sheet Summary at 30 June

Shareholders' funds	16,580	15,929	17,042	22,443	18,928
Net (cash)/debt	(8,632)	(914)	7,666	7,687	13,229
Pension deficit (net of associated deferred tax asset)	18,588	16,748	14,338	7,748	11,050
Discontinued operations	-	(2,969)	(11,037)	(12,169)	(13,219)
Capital Invested - continuing operations	26,536	28,794	28,009	25,709	29,988

Ratios:

Underlying return on capital invested (post-tax)	(note a)	24.3%	22.8%	18.8%	19.0%	7.4%
Gearing	(note b)	-	-	45.0%	34.3%	70.0%
EBITDA interest cover	(note c)	44.2	17.3	17.2	12.0	7.6
Net debt/EBITDA	(note d)	n/a	0.1	1.0	1.0	2.5

Notes

- Underlying operating profit after tax from continuing operations calculated using the underlying tax rate, as a percentage of average capital invested
- Net borrowing as a percentage of shareholders' funds
- EBITDA divided by net interest cost on borrowings
- Net debt plus contingent liabilities divided by underlying EBITDA