

Governance

Directors' Remuneration Report

Statement by the Chairman

"We are focused on ensuring the group's Remuneration Policy is aligned with shareholders' interests and the company's strategic goals."



John Pither
Chairman of the
Remuneration Committee



Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ending 30 June 2017. The overall approach of the Remuneration Committee (the 'Committee' in this report) remains unchanged from prior years. We are focused on ensuring the group's Remuneration Policy is aligned with shareholders' interests and the group's strategic goals, whilst also enabling us to attract, retain and motivate high quality executive management.

In making remuneration decisions, the Committee considers the group's overall performance against its long-term goals. For the year to 30 June 2017, the group has delivered another positive set of results as described in the Strategic Report. Particular highlights include:

- Group revenues from continuing operations increased by 14% to £104.8 million.
- Underlying profit before tax increased by 9% to £9.0 million.
- Underlying earnings per share from continuing operations increased by 9% to 20.1 pence.

The Committee met three times during the year. The topics under discussion included:

- A review of the current Remuneration Policy and preparation of the new policy to be put to shareholders at the 2017 annual general meeting ('AGM').
- A review of the base salaries of the Executive Directors and group employees more generally.
- A review and establishment of the achievement of the bonus criteria for the Executive Directors.
- Decisions on the performance criteria to be applied to the long term incentive plan ('LTIP') and executive share option scheme ('ESOS') awards to be made in October 2017.
- Decisions on the achievement of the performance criteria in relation to the ESOS and LTIP awards maturing in February 2018 and March 2018 respectively.

Summary of any discretion applied in the year

There was no discretion applied during the year to any part of the Directors' remuneration.

Remuneration Policy

The proposed new Remuneration Policy is presented in full following the Directors' Remuneration Report and will be put to a binding shareholder vote at the AGM in October this year. It will become effective following that meeting should the members vote in favour of it. The company will seek approval for a new LTIP at the 2018 AGM which is intended to be a roll forward of the existing LTIP. However, should there be any substantial changes a new policy vote would be sought.

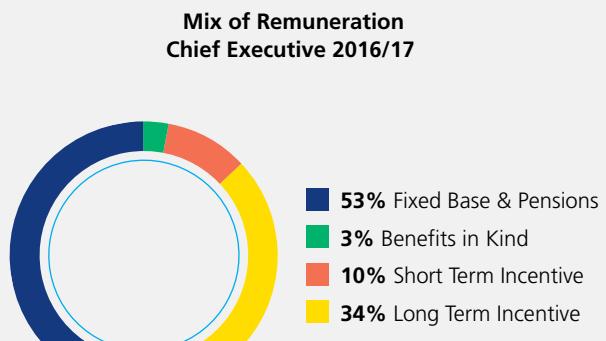
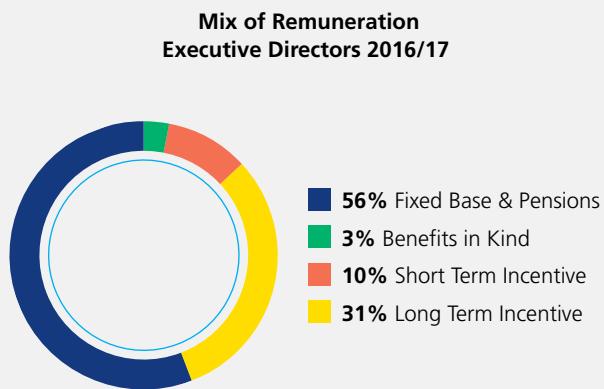
Jon Pither
Chairman of the
Remuneration Committee

Remuneration Committee membership

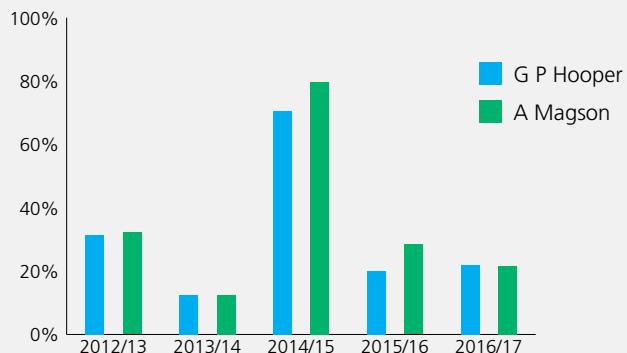
The Remuneration Committee members who served during the year were:

- Jon Pither (Chairman)
- Philip Gwyn
- Richard Saville
- David Armfield

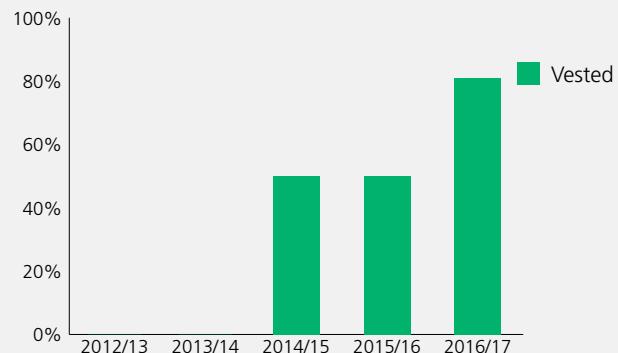
Remuneration Dashboard



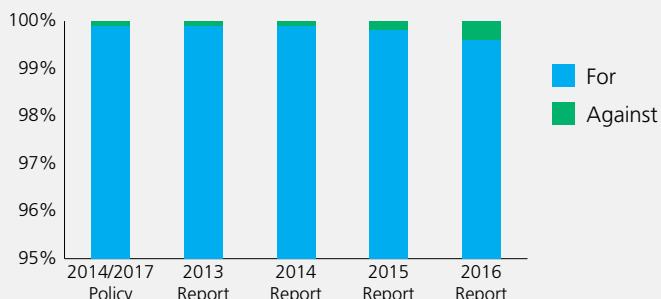
Bonus Levels as a Percentage of Salary



Historical Vesting of LTIPs



AGM Votes on Directors' Remuneration Policy and Report



This report is on the activities of the Remuneration Committee for the period to 30 June 2017.

It has been prepared by the Remuneration Committee, in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It will be subject to a shareholders' advisory vote at the forthcoming AGM on 26 October 2017.

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The following sections show how the Remuneration Policy approved in 2014 was applied in the year ending 30 June 2017 and, where appropriate, will be applied in the following year. The information provided on pages 40 to 45 of the Directors' Remuneration Report is subject to audit.

Single total figure of remuneration

The remuneration of the Non-Executive Directors for the years 2015/16 and 2016/17 is made up as follows:

Director	Base salaries/fees		Benefits in kind		Single figure of total remuneration	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
John McCall	100	100	4	4	104	104
Jon Pither	40	36	—	—	40	36
Philip Gwyn	35	31	—	—	35	31
Richard Saville	40	36	—	—	40	36
David Armfield	35	31	—	—	35	31
John Pilkington*	—	7	—	—	—	7
Total	250	241	4	4	254	245

* retired 3 September 2015.

The Non-Executive Director fees were reviewed last year and were increased with effect from 1 January 2016 to bring them back into line with market rates. The Chairman declined the offer of an increase. No further increases are proposed for the 2017/18 year.

The remuneration of the Executive Directors for the years 2015/16 and 2016/17 is made up as follows:

Director	Base salaries/fees				Bonuses		Benefits in kind		Pension contributions or payments in lieu of pension contributions	Long-term incentives with performance period ending during the year	Single figure of total remuneration	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17* £000	2015/16^ £000	2016/17 £000	2015/16 £000
Paul Hooper	257	250	56	50	17	17	51	50	198	126	579	493
Andrew Magson	181	176	39	50	12	13	27	26	92	58	351	323
Total	438	426	95	100	29	30	78	76	290	184	930	816

[^] Re-stated values based on the vesting of the 2013 LTIP award at a price of 150 pence on 4 November 2016.

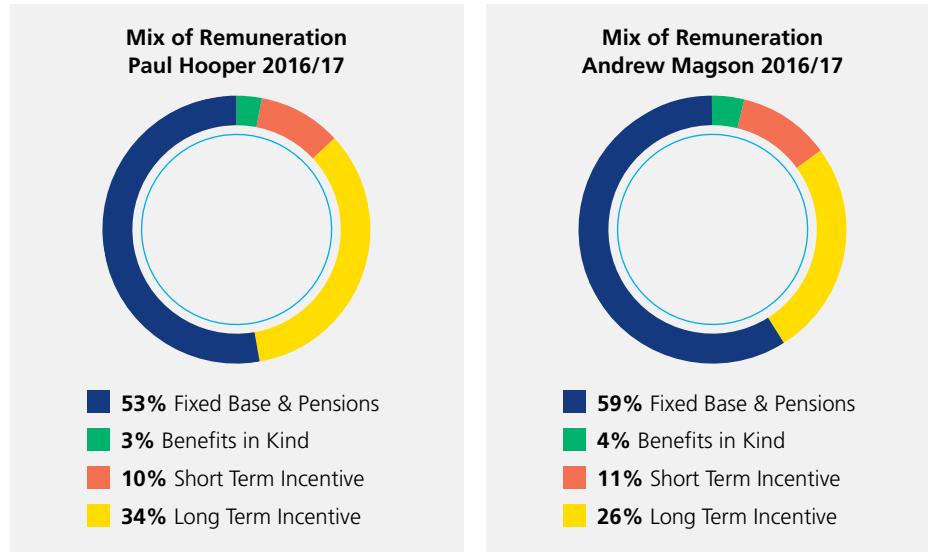
^{*} Estimated values based on the latest TSR data. The actual TSR performance period runs until six weeks following the announcement of the group's 2017 annual results.

For the year to 30 June 2017 the minimum level at which any annual bonus would become payable was set at underlying profit before tax ("PBT") of £8.3 million. On the basis of actual underlying PBT from all operations of £9.0 million, the target for the profit linked bonus was met and 21.7% of base salary bonus was awarded to Mr Hooper and Mr Magson.

The group operates a policy whereby Executive Directors are provided with health insurance, disability insurance and life cover, and are given a cash alternative to a company car and associated expenses.

The performance metrics used for the 2014 LTIP award, which has a performance period for the three financial years ending 30 June 2017 and will vest in March 2018, were set to incentivise significant further growth in the group's underlying earnings per share ("EPS") compared with the 2013/14 financial year. These metrics comprised an earnings target based on underlying EPS and a total shareholder return ("TSR") target.

The group's underlying EPS for the 2016/17 year was 20.1 pence per share. 25% of the total award vested on the basis that the threshold level of underlying EPS of 17.6 pence had been achieved. In respect of the actual EPS figure achieved of 20.1 pence per share, the Committee determined that a further 23.1% (out of a possible 37.5%) had vested in respect of the EPS element of the award.



Based on the latest data prior to the date of this report, it is assumed that the group will achieve just below top quartile performance in respect of the TSR element of the award. This will be reviewed in the light of actual share price performance in the six week period following the announcement of the group's annual results on 5 September 2017.

Therefore, the Committee determined that, subject to the final calculation of TSR vesting based on Alumasc's average share price in the six weeks following the announcement of the group results on 5 September 2017, approximately 80.75% of the full LTIP award should vest, comprising 25% for achieving the minimum EPS threshold level, a further 23.1% for exceeding the EPS threshold level and an estimated 32.63% in respect of the TSR element. Therefore, in March 2018, it is estimated that approximately 113,178 shares will vest in respect of Mr Hooper and 52,379 shares in respect of Mr Magson. The actual figures will be reported in the 2018 Directors' Remuneration Report.

Total pension entitlements

The group's defined benefit pension schemes are closed to future accrual and neither Mr Hooper nor Mr Magson have benefits provided under these schemes. The group makes provision to pay 20% of Mr Hooper's base salary and 15% of Mr Magson's base salary into a defined contribution pension scheme of each executive's choosing or as a cash alternative.

Payments to past Directors

There were no payments to past Directors during the year (2016: £nil).

Payments for loss of office

There were no payments in relation to loss of office during the year (2016: £nil).

Scheme interests awarded during the year

LTIP awards were granted in September 2016 as detailed in the table below.

	Scheme	Basis of award granted	No. of shares awarded	Face value of award ^t	% vesting for threshold performance	Vesting and performance period
Paul Hooper	2008 LTIP	75% of base salary	122,510	£192,953	25%	3 years
Andrew Magson	2008 LTIP	50% of base salary	57,521	£90,596	25%	3 years

^t Based on share price of 157.5 pence on the day of grant.

The performance measures for these awards over the three-year period will be benchmarked against the 2015/16 basic EPS from continuing operations in that year of 14.5 pence per share.

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Directors' Remuneration Report continued

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Threshold basic EPS growth (25% of award) is:	Vesting level
At least growth in Retail Price Index ("RPI") plus 2.5% per annum over the performance period	100%
Below growth in RPI plus 2.5% per annum over the performance period	0%

If threshold performance above is achieved, then:

Basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in RPI plus 10% per annum over the performance period	100%
Between RPI growth plus 2.5% and RPI growth plus 10% per annum over the performance period	Straight line between 0%-100%

Total Shareholder Return (25% of award) is:	Vesting level
Top quartile performance relative to FTSE All Share Index	100%
Between median and top quartile	Straight line between 0%-100%
Below median	0%

Statement of Directors' shareholdings and share interests

Directors' shareholdings

	At 30 June 2017	At 30 June 2016
John McCall	4,359,668	4,359,668
Jon Pither	280,736	258,181
Philip Gwyn	3,057,605	3,057,605
Paul Hooper	330,237	191,902
Andrew Magson	100,103	61,538
Richard Saville	53,000	53,000
David Armfield	35,000	25,000

The Directors' shareholdings are beneficial with the exception of 434,000 shares (2016: 434,000) in which Mr McCall has a non-beneficial holding.

There is no requirement of Directors to hold a specific number of shares in the company.

At the year end the Employee Trust, established to hold shares in relation to the ESOS and the LTIP, held 361,789 ordinary shares. The market value of the shares held in trust at 30 June 2017 was £672,928.

Long term incentive plans

The table below reconciles movements in LTIP awards during the year.

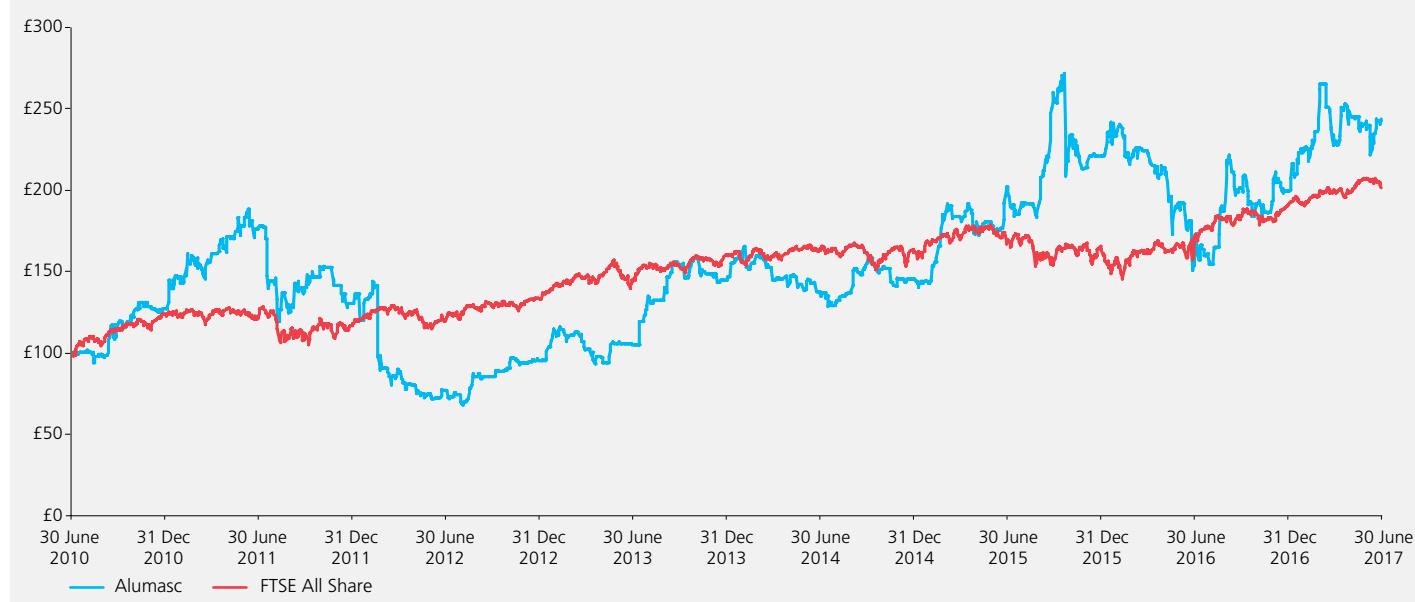
	Date of award	Market price at award date*	Earliest exercise date	Interest as at 1 July 2016	of which			Interest as at 30 June 2017
					vested in year	exercised in year	were granted in year	
Paul Hooper								
	Oct 2013	127p	Oct 2016	134,241	83,806	83,806	–	50,435
	Mar 2015	155.5p	Mar 2018	140,154	–	–	–	140,154
	Oct 2015	177.5p	Oct 2018	99,734	–	–	–	99,734
	Sept 2016	157.5p	Oct 2019	–	–	–	122,510	122,510
Total 2008 Plan				374,129	83,806	83,806	122,510	50,435
								362,398
Andrew Magson								
	Oct 2013	127p	Oct 2016	62,257	38,867	38,867	–	23,390
	Mar 2015	155.5p	Mar 2018	64,865	–	–	–	64,865
	Oct 2015	177.5p	Oct 2018	46,808	–	–	–	46,808
	Sept 2016	157.5p	Sept 2019	–	–	–	57,521	57,521
Total 2008 Plan				173,930	38,867	38,867	57,521	23,390
								169,194

* The market price at the award date is based on the price on the day before the date the Employee Trust or the company granted the award. This price can differ from the market value at the date the Remuneration Committee recommended the award to the Trust or company.

Performance graph and Chief Executive remuneration table

The information included in this part of the Directors' Remuneration Report is not subject to audit.

Historical total shareholder return performance



The graph shows the total shareholder return on a hypothetical holding of shares in the company compared with the FTSE All Share Index. This index has been selected as, in the opinion of the Directors, it provides a sounder comparison than any subset of the market.

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Directors' Remuneration Report continued

Annual Report on Remuneration

The following table sets out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each of the past five years for the Chief Executive.

Year	Chief Executive single figure of total remuneration £'000	Annual bonus payout against maximum opportunity % [†]	Long-term incentive vesting rates against maximum opportunity %
2016/17	579	22%	81%
2015/16*	493	20%	50%
2014/15	633	71%	50%
2013/14	323	13%	0%
2012/13	355	32%	0%

* Adjusted to reflect actual figures following the vesting of the 2013 LTIP award in November 2016.

† For the purposes of this table, percentages relate to the Remuneration Policy maximum bonus of 100% rather than the current practice maximum of 50% of salary.

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in remuneration between the years ended 30 June 2016 and 30 June 2017 for the Chief Executive and all group employees.

	Chief Executive	Employees*
Salary	2.8%	3.8%
Benefits	-2.9%	0.0%
Bonus	11.8%	18.6%
Total	3.9%	7.1%

* The comparator group for employees in the table excludes Dyson Diecastings, which was sold during the prior year, and leavers and joiners during the 2016/17 year. This enables a like for like comparison to be made of the increase in base pay of employees in 2016/17.

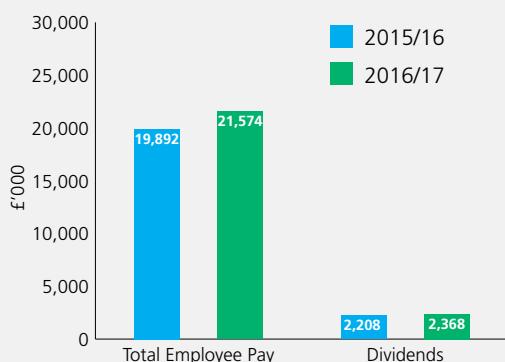
The increase in the overall employee salary cost percentage reflects our continued investment in the growth and development of an increasingly skilled workforce to assist us in realising the group's medium to longer term growth potential.

Relative importance of spend on pay

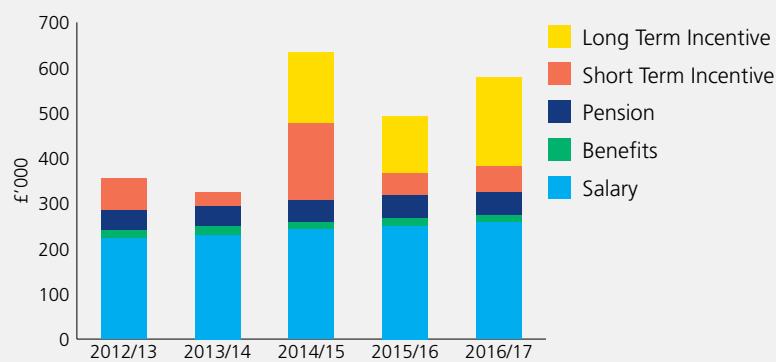
	Total employee pay £'000	Dividends £'000
2015/16	19,892	2,208
2016/17	21,574	2,368

* The comparator group for employees in the table excludes Dyson Diecastings which was sold during the prior year. This enables a like for like comparison to be made of the pay of employees in both 2015/16 and 2016/17.

Relative Importance of Spend on Pay



Chief Executive's Remuneration 2012/13 – 2016/17



Statement of implementation of Remuneration Policy in 2017/18

The following sections show how the Remuneration Policy will be applied in 2017/18.

Base salary

Both the Chief Executive and the Group Finance Director base salaries were raised by 3% with effect from 1 July 2017 to £264,710 and £186,430 respectively.

Non-Executive Directors

The remuneration of the Non-Executive Directors is set by the Chairman and the Executive Directors. The policy of the Board is that the remuneration of the Non-Executive Directors should be consistent with the levels of remuneration paid by companies of a similar size and complexity. Non-Executive Directors receive an annual fee and are reimbursed expenses incurred in performing their duties. They do not receive any performance related remuneration or pension contributions. The non-executive fees were not increased during the year and there are no plans to make any increases in the 2017/18 financial year.

The Chairman and Non-Executive Directors do not have contracts of service but their terms are set out in letters of appointment.

Bonus

For 2017/18 the annual bonus for Executive Directors will be determined by growth in group underlying profit before tax relative to demanding targets set at the beginning of the financial year. The Board considers that these targets are commercially sensitive and therefore full details will not be disclosed until the 2017/18 report.

Long Term Incentive Plan

It is intended that awards will be made in October 2017 for the Chief Executive, to the extent of 75% of base salary, and to the Group Finance Director, to the extent of 50% of base salary.

The performance criteria for these awards over a three year period will be the growth in basic EPS above 18.3 pence per share base level as at 30 June 2017.

Threshold basic EPS growth (25% of award) is:	Vesting level
At least growth in RPI plus 2.5% per annum over the performance period	100%
Below growth in RPI plus 2.5% per annum over the performance period	0%

If threshold performance above achieved then:

Basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in RPI plus 10% per annum over the performance period	100%
Between RPI growth plus 2.5% and RPI growth plus 10% per annum over the performance period	Straight line between 0%-100%

Total shareholder return (25% of award) is:	Vesting level
Top quartile performance relative to FTSE All Share Index.	100%
Between median and top quartile	Straight line between 0%-100%
Below median quartile	0%

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Directors' Remuneration Report continued

Annual Report on Remuneration

Consideration by the Directors of matters relating to Directors' remuneration

During the year the Committee considered the remuneration of the Chairman and the Executive Directors.

Details of the Committee members who served during the year can be found on page 40. The Committee met three times during the year and a record of the meeting attendance by Committee members is set out on page 34. The Group Chairman generally attends meetings of the Committee but takes no part in deliberations relating to his own position. The Chief Executive and Group Finance Director can attend meetings of the Committee as requested but take no part in deliberations relating to their own position.

The increases in base salary for the Executive Directors were awarded within the range of salary increases granted to employees across the group. No external advice was taken on these matters.

Neither of the Executive Directors has any external paid directorships. Executive Directors may be permitted to accept external board or committee appointments provided they do not interfere with their obligations to the company. The Board will decide at the time of appointment whether the Executive Director may retain the fees for such appointments.

Statement of voting at Annual General Meeting

At last year's AGM (2016) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes cast	% of votes cast
For	17,809,365	99.6
Against	66,222	0.4
Total votes cast (for and against)	17,875,587	100
Votes withheld*	2,746	n/a
Total votes cast (including withheld votes)	17,878,333	n/a

* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' or 'Against' a resolution.

Approval

This report was approved by the Board of Directors on 5 September 2017 and signed on its behalf by:

Jon Pither

Chairman of the
Remuneration Committee