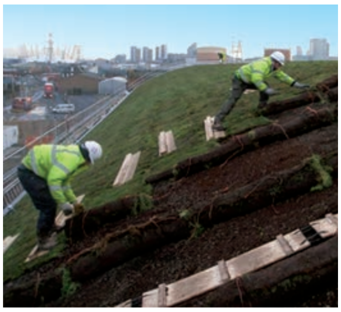
# The Alumasc Group plc
## Report and Accounts 2012

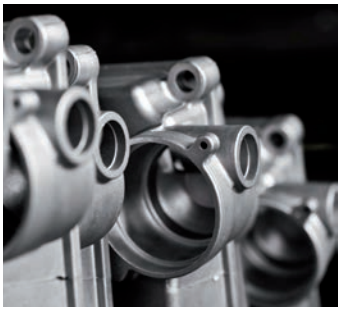
Premium building and engineering products for global markets









# The Alumasc Group

Alumasc is a UK based supplier of premium building and precision engineering products. The majority of the group's business is in the area of sustainable building products which enable customers to manage energy and water use in the built environment. We believe growth rates in these businesses through the construction cycle will exceed UK industry averages.

All Alumasc businesses have strong UK market positions within their individual market niches and many are market leaders. Alumasc further develops this strong strategic positioning by offering customers quality products, service and trust. For certain chosen brands, Alumasc is selectively seeking to leverage UK successes in international markets, with particular focus in North America, parts of the Middle East and Far East, Europe and South Africa.

Alumasc fosters an entrepreneurial, achievement orientated culture whereby businesses are empowered to innovate and respond quickly to local market needs within a cohesive group strategic and management framework. Alumasc businesses also benefit from the group's financial strength and access to capital.


## Transparent reporting

www.alumasc.co.uk

Certain information and topics may be covered in greater detail in different sections of this report. The arrow above indicates where further detail may be found online.

Other information is outside the scope of this report, but may be found on or accessed through the Alumasc website, **www.alumasc.co.uk**

## In your Report and Accounts…

**Overview**



**Strategy and Performance**



**Governance**



**Financial Statements** & Company Information



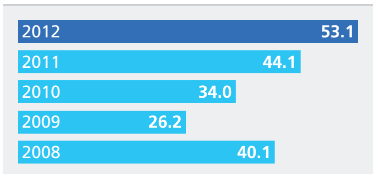
**Forward-looking statements**
This Report includes forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These risks and uncertainties include international, national and local conditions, as well as competition. The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

# Financial highlights

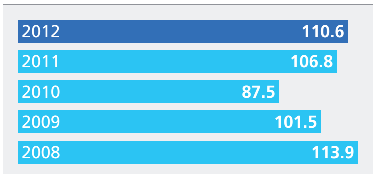
| Continuing operations | 2011/12 | 2010/11 |
|---|---|---|
| Order book at 30 June (£m) | **53.1** | 44.1 |
| Revenue (£m) | **110.6** | 106.8 |
| Underlying profit before tax (£m)* | **1.6** | 4.3 |
| Underlying earnings per share (pence)* | **3.0** | 8.3 |
| Profit before tax (£m) | **0.4** | 5.4 |
| Basic earnings per share (pence) | **1.2** | 10.7 |
| Dividends per share (pence) | **2.0** | 10.0 |
| Net borrowings at 30 June (£m) | **13.2** | 10.7 |

* Underlying profits and earnings are stated prior to deducting restructuring costs of £0.9 million (2010/11: £0.3 million) and amortisation of intangible assets £0.3 million (2010/11: £0.3 million). In 2010/11 additional non-recurring items comprised an impairment reversal of £1.2 million, a property disposal gain of £0.8m and refinancing costs of £0.3m.

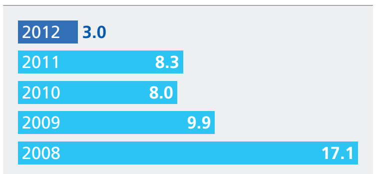
**Order Book at 30 June**
£m



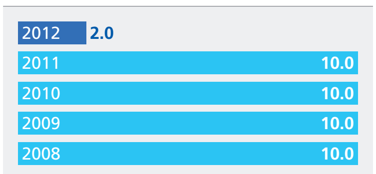

**Revenue**
(continuing operations) £m



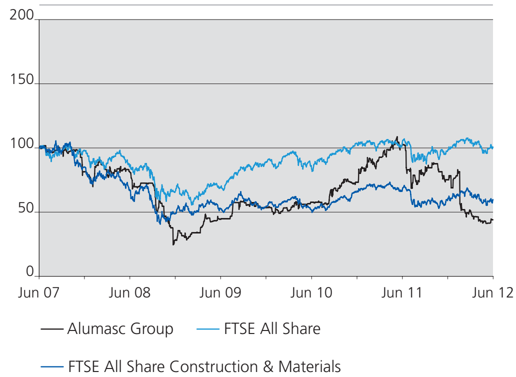

**Underlying earnings per share**
(continuing operations) pence




**Dividends per share**
pence




**Total shareholder return**
£m




Source: Perfect Information

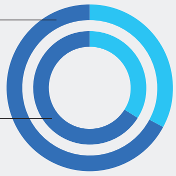
# Alumasc at a glance
Divisional analysis

## Divisional analysis

**Revenue analysed by division**

**2011/12**
- £74.9m 67.1%
- £36.8m 32.9%

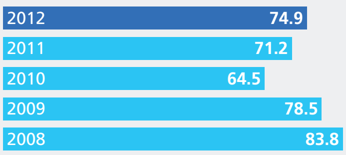
**2010/11**
- £71.2m 66.0%
- £36.7m 34.0%



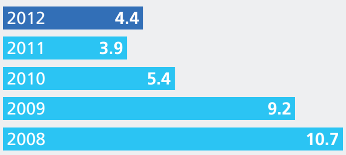
- Building Products
- Engineering Products

## Building Products

**Revenue**
£m

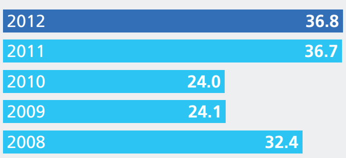



**Underlying operating profit**
£m

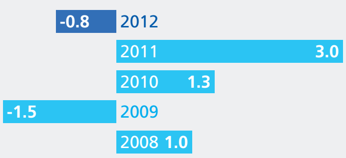



## Engineering Products

**Revenue**
£m




**Underlying operating profit/loss**
£m




## **Building Products** Revenue £74.9m

### Energy management
Revenue £39.1m

Energy management products are designed either to increase the efficiency of, or to reduce energy use within, the built environment, improve the life cycle costs of a building, and in some cases improve the comfort of building occupants.

#### Operating Segments
- Solar shading
- Roofing & walling

#### Key Product Groups
- Solar shading
- Waterproofing
- Green roofing
- Roofing services support systems
- Insulated render systems

### Water management and other
Revenue £35.8m

Water management products promote the more efficient use, retention and recycling of water within the built environment.

#### Operating Segments
- Construction products
- Rainwater, drainage & other

#### Key Product Groups
- Engineered access covers
- External line drainage systems
- Roof, shower and floor drainage systems
- Rainwater systems
- Ventilation products for houses, access panels, cavity trays
- Interior casing systems
- Scaffolding products

## **Engineering Products** Revenue £36.8m

### Alumasc Precision

Alumasc Precision supplies high quality, precision engineered and machined aluminium and zinc die cast components mainly to international OEMs operating in the off-highway diesel, premium automotive and industrial sectors.

#### Operating Segment
- Alumasc Precision

#### Key Product Groups
- Timing cases
- Sumps
- Cam carriers
- Diesel engines
- Transmission system components
- Windscreen surrounds
- Valve cover bases
- Interior vehicle trim components

Key facts

£26.5m Order book

8.8% Percentage export sales

Major project wins

- Chiswick Park Building 7 (Shading)
- Large non-commercial building in London (Shading)
- Kitimat Smelter (Standing Seam Roof)
- Scottish Arena (Green Roof)

Key facts

£2.1m Order book

18.4% Percentage export sales

Major projects in the year

- Kai Tak Cruise Terminal (Access covers)
- Olympics Village, London (Rainwater products)
- Atlanta, San Francisco & Las Vegas Airports (Slotdrain)

Key facts

£24.5m Order book

37.0% Percentage export sales

Major new projects

- Door substrate (Jaguar)
- Electronic control housing (TRW)
- Actuators (Rotork)
- Heat sink (Siemens)

alumasc

## Export strategy

The Group has identified sales potential in certain export markets and is actively developing strategic and operational plans to realise these opportunities.

## New products

Our new product development activities continue to exploit new market opportunities. A number of new products were launched during the year including an enhanced range of Harmer drainage products and acoustic louvres that reduce noise pollution at Levolux.

## Investing in our brands

Alumasc offers a comprehensive range of tried, tested and trusted brands that have a proven track record of use in the UK, and in some cases world-wide. The development of these brands continues to be at the forefront of what we do.

## New markets

Alumasc is actively seeking opportunities to broaden its international market reach, with focus on North America, parts of the Middle and Far East, Europe and South Africa.

# Chairman's Statement

## New group structure

The group's Engineering Products division will now operate as an independent and self sufficient entity responsible to the group Board. Under this structure, it is the Board's intention and belief that, while the essential job of restoring profitability to Alumasc Precision receives priority, a greater focus can simultaneously be applied to the domestic and international development of our market leading Building Products group of companies.

**John McCall**
Chairman

Underlying profit before tax of £1.6 million for the year ending 30 June 2012 was a deeply disappointing result, albeit in line with recent expectations and the outcome of contrasting individual performances.

Despite the severe and much publicised decline in construction activity in the UK, our Building Products companies posted underlying operating profits 12% ahead of the prior year at £4.4 million. This advance should accelerate in the current year, in contrast to the weakness in our markets, given the major projects already won and announced.

However, divisional Engineering underlying operating profit fell from £3.0 million in the prior year to a loss of £0.8 million. This was principally due to the loss of profitability in Alumasc Precision Components, which resulted in a turnround from profit of £1.6 million to a loss of £1.8 million on similar turnover. In contrast, Alumasc Precision's sister company, Dyson Diecasting, continued to perform well.

As reported in May, the problems at Alumasc Precision were both serious and complex, including an erosion of manufacturing disciplines and the mis-pricing of certain work. In order to recover this situation, it has been necessary to restructure Alumasc Precision with a new management team, within a new governance structure.

Alumasc order books currently stand at record levels of over £50 million, reflecting the previously announced Kitimat smelter roofing contract, two multi-million pound contract wins at Levolux and a healthy order book at Alumasc Precision.

£10m > page 11

Kitimat contract win for Canadian aluminium smelter.

£3.3m > page 09

Levolux contract win at Chiswick Park in West London.

£24.5m > page 15

Alumasc Precision's order book, including work with Caterpillar, Perkins, Deutz, BMW, Aston Martin, Orange Box and TRW.

As part of a rigorous appointment process, we were fortunate in being able to draw on the proven expertise and track record within Dyson Diecasting to provide an initial response, which is being followed by a measured programme of recruitment. There is also an opportunity to strengthen and combine certain functions which will in future be performed on a divisional basis. In addition, a new divisional Board has been established under the direction of a Non-Executive Chairman of precisely relevant experience. Further appointments will follow to bring together the full range of skills essential to its future success.

Accordingly, the group's Engineering division will now operate as an independent and self-sufficient entity, with a full Board of Directors responsible to the group board for the recovery and sustained profitability of the division. Keith Walden, who was appointed divisional Non-Executive Chairman in June, has been appointed to the Alumasc Group Board with effect from 4 September 2012.

Alumasc Building Products, the larger of the group's two Divisions, will continue to operate under four divisional boards, chaired by Group Chief Executive Paul Hooper, who is responsible to the group board for their further success and development.

Under this structure, it is the Board's intention and belief that, while the essential job of restoring profitability to Alumasc Precision receives priority, a greater focus can simultaneously be applied to the domestic and international development of our market-leading Building Products group of companies.

The Board is recommending a final dividend of 1 pence, making a total of 2 pence for the year (2010/11: 10 pence). As group profits recover, it is the Board's intention to restore meaningful dividend payments once cover is achieved from underlying earnings.

The group's prospects remain dependent on three major factors: external markets, which remain unpredictable at best; the pace at which the group's engineering business returns to profitability, which is discussed in the operations report that follows; and the continuing success of our Building Products companies in winning contracts for completion during the coming year.

On balance, the Board anticipates a much improved performance following the disappointment of the past twelve months.

**John McCall**
Chairman

£110.6m
Group revenue

# Business Review
## Chief Executive's Operating Review

### Performance is improving

In view of the strong final quarter of the year for the Building Products division, the improvement activity taking place at Alumasc Precision Components, and the record group order book at the year end of £53 million, the Board expects Alumasc to have a much improved year in 2012/13.

**Paul Hooper**
Chief Executive

## Strategic value

Alumasc's strategy is to grow shareholder value by:

- Developing our sustainable Building Products activities;
- Recovering profitability in the group's Precision Engineering division; and
- Developing the further significant growth potential in export markets.

**Strategic and management developments**

- Strong performance in the Building Products division in spite of challenging conditions in UK construction markets. Successful new product roll out and increased activity in new target markets, both in the UK and internationally, have positioned the division well to benefit from growth rates above UK construction industry averages through the economic cycle.

- Management restructuring of the group's Precision Engineering business to maximise the skill and know-how of its two constituent businesses and leverage its strong customer and invested asset base. In response to the issues identified during the year, a new divisional management team has been appointed which includes several experienced operations and engineering managers from Dyson Diecasting. In April, former Alumasc Group director, Keith Walden, who has 40 years of foundry experience, was appointed as Non-Executive Director of Alumasc Precision. In order to oversee the recovery of Alumasc Precision he became Non-Executive Chairman of that subsidiary in June.

**Performance Overview**

**Continuing operations**

| | **2011/12** | 2010/11 |
|---|---|---|
| Revenue (£m) | **110.6** | 106.8 |
| Underlying operating profit (£m) | **2.6** | 5.7 |
| *Operating margin (%)* | ***2.3*** | *5.3* |
| Net financing costs (£m) | **(1.0)** | (1.4) |
| Underlying profit before tax (£m) | **1.6** | 4.3 |
| Non-recurring items and brand amortisation (£m) | **(1.2)** | 1.1 |
| Profit before tax (£m) | **0.4** | 5.4 |

- Investing further in the significant growth potential of export markets for both divisions. Export sales as a proportion of total group sales rose from 20% for 2010/11 to 21% for 2011/12. Absolute export revenues grew by 10%.

- The separation of our rainwater and drainage business from our roofing and walling business has proved a success, achieving fresh impetus with customer service improvements and there has been the development of several new markets and products under the group's well established brand names Levolux, Elkington Gatic, Timloc, Alumasc, Harmer and Euroroof.

- A contributor to the financial performance of building products was the investment of approximately £0.7 million in management, sales, marketing, including web-based activities, new products and expansion into new international markets.

**Health, Safety and Environment**
The group's number one priority continues to be to provide a safe place of work for employees. Significant progress has been made in this area in the last five years albeit the performance rate index in this year fell back to 5.3 from a record prior year of 2.8. The safety rate in 2006/07 was 9.5. Further details are given in the Corporate and Social Responsibility statement on page 22.

**Performance Overview**
In terms of the Group result for the year, progress in the Building Products division has been overshadowed by a major setback in our engineering business, Alumasc Precision. Group revenues grew by 4% to £111 million. However, underlying profit before tax fell 64% to £1.6 million (2010/11 £4.3 million).

Building Products divisional revenues grew by 5% to £74.9 million with divisional operating profit rising by £0.5 million, or 12%, to £4.4 million (2010/2011 profit £3.9m). Overall divisional gross margin remained broadly stable at 32%, despite strong pressure from a highly competitive UK market place.

Alumasc Precision's revenue remained at a similar level to the prior year with a £0.1 million increase to £36.8 million. However, divisional margins were impacted by the challenges outlined below resulting in an operating loss of £0.8 million (2010/11 profit of £3.0 million).

Net financing costs were lower at £1.0 million (2010/11 £1.4 million, excluding refinancing costs) mainly due to a lower pension interest charge on the low pension deficit at the start of the year.

The company's overall net debt increase for the year was £2.5 million (2010/11: increase of £1.4 million). The group expects to return to positive cash flow in 2012/13.

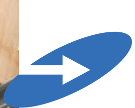
Reported profit before tax reduced to £0.4 million (2010/11: £5.4 million) due to the lower level of underlying profit and the incidence of non-recurring costs in 2011/12 as opposed to non-recurring gains in 2010/11. Further details are given in the Group Finance Director's Review.

The group finished the year with a record order book of £53.1 million, £9.0 million (20%) ahead of the prior year end.

**Business Review**
Chief Executive's Operating Review

## Levolux's export sales gaining traction

Levolux, the UK's leading solar shading company, is continuing to support the group's growth strategy as its export sales development initiatives gain traction. In July 2012, a third of Levolux's order intake was for export sales, mainly to the USA and France. Levolux has also secured orders for the design phases of two multi-million pound projects in London, for delivery over the coming two years.



www.levolux.com

Above: The timber fins and supporting columns installed at West Hall Care Home are engineered from western red cedar, which is lightweight, durable and requires no application of a finish.

Below: Langley Academy. Levolux fins can be fixed vertically or horizontally and while timber is popular, other materials can be used, including aluminium, glass or polycarbonate.

**Building Products Division**
Divisional revenues grew by 5% to £74.9 million with operating profit up 12% to £4.4 million during the year.

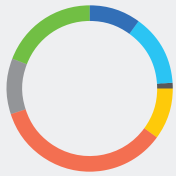
This performance was achieved even though approximately 35% of the division's revenue is linked to UK commercial construction activity which, despite positive signs in 2011, experienced significant declines in the first half of calendar year 2012.

Against the UK market backdrop, the outperformance by the Building Products division has been notable, reflecting the increased focus on developing export sales (which grew by 46% to £10.0 million), with new product and market activity being combined with well controlled overhead costs which increased by £0.4 million (2%). In the last quarter of the financial year, divisional revenue grew by £2.8 million (15%) and operating profit by £1.4 million (271%), representing the continuing progress of this strategy.

**Building Products' Divisional Operating Performance**

| | **2011/12** | 2010/11 |
|---|---|---|
| Revenue (£m) | **74.9** | 71.2 |
| Underlying operating profit (£m) | **4.4** | 3.9 |
| *Operating margin (%)* | ***5.9*** | *5.5* |
| Restructuring costs (£m) | **(0.3)** | (0.2) |
| Brand amortisation (£m) | **(0.3)** | (0.3) |
| Reported operating profit (£m) | **3.8** | 3.4 |

**Building Products' Divisional Revenue analysed by End Use Segment 2011/12**




LEVOLUX
DESIGNED TO CONTROL

***Energy management***
Solar Shading
In the UK, Levolux experienced another year of low activity in high profile, private and public sector construction activity incorporating complex solar shading designs. Revenue fell by £0.3 million to £16.8 million against the prior year which benefited from significant work at the Olympic Park, especially linked to the Aquatics Centre and the Media Hub.

Levolux continued to develop its international presence and increased sales into France, the Middle East and the USA. There were some significant projects in London which helped to offset some of the shortfall associated with the subdued activity in the rest of the UK. US activity involved the supply of two projects to Long Island and a further supply of the Infiniti system and aerofoil fins to the Bainbridge Art Museum in Seattle. Sales into this area grew by 148% on a low base. New products launched in the year included a new screening louvre, Simpliciti, and a new acoustic louvre, Infiniti dB.

During the second half of the year, Levolux won two very significant projects, which will benefit the current and next financial year. The first of these is a multi-million pound order at Chiswick Park in West London to design and install a new motorised solar shading unit for the latest building. The second is a £4.7 million order for a non-commercial project in central London to design and install a new family of roof-top screening louvres in laminated glass, perforated and solid aluminium as well as photovoltaic cells laminated within glass.

Despite the continuing weak market conditions, Levolux has positioned itself well to have a much stronger year in 2012/13, both in the UK and overseas.

£3.3m
Contract win at Chiswick Park

Levolux won a multi-million pound order at Chiswick Park in West London this year to design and install a new motorised external solar shading solution for the latest building.

Levolux has worked closely with the developers over recent years to help deliver four of the high profile buildings in this development. As with previous buildings, the louvres on this nine-storey building are motorised with fully automatic solar controls, all by Levolux. The overall project has already started and the Levolux works are expected to begin in the first half of the current financial year, commencing on 1 July 2012.

**Business Review**
Chief Executive's Operating Review

## Penetrating new markets

Alumasc Waterproofing has introduced new products into its Euroroof range and is increasing penetration of refurbishment markets to leverage existing strengths in the new build sector.

**www.alumascwaterproofing.co.uk**
**www.blackdown.co.uk**
**www.roof-pro.co.uk**

Above: Roof-Pro; simple cost-effective, prefabricated solutions for supporting all flat roof mounted services without penetrating the waterproofing of the roof.

Below: Alumasc has provided a stunning ZinCo green roof for Coworth Park Hotel Spa, the ground-breaking new eco-luxury spa, opened by the Dorchester Collection.

Roofing & Walling

While the final quarter's very inclement weather (the wettest three months to June on record) impacted construction activity, the Roofing and Walling division had a strong end to the year driven in particular by projects under the CESP ("Community Energy Saving Programme") umbrella where Alumasc supplies specialist insulated render systems. Although the CESP initiative will finish at the end of 2012, a new ECO ("Energy Company Obligation") initiative will replace it, offering further opportunities. Alumasc's Insulated Renders business has also developed a broader market product offering with several major high street retailers in preparation for the launch of the Green Deal.

## An integrated approach

Developing integrated solutions for our building products division remains a key element of Alumasc's growth strategy.

To view the "Alumasc building" please scan this QR code or visit the group website below

www.alumasc.co.uk

ALUMASC ROOFING SYSTEMS

ALUMASC INSULATED RENDERS

ROOF-PRO

blackdown greenroofs

In the final quarter of the year, the Roofing business benefited from the first shipments under the £10 million contract to supply Alumasc Armaseam and other products as part of the modernisation of a large aluminium smelter at Kitimat in Canada. It also won the supply of roofing product to the South Beds Council on a 3-year term basis.

New products were launched in the year, in particular under the Euroroof banner including a liquid PU roofing range and other products contributing to the formation of a mid-range Euroroof brand offering.

Markets have continued to be particularly difficult and highly competitive for our green roofing brands, Blackdown and ZinCo. A notable success for Blackdown was the Scottish Arena green roof project win (valued at around £0.6 million) which will benefit the current year.

# £10m
Contract win

Alumasc has won a £10 million contract to supply an Alumasc Armaseam standing seam roof as part of the modernisation of a large aluminium smelter at Kitimat in Canada.

This work builds on our expertise in this market niche which began when the group supplied a £4 million roof to the Fjardaal smelter in Iceland in 2006, and further projects thereafter.

The majority of the revenue and profit arising from this contract is expected to accrue in Alumasc's financial years ending 30 June 2013 and 30 June 2014.

# **Business Review**
## Chief Executive's Operating Review




### Increasing international demand for Gatic products

Gatic is experiencing a high level of enquiries for international work, and a business development manager has recently been appointed to grow Slotdrain opportunities in the United States. Following success at McCarran airport, Las Vegas, Gatic has recently won a c.$0.2 million order for Atlanta airport.

**www.gatic.com**
**www.alumascrainwater.co.uk**
**www.alumascdrainage.co.uk**
**www.timloc.co.uk**
**www.pendock.co.uk**
**www.scp-props.co.uk**

Above: Gatic surface water drainage solution at Hartsfield-Jackson Atlanta.

Right: Alumasc Heritage Cast Aluminium is ideal for traditionally designed buildings and can be used as a direct replacement of cast iron.

Below: Timloc has developed its range of insulated loft hatches and inspection access panels which are available in a wide variety of sizes.


***Water management & other***
**Construction Products**
Segmental revenues grew strongly by £2.2 million (17%) to £15.1 million, driven by a record level of international sales for Gatic's access covers and Slotdrain, predominantly in the Middle East, Far East and Africa. Tight cost management, combined with these increased sales, resulted in segmental profit growing by £0.3 million (22%) to £1.9 million, a commendable effort against the current backdrop of constrained construction activity around the world.

UK Slotdrain sales grew by over 20% supported by sales of the recently introduced CastSlot drainage system and investment in the Gatic brand. New products launched in the year included a range of Assist Lift Access Covers with Gatic ProSlot and StreetWise being developed for launch early in the new financial year. The Board believes that significant opportunities remain in the US and, during the second half year, Gatic Inc. was formed and an experienced US executive appointed to lead further development of this market including the US Slotdrain opportunity.

Slotdrain sales in the US grew by 273% on a low base with 70% of sales being to airports including Atlanta, San Francisco and McCarran Airport, Las Vegas.

SCP grew its revenue but increased material costs and more active competition impacted results. Elkington China, now fully owned, had a record year for both sales and profit with a sizeable project at Kai Tak Cruise Terminal in Hong Kong assisting this performance.

### Rainwater, Drainage & Other

The Group's rainwater, drainage and other brands delivered a strong performance, although revenues and underlying profit were lower than the prior year which had the benefit of a large project to supply the London Olympics.

Segmental revenues reduced by 3% to £20.7 million and underlying operating profit reduced by 8% to £1.8 million.

During the year there has been a significant improvement in rainwater and drainage service levels, with on-time-in-full deliveries to customers rising to 98.5% as an average in the last 6 months. Harmer Drainage continued its renaissance following the launch of a new drainage range and drainage calculator (illustrated right), resulting in a 20% sales increase. In an industry first, Alumasc has designed a new rainwater and drainage calculator that saves architects and specifiers significant time. Helping building designers this early in the construction process improves the ability of Harmer and Alumasc brands to secure specification later on.

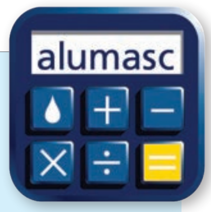
Pendock, the group's pre-formed plywood pipe boxing brand had a reasonable year up until the final quarter when cuts in council budgets after April had a negative impact on social housing refurbishment activity. A number of further important improvements in manufacturing efficiency took place, several of which were in the final quarter of the year and will benefit the new financial year.

Timloc, the group's house building products business, had yet another successful year, winning market share and launching new products including a range of access covers that offer a practical solution to the increasing demands of building regulations. New channels of distribution were also established into light-side merchants. The operations team was restructured in the year and improved manufacturing efficiencies came through into the second half year. Having been operating close to capacity, the decision was taken in 2011 to move into larger premises locally. This move took place during the year and it was carried out without interruption to operations or customer service.

In 2011/12, Timloc reported its highest revenue and profit since acquisition by Alumasc in 2004.

The Building Products division finished the year with a record order book of almost £29 million (30 June 2011: £14 million).

### Enabling design




Alumasc Rainwater & Harmer Drainage recently launched a PC "app" enabling design of rainwater and drainage systems, which will shortly be available for use on smart phones and tablet devices.

The unique calculator software assists in enabling architects and specifiers to design and model roof and internal drainage systems to the relevant British standard and to generate and download NBS specifications. The software includes four calculators: Foul Drainage, Internal Rainwater Drainage, Flat Roofs and Rainwater Gutters.

## Business Review
Chief Executive's Operating Review

### New management

Following recent difficulties at Alumasc Precision Components a comprehensive profit recovery plan was initiated which is now well underway. It is built around the appointment of a new divisional Chairman and Managing Director, each with a career of relevant industry experience, supported by a strengthening of senior management, including finance.

**www.alumasc-precision.co.uk**
**www.dyson-diecasting.co.uk**

Above: Partnering with Rotork to produce highly engineered valve body casings which regulate the flow of gases and liquids to improve efficiency of industry throughout the world.

Below: High pressure die casting is ideal for manufacturing high volume parts that require high dimensional accuracy and good surface finish with minimal machining.

**Engineering Products Division**
Alumasc Precision
Revenues for the year remained at a similar level to the prior year at £36.8 million and, as a result of the difficulties outlined below, the underlying operating loss was £0.8 million compared to an underlying profit in the prior year of £3.0 million.

Following two years of recovery within the division, the year under review proved very challenging for Alumasc Precision Components. The financial year started with a strong order book. However, the resultant increase in demand, particularly in the final quarter of the first half year, created unexpected capacity constraints leading to higher than expected costs, the full extent of which only became clear following receipt of the results of the December month's stock take in January 2012. This led to a significant write-down in the value of inventory as at 31 December 2011.

**Engineering Products' Divisional Operating Performance**

| **Continuing operations** | **2011/12** | 2010/11 |
|---|---|---|
| Revenue (£m) | **36.8** | 36.7 |
| Underlying operating (loss)/profit (£m) | **(0.8)** | 3.0 |
| *Operating margin (%)* | ***(2.1)*** | *8.1* |
| Restructuring costs (£m) | **(0.6)** | – |
| Impairment charge reversal (£m) | – | 1.2 |
| Reported operating (loss)/profit (£m) | **(1.4)** | 4.2 |

The causes underlying the cost overruns proved to be complex, reflecting a deterioration in engineering disciplines over a period of rapid increases in demand. This necessitated the initiation of a comprehensive profit recovery plan, starting with the appointment of a new managing director for Alumasc Precision, Les White, who was promoted into this position having run Alumasc Precision Components' very successful sister company, Dyson Diecasting, for 15 years.

A new divisional finance director was also appointed in January and with management being further strengthened through sharing of operational expertise and resources with Dyson Diecasting. The management restructuring was completed in June with the appointment as Chairman of the divisional board of Keith Walden, a former Alumasc group director with substantial industry experience, whose remit is to oversee the recovery of Alumasc Precision.

The new management team has set about addressing the complex challenges at Alumasc Precision Components. Costs have been reduced in many areas, with a particular focus on improving manufacturing efficiencies, including scrap and supplier costs. The new product introduction process, an area that impacted costs in the second half year, has been improved and the engineering functions strengthened. Following a review of product costings, in addition to identifying areas for improving productivity, selling price increases have been implemented with a number of customers. During this period of recovery Alumasc Precision Components chose not to take on further significant new work during the year so that it could concentrate on its profit improvement plan.

The benefit of all of the above actions, and others, is expected to bring Alumasc Precision Components back into profit on a run rate basis during the second half of the current financial year.

## Dyson Diecasting: another strong performance

Dyson Diecasting has continued to perform very well winning new orders from customers such as Bentley, TRW and Siemens which contributed to a close to record ever profit from the business for the year.

The company focuses on smaller die castings that have high cosmetic requirements in both Aluminium and Zinc. Parts can be supplied fully machined and assembled in a fully validated condition.

**Business Review**
## Chief Executive's Operating Review



## Continuous new product development

We believe that new product development is crucial to maintain a competitive position in the marketplace and to enable the development of new market niches. The group has had success in adapting existing technologies to new market applications including combining photovoltaics with solar shading and solar shading with intelligent electronic control systems.


**www.alumasc.co.uk**

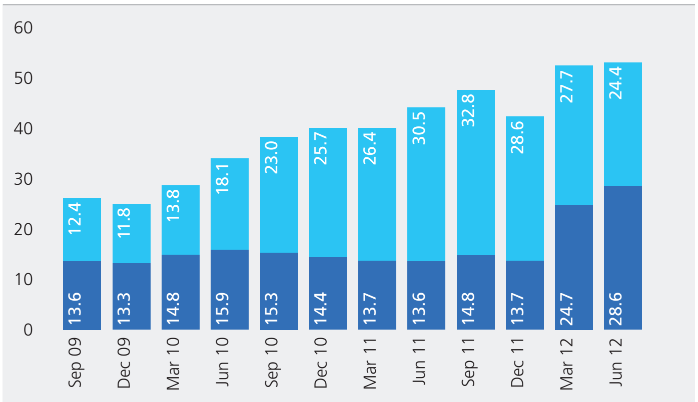
Above: Alumasc's range of sustainable building products were exhibited at Ecobuild in London last February.

Below: Alumasc is a specialist in the design and development of thermally efficient, insulated render systems which utilise a wide range of silicone mineral and polymer-modified render finishes.

Meanwhile Dyson Diecasting produced a double digit operating margin on increased revenue. Its very good reputation in the market place led to additional project wins towards the year end for Bentley, Siemens and TRW. These will benefit the current year and assist in helping to mitigate a potential softening in demand from global OEM companies such as Caterpillar which recently announced a lowering of its full-year sales outlook due to the state of the global industrial economy.

Direct sales to international customers in China were further developed in the year. Alumasc Precision works closely with its local manufacturing partners and, while the year under review continued to be a development year with limited sales, the current year will benefit from three projects for a global OEM company.

**Quarterly Order Book Development**
£m




Building Products
Precision Engineering Products

## Prospects

Both the group as a whole and the Building Products division entered the new financial year with record order books of £53 million and £29 million respectively (30 June 2011: £44 million and £14 million).

Under a strengthened management team, the Building Products division continues to improve performance, despite the well published challenges in UK construction. This is the result of a number of initiatives from expanding the product range to entering new markets and increasing the international presence of Alumasc Building Products. There are several significant projects which will also help to underpin the results in the current year.

Continuing progress at Dyson Diecasting, coupled with the turnaround underway at Alumasc Precision Components should result in a much improved financial performance from the Engineering Products division in the current year.

Overall, the Board expects Alumasc to have a much improved year in 2012/13.

**Paul Hooper**
Chief Executive

## Alumasc Insulated Renders: Revolutionising green living

Alumasc is well positioned to take advantage of the government's 'Green Deal' initiative which intends to reduce carbon emissions by revolutionising the energy efficiency of existing and older British properties. Alumasc's Insulated Renders business showcased its range of thermally efficient External Wall Insulation (EWI) solutions at this year's Greenbuild Expo, providing Alumasc with the perfect platform to promote the energy-saving benefits of its EWI systems in readiness for the forthcoming Green Deal initiative.

Alumasc's Swistherm and Swisrail External Wall Insulation systems are primarily suited to new build applications, with Swistherm being particularly suited for use with Cork insulation, providing the perfect solution for low carbon, sustainable developments. Alumasc's Swisslab and Swisspan External Wall Insulation systems are primarily suited to refurbishment applications, with an impressive track record in transforming poorer quality housing into warm, attractive, energy efficient homes.

# Business Review
## Group Finance Director's Review

### Efficient cash management

The group's average trade working capital percentage of sales has reduced by around 4 percentage points, equivalent to a cash efficiency gain of over £4 million over the last three years.

**Andrew Magson**
Group Finance Director

**Reconciliation of underlying to reported profit before tax**

| | 2011/12 | 2010/11 |
|---|---|---|
| **Continuing operations** | **£m** | £m |
| Underlying profit before tax | **1.6** | 4.3 |
| Brand amortisation | **(0.3)** | (0.3) |
| Restructuring costs | **(0.9)** | (0.3) |
| Impairment charge reversal | **–** | 1.2 |
| Property disposal gain | **–** | 0.8 |
| Re-financing costs | **–** | (0.3) |
| Reported profit before tax | **0.4** | 5.4 |

**Underlying financial performance**

Details of the group's trading performance are set out in the Chief Executive's Operating Review.

Group revenues from continuing operations grew by 3.6% to £110.6 million, due to higher Building Products divisional sales driven by increased sales of Construction Products into the infrastructure sector and higher roofing and walling sales, particularly in the last quarter of the year. This growth was achieved despite a further contraction in UK construction market activity during the year, as Alumasc companies made gains in certain of the group's chosen sustainable building product niches, whilst further growing export sales.

Revenues in the Engineering Products division were similar to the prior year, taking the year as a whole but there were some significant short-term spikes in demand during the first half of the year, particularly ahead of changes to certain diesel engine emission regulations becoming effective on 31 December 2011. Overall customer demand softened modestly later in the financial year as global economic growth rates slowed.

Gross margins in the Building Products division were held broadly stable at 32% despite downward pressure in a weak UK market. Gross margins in the Engineering Products division were significantly impacted by the various manufacturing and commercial issues at Alumasc Precision Components, described in more detail in the Chairman's Statement and the Chief Executive's Operating Review.

Group overheads were well controlled, increasing by just £0.2 million (1%) to £23.5 million in the year, despite the £0.7 million investment in international development and sales resources in the Building Products Division committed at the beginning of the financial year, due to other cost savings across the group and lower charges for bad debts.

As a result of the above, Building Products' divisional underlying operating profit improved from £3.9 million in the prior year to £4.4 million, but the Engineering Products division reported an underlying operating loss of £0.8m against a prior year profit of £3.0 million. After unallocated costs, group underlying operating profit was £2.6 million (2010/11: £5.7 million), with the difficulties at Alumasc Precision more than offsetting the advances made in the Building Products division.

The group's net financing costs decreased from £1.4 million (excluding re-financing costs) in 2010/11 to £1.0 million in 2011/12 mainly due to reduced financing charges on the group's pension deficit, reflecting the relatively low IAS19 valuation at the beginning of the financial year. Net interest costs on borrowings increased slightly due to the higher year-on-year average level of net debt.

Underlying profit before tax was £1.6 million (2010/11: £4.3 million) reflecting the lower operating profit, partly mitigated by the reduction in net financing costs described above.

**Non-recurring items and brand amortisation**

Non-recurring restructuring costs for the year amounted to £0.9 million, and mainly arose in connection with the changes made to senior management at Alumasc Precision Components in the second half of the financial year, described in the Chief Executive's Operating Review. In the prior year, the net non-recurring gain of £1.4 million related principally to an impairment charge reversal and a profit on the sale of surplus property.

Brand amortisation charges, relating to acquisitions made in prior years, were similar in 2011/12 to the previous year at £0.3 million.

## Key performance indicators

The group's key performance indicators (KPI's) are summarised in the table. Cross references have been provided from the table to the pages in this Annual Report where each KPI is discussed.

| Key performance indicators | 2011/12 | 2010/11 | Annual Report cross reference |
|---|---|---|---|
| Safety performance rate | **5.3** | 2.8 | Pages 7 and 22 |
| Year end order book (£m) | **53.1** | 44.1 | Page 5 and 17 |
| Group revenues (£m) | **110.6** | 106.8 | Pages 7 and 18 |
| Operating margin (%) | **2.3** | 5.3 | Page 7 |
| Underlying PBT (£m) | **1.6** | 4.3 | Pages 7 and 18 |
| Underlying earnings per share (pence) | **3.0** | 8.3 | Page 20 |
| Average trade working capital % sales | **13.9** | 14.1 | Page 20 |
| Net cash outflow (£m) | **(2.5)** | (1.4) | Pages 20 and 21 |
| Shareholders' funds (£m) | **18.9** | 32.0 | Page 20 |
| Year end net debt (£m) | **13.2** | 10.7 | Pages 20 and 21 |
| Capital invested (£m) | **43.2** | 44.8 | Page 20 |
| Average net borrowings (cleared funds) (£m) | **16.8** | 14.2 | Page 20 |
| Return on investment (post tax) (%) | **4.0** | 8.8 | Page 20 |
| Gearing (%) | **70.0** | 33.6 | Page 20 |
| EBITDA interest cover (times) | **7.6** | 12.3 | Page 20 |
| Net debt/EBITDA (times) | **2.5** | 1.4 | Page 20 |

# Business Review
## Group Finance Director's Review

### Reported profit before tax

Reported profit before tax was £0.4 million (2010/11: £5.4 million) reflecting the lower level of underlying profit and the non-recurring costs in 2011/12 which contrasted with the non-recurring gains in 2010/11.

### Tax

Whilst the UK statutory tax rate has been reducing over the last few years, the benefit of this in the group's underlying tax rate has been partly offset by the concurrent abolition of industrial buildings allowances (IBAs). In addition, the higher proportion of non-tax deductable costs, including IBAs, relative to the group's profit for the year under review resulted in the group's overall underlying tax rate increasing from 30.3% last year to 31.6% in 2011/12. This position is expected to improve as the group's taxable profits recover.

After non-recurring items and the benefit arising from the recalculation of opening deferred tax balances at 1 July 2011 at the lower UK statutory tax rates, the group reported a small overall tax credit for the year.

### Underlying and basic earnings per share

Underlying earnings per share were 3.0 pence and basic earnings per share were 1.2 pence, both reflecting the lower level of group profit after tax. The average number of shares in issue remained broadly unchanged over the year.

### Cash flow and net debt

The group's overall net cash out flow for the year (including changes in drawn debt) was £2.5 million (2010/11: out flow of £1.4 million). Period end net debt increased as a consequence from £10.7 million to £13.2 million. The cash out flow was largely attributable to group operating profit being significantly lower than anticipated at the beginning of the year, and therefore temporarily insufficient to cover previously committed pension deficit funding payments and dividend payments. The average level of net debt (on a cleared funds basis) increased to £16.8 million compared with £14.2 million in the prior year.

The group is now targeting a return back to positive cash flow for the current year through a combination of improved business performance, underpinned by record order books of over £50 million, continued tight control of working capital and capital expenditure, and the re-basing of the group's dividend described below.

Trade working capital efficiency continues to improve steadily and averaged 13.9% of sales over the last twelve months, compared with 14.1% in the prior year. Further efficiency gains in the Building Products division were partly offset by higher working capital requirements at Alumasc Precision Components whilst the various operational issues in that business are being resolved. The group's average trade working capital as a percentage of sales has reduced by around 4 percentage points, equivalent to a cash efficiency gain of over £4 million over the last three years.

Capital expenditure amounted to £1.9 million during the year, compared with depreciation and non-brand amortisation charges of £2.8 million. The principal capital investments were targeted at relieving specific capacity bottlenecks at Alumasc Precision Components, and also included a variety of routine asset replacement projects around the group. The group does not expect capital expenditure needs to exceed depreciation and non-brand amortisation charges for the foreseeable future.

### Pensions

The group's pension deficit, measured under IAS19 conventions, increased from £2.9 million at the beginning of the financial year to £14.5 million at 30 June 2012, mostly explained by a pre-tax actuarial loss of £13.8 million. This mainly reflected low long term UK gilt rates during the year, used to discount expected future pension liabilities to present values, and a weaker investment performance than was assumed by the scheme actuary during a turbulent year for global capital markets.

The group currently makes annual deficit reduction contributions of £2.0 million and, in addition, reimburses scheme running expenses of around £0.5 million per annum, including the payment of the annual Pension Protection Fund levy. This position will remain unchanged until the next formal triennial review by the scheme actuary in April 2013. It is unlikely the outcome of this review will be finalised during Alumasc's 2012/13 financial year and therefore no changes to funding arrangements are expected during the current financial year.

### Capital structure, capital invested and shareholders' equity

The group defines its capital invested as the sum of shareholders' equity, bank debt and the pension deficit net of tax.

Capital invested decreased over the year from £44.8 million to £43.2 million, as capital expenditure was lower than the annual charge for depreciation and amortisation, and working capital also reduced during the year. In view of the lower operating profit, underlying post-tax return on average capital invested fell from 8.8% to 4.0% for the year.

Shareholders' equity decreased from £32.0 million to £18.9 million over the year, mainly due to the post-tax actuarial loss of £10.6 million, described above, and the payment of the prior year's final dividend, which exceeded profit after tax for the year.

**Summarised Cash Flow Statement**

| | **2011/12 £m** | 2010/11 £m |
|---|---|---|
| EBITDA* | **5.4** | 8.1 |
| Change in working capital | **0.8** | (1.1) |
| Operating cash flow | **6.2** | 7.0 |
| Capital expenditure | **(1.9)** | (1.2) |
| Pension deficit & scheme expenses funding | **(2.4)** | (2.9) |
| Interest | **(0.9)** | (0.6) |
| Tax | **(0.1)** | (0.4) |
| Dividends | **(2.8)** | (3.6) |
| Property disposal proceeds | **–** | 1.2 |
| Exceptional pension contribution | **–** | (1.0) |
| Restructuring and other one-off cash flows | **(0.6)** | (1.0) |
| Cash flow from discontinued operations | **–** | 1.1 |
| Increase in net debt | **(2.5)** | (1.4) |

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

Whilst the increased level of net debt and reduced level of shareholders' equity resulted in an increase in financial gearing from 34% to 70% over the year, the group continued to operate within loan covenants. The ratio of net debt to EBITDA, as defined in Alumasc's committed loan facility agreement, was 2.5 times compared to a covenant maximum of 3 times. EBITDA interest cover, as defined in the committed loan facility agreement, was 7.6 times compared with a covenant minimum of 4 times.

**Going concern**

Having taken into account business plans and the group's banking facilities, and having made appropriate enquiries, the Directors consider that the group has adequate financial resources to continue in operation for the foreseeable future.

The group's banking facilities comprise a £20 million revolving credit facility and a £5 million finance lease facility that expire in June 2016. In addition, the group has recently renewed overdraft facilities totalling £6 million for another year.

**Dividends**

In view of the much lower levels of profit reported this year and the consequential impact on the group cash flow and balance sheet, and also having regard to the likely profile of future earnings progression, the Board considered it necessary to reduce the group dividend. Accordingly, the Board proposes a final dividend of 1 pence per share, to be paid on 31 October 2012 to shareholders on the register on 5 October 2012. This will give a total dividend for the year of 2 pence per share (2010/11: 10 pence per share).

**Impairment Review**

The Board conducted an impairment review which covered all assets that contribute to the goodwill figure on the group balance sheet, together with any other assets where indicators of impairment existed. The conclusion of this review was that there were no impairments in the consolidated balance sheet although, in view of current and expected performance in the context of the more challenging wider economic environment, the headroom between the value in use and the relevant capital base of the group's cash generating units was lower than one year ago.

**Internal control**

The group made further improvements to internal control processes during the year. The number of remediation points outstanding from various audits has reduced, new business systems were implemented successfully in two operating companies during the year, and a project to implement a further new system, anticipated to go live in June 2013, has commenced. The processing of all group payrolls was centralised during the year, facilitating standardisation of controls in this area and additional cost efficiency.

Despite the progress outlined above, it was discovered during an internal audit in December that management processes and internal control systems at Alumasc Precision Components were not operating at an acceptable level, which in turn led to a significant write-down in the value of inventory at 31 December 2012. The control environment in this business has since been improved through changes to senior management, and internal financial controls have also been strengthened under the leadership of a new finance director. Work continues to be done to improve engineering and operational controls and disciplines.

**Andrew Magson**
Group Finance Director

# Business Review
## Corporate and Social Responsibility

### Green thinking

The group has established leading positions in building product niches that assist in managing energy and water in the built environment. We are committed to complementing this leadership by adopting environmentally sound business practices throughout our operations.

The group has an ongoing programme to monitor progress against a number of criteria against which improvements in environmental performance can be measured in operating businesses.

www.alumasc.co.uk

Where possible, Alumasc offers products either manufactured or grown from sustainable or recyclable materials, including aluminium, sustainable hard and soft woods and high quality green roofing horticulture. Further details at:

www.alumasc.co.uk

### Health and Safety

The group's number one priority continues to be to provide a safe place of work for employees, and health and safety remains the first agenda item for all subsidiary and group board meetings. The majority of directors and many senior managers within the group have been trained to Institution of Occupational Safety and Health (IOSH) accreditation standard. The group holds regular health and safety best practice days. In addition, each group business has local health and safety committees that meet regularly and each operation is subject to at least an annual health and safety audit, with consequential action plans being monitored in board meetings. Each operational location is subject to an annual Independent Environmental Compliance audit.

The group is committed to a programme of continuous improvement in its health and safety performance. Continued areas of focus in the year have been driving improvements in our systems for the reporting of "near-misses" and the way in which the health and safety performance and culture throughout the group is communicated.

The principal key performance indicator of health and safety performance is the safety performance rate. This is a relative measure, capturing the total number of lost time and other safety incidents, weighting each one in terms of its severity and relating the result to the overall number of hours worked. Whilst the group's weighted average safety performance rate unfortunately increased to 5.3 for the year, compared with 2.8 in the previous year due to an increased number of incidents at Alumasc Precision, performance in the Building Products division continued to improve. Whilst the current year's performance was a little disappointing the underlying trend of safety improvements continues.

### Environment

Many of our building products businesses are strongly focused on providing effective solutions to enhance sustainability in the built environment. The group has established leading positions in energy and water management, through brands such as Alumasc, Levolux, Gatic and Blackdown greenroofs. We are committed to complementing this leadership by adopting environmentally sound business practices throughout our operations.

Subscription to the BREEAM Points System, as a framework for analysis and scoring, allows the designer to differentiate between those products with true ecological credentials and those not achieving the benchmark. Indicative ratings for building materials given in the BRE Green Guide to Specification also allows designers to choose those products or construction methods that will be most beneficial in contributing to a high BREEAM points score. Alumasc are able to offer a wide variety of A+ rated solutions that allow designers and specifiers to achieve the highest standards of sustainability and make BREEAM 'Excellent' and 'Outstanding' designs eminently possible.

Levolux is well-placed to contribute to the Green Building Council's campaigning. Its products are fully recyclable and help maintain a naturally cool and energy efficient environment.

Our programme of environmental audits, carried out by external consultants, has continued through the year. These audits are designed not only to highlight areas in which we can do better, but also to form a basis for our achieving ISO14001 accreditation throughout our businesses. ISO14001 establishes a framework of control for an Environmental Management System, against which an organization can be certified by a third party.

The group has an ongoing programme to monitor progress against a number of criteria against which improvements in environmental performance can be measured in operating businesses. This programme has delivered continuous year-on-year improvements against measures from the use of recycled paper to energy usage and efficiency.

As new environmental regulations come into force, the group takes active steps to be at the forefront of compliance. We continue to ensure compliance with the REACH Regulations on the manufacture and import of chemicals in the EU.

All operational sites segregate their process waste to allow direct recovery and recycling. Our obligations to recover and recycle packaging waste are discharged by membership of an independent compliance scheme operated by Valpak.

**Carbon Management**
We recognise that improving our energy consumption, particularly within our more energy-intensive operations in the Engineering Products division, is a key way in which we can improve both our environmental and financial performance. This success has been driven by investments in more energy-efficient equipment and improvements in management practices. Our two foundry sites continue the improvements they began in 2001, targeting and achieving energy savings each year to benefit from rebates on their electricity bills under Climate Change Levy agreements. In addition the group has registered as a participant in the CRC Energy Efficiency Scheme and has just completed its annual report and purchased and submitted the necessary allowances.

Levolux has teamed up with Carbon Footprint to assess its primary carbon emissions and a detailed appraisal was conducted, which focused on the energy consumption of buildings, business travel and logistical operations.

In line with other fully listed public companies the group will be subject to mandatory Greenhouse Gas emission reporting from April 2013.

**Sustainability**
Pendock was the first business in the UK pre-formed pipe boxing market to acquire Forest Stewardship Council certification in 2009, showing our commitment to sustainability in the use of wood products that are traceable right back to the forest of origin and demonstrating compliance with the highest social and environmental standards in the market.

The wider group is well-positioned to benefit from environmentally-driven changes in policy and regulation. In particular, the growing awareness of sustainability and life-cycle cost amongst building and construction specifiers should assist those group businesses that assist their customers to manage energy and water use in the built environment.

**Community**
In addition to the wider community benefits arising from our environmental programme, the group is committed to supporting local community initiatives and a number of charitable donations have been made throughout the year as described in the Director's Report on page 29.

# Board of Directors
## and Company Advisors


**John McCall**
Chairman

**Paul Hooper**
Chief Executive


**Andrew Magson**
Group Finance Director

**Jon Pither**
Deputy Chairman

**Philip Gwyn**
Non-Executive Director

**Richard Saville**
Non-Executive Director

**John Pilkington**
Non-Executive Director

**Keith Walden**
Non-Executive Director

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**Brokers**
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Moor House
120 London Wall
London EC2Y 5ET

**John McCall** MA (Cantab) (67)
**Chairman** [a]

John McCall was appointed Chairman and Chief Executive on the foundation of the company in 1984. He was called to the Bar in 1968. His previous employment was with the mining finance house Consolidated Gold Fields plc with whom he gained extensive international experience in the fields of mining and construction materials.

**Andrew Magson** BSc, FCA (45)
**Group Finance Director and Company Secretary**

Andrew Magson joined Alumasc as an executive director in October 2006. Andrew qualified as a chartered accountant with, and spent his earlier career at, PricewaterhouseCoopers. Prior to its acquisition by Saint Gobain in December 2005, Andrew was the Group Financial Controller of BPB plc, a FTSE 100 company. More recently he was a divisional financial controller at Saint Gobain.

**Philip Gwyn** MA (Cantab) (68)
**Non-Executive Director** [abc]

Philip Gwyn has been a non-executive director since 1984. He was called to the Bar in 1968 and after a period with merchant bankers, Dawnay, Day & Co, started to invest in businesses in which he was involved in executive and non-executive capacities. These include Christie Group plc (currently Chairman), The Soho Group (Chairman from 1990 to 2001), GrandVision SA., a French retail group, of which he is a founder director, and other UK enterprises.

**John Pilkington** MA (Cantab) (63)
**Non-Executive Director** [bc]

John Pilkington joined the Board in March 2009. He has spent his career working in the construction industry, most recently at Amey UK plc from 2000 to 2008, latterly as an Executive Director responsible for PFI Investments. He is currently the executive chairman of Spring Rehabilitation Centres Limited and a Director of GB Social Housing Limited.

**Paul Hooper** BSc, MBA, DipM (56)
**Chief Executive**

Paul Hooper was appointed Chief Executive in March 2003 having joined Alumasc as Group Managing Director in April 2001. His earlier career included a first Managing Director role with BTR plc in 1992. He subsequently joined Williams Holdings plc in Special Operations, implementing acquisitions in Europe and North America, prior to joining Rexam PLC as a Divisional Managing Director with responsibility for operations in Europe and South East Asia.

**Jon Pither** MA (Cantab) (78)
**Deputy Chairman** [abc]

Jon Pither holds directorships in numerous companies and is a past council member of the CBI and a past President of The Aluminium Federation. He was appointed to the Alumasc Board in 1992 and became Deputy Chairman in 1995. He is the senior independent non-executive director on the Alumasc Board.

**Richard Saville** BSc (63)
**Non-Executive Director** [abc]

Richard Saville joined the Board as a non-executive director at the beginning of 2002. His early career was in the City, where he became a partner of Phillips & Drew in 1980 and a director of Morgan Grenfell Securities in 1987. He joined George Wimpey plc in 1988 becoming Group Finance Director at the beginning of 1994, a position he held until May 2001. After 2001 he served for a time as Director of Finance of Halfords plc and at Craegmoor Limited. He is currently a director of a number of companies.

**Keith Walden** CEng, MIEE (72)
**Non-Executive Director**

Keith Walden was appointed as a Non-Executive Director on the 4 September 2012. He is a Chartered Manufacturing Engineer with a lifetime career in the engineering industry. He originally started with the group in 1964 and became a Director in 1986 with specific responsibility for Alumasc Precision until his retirement in 2002. He was appointed in June 2012 as the Non-Executive Chairman of Alumasc Precision.

**Committees:**
[a] Nomination Committee
[b] Audit Committee
[c] Remuneration Committee

# Directors' Report

The Directors present their Annual Report and the consolidated financial statements for The Alumasc Group plc for the financial year ended 30 June 2012.

**Principal activities and business review**

The principal activities of the group are the design, manufacture and marketing of products for the building and construction industries and the manufacture of engineering products and components for major OEM's. A review of the group's operations, future prospects and Key Performance Indicators are included in the Business Review on pages 6 to 23.

The following sections are incorporated by reference into the Director's Report.

- Business and Financial Review (pages 6 to 21)
- Corporate Social Responsibility (pages 22 to 23)
- Board of Directors (page 24 to 25)
- Statement of Corporate Governance (pages 31 to 34)
- Remuneration Report (pages 35 to 38)

In compliance with the business review provisions of the Companies Act 2006, principal risk factors are discussed under the section "Principal risks and uncertainties" on pages 27 to 28. Key Performance Indicators are set out in the Group Finance Director's Review on page 19. Information on potential future developments in the group is set out in the "Prospects" section on page 17.

**Results and dividends**

The group reported profit before tax from continuing operations of £0.4 million (2010/11: £5.4 million). The Directors recommend a final dividend of 1p per ordinary share payable on 31 October 2012 to members on the register at the close of business on 5 October 2012 which, together with the interim dividend, makes a total of 2p for the year (2010/11: 10p).

The Company operates a Dividend Re-Investment Plan, details of which are available from Capita Registrars.

The right to receive any dividend has been waived by the trustee of the company's Employee Benefit Trust over any shares that the Trustees may hold from time to time. At the year end, the Trustees' holding was 485,171 shares (2010/11 485,171). The shares held in Trust are to meet commitments under the company's performance based executive share plans.

**Share capital**

The present capital structure of the company is set out in note 26 to the group financial statements.

**Purchase of own shares by the company**

At last year's Annual General Meeting, authority was granted to the Directors to purchase, in the market, the company's own shares, up to the limit of 14.9% of the issued share capital. The authority is expressed to run until the company's next Annual General Meeting at which it will expire. No purchases pursuant to this authority have been made during the year. Renewal of this authority will be proposed at the forthcoming Annual General Meeting. The Directors do not propose to exercise the authority unless satisfied that a purchase would be in the best interest of shareholders and could be expected to result in an increase in earnings per share.

**Directors**

The current Directors are listed below and their biographies are set out on page 25. All of these Directors served throughout the year save for Keith Walden who was appointed on the 4 September 2012. At the date of appointment he held a beneficial interest in 713,462 ordinary shares.

In accordance with the Articles of Association, Keith Walden having been appointed a director on the 4 September 2012 will retire at the forthcoming Annual General Meeting and being eligible offers himself for election. In accordance with the Articles of Association, Andrew Magson and John Pilkington retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Jon Pither, Philip Gwyn and Richard Saville, having served on the Board for more than nine years, also retire and offer themselves for re-election.

Details of Directors' service agreements are given in the Remuneration Report on pages 35 to 38.

**Directors' share interests**

| | | Shares |
|---|---|---|
| | **At 30 June 2012** | At 30 June 2011 |
| J S McCall | **4,359,668** | 4,120,918 |
| J P Pither | **286,631** | 286,631 |
| P H R Gwyn | **3,057,605** | 3,057,605 |
| G P Hooper | **360,487** | 283,399 |
| A Magson | **25,000** | 25,000 |
| J Pilkington | **9,186** | 9,186 |
| R C C Saville | **53,000** | 23,000 |

The Directors' interests are beneficial with the exception of 434,000 shares (2011: 434,000) in which John McCall has a non-beneficial interest. Details of options granted to the Directors can be found in the Remuneration Report on pages 35 to 38.

There has been no change in the Directors' interests in the share capital of the Company from 30 June 2012 to 4 September 2012.

**Substantial shareholders**

In addition to those of the Directors, the analysis of the company's share register showed the following interests in 3 per cent or more of the company's issued ordinary shares as at 30 June 2012:

| | Shares | % of issued share capital |
|---|---|---|
| AXA Investment Management | 5,040,684 | 13.95 |
| Delta Lloyd Asset Management | 4,112,702 | 11.38 |
| E W O'Loughlin Esq | 1,550,962 | 4.29 |
| Schroder Investment Management | 1,089,167 | 3.01 |

The Directors are not aware of any other notifiable interest in the share capital of the company.

There has been no change to substantial shareholders since the year end.

**Shareholders' statistics**

Ordinary shareholders on the register at 30 June 2012:

| | Number of Shareholders | Ordinary shares Number |
|---|---|---|
| Shareholding range: | | |
| 1 – 999 | 416 | 203,143 |
| 1,000 – 9,999 | 674 | 1,796,676 |
| 10,000 – 99,999 | 145 | 3,818,001 |
| 100,000 – 999,999 | 44 | 13,186,839 |
| 1,000,000 and over | 9 | 17,128,899 |
| | 1,288 | 36,133,558 |

**Information required for shareholders**

The following provides additional information for shareholders as a result of the implementation of The Takeovers Directive into UK law.

The details of the company's share capital structure are given in note 26 to the group financial statements. With the exception of 485,171 ordinary shares held in the employee trust being subject to a waiver of the right to a dividend, all shares carry equal rights and no restrictions other than those imposed from time to time by laws and regulations and pursuant to the Listing Rules of the Financial Services Authority.

**Significant interests**

Director's interests in the share capital of the company are shown on page 26. Major interests (i.e. those above 3%) of which the company has been notified are shown above.

**Change of control**

The group's committed financing facility agreement includes a change of control provision. Under this provision, a change in ownership/control of the company would result in withdrawal of these facilities.

There are no other material agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid.

There are no additional agreements between the company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

**Principal risks and uncertainties**

Alumasc's portfolio of niche businesses generates sales in a variety of building and construction, and industrial markets. This reduces the group's exposure to any one end-market segment or single third party. The group's major risks are:

UK, Eurozone and Global Economies
Alumasc's principal operations are based in the UK. The majority of the group's building product sales are in the UK, with the remainder mostly to customers in the USA, Middle East and Europe. Any significant change in economic conditions, laws and regulations in these locations could affect demand, trading performance and profit margins. Alumasc Precision supplies mainly global OEMs with the majority of its sales now made to end users based outside the UK. As such Alumasc Precision's demand and trading performance is more influenced by global economic conditions, and demand for off highway diesel engines used in the construction and mining sectors, in particular.

The group does not have any manufacturing operations based in the Eurozone countries and only approximately 10% of group sales and purchases, respectively, were to/from these countries in 2011/12. Other than the impact on demand and general business confidence caused by the continuing uncertainties in the Eurozone, the probable impact on Alumasc of any countries exiting from the Euro is not expected to have a fundamental impact on the group.

# Directors' Report

With regard to pensions, we have had confirmation from our investment managers that there are no material Eurozone exposures in the investment portfolio.

Input cost inflation can generally be recovered from customers through selling prices rises, and ratchets are in place to achieve this with regard to changes in aluminium costs at Alumasc Precision. In circumstances where market demand is subdued and there is strong competition for work, such as in the current UK building products market, it is not always possible to recover all cost inflation from customers. The group seeks to offset as far as possible such pressure on margin through internal cost savings and efficiency measures.

### People
The loss of key management and employees could impact operating performance through loss of know-how. These risks are mitigated as far as possible through succession planning for key executives, teamwork and ensuring that key individuals are appropriately motivated and incentivised. Any proposed appointments to, or departures from key positions are approved at Operating Company board meetings and exit interviews are increasingly held by group management with key senior employees who are proposing to leave or are leaving the business.

### Customers
Certain of the group's businesses derive a significant proportion of their revenues from individual key customers. The management teams of these businesses and group management, where appropriate, maintain regular contact with all key customers to manage and develop these important business relationships. In general, the loss of any key customer could have a significant impact on the performance of an individual business within the group, but it is less likely to have as material an impact on the group as a whole. However, the Caterpillar Group is a major customer of both Alumasc Precision and The Alumasc Group as a whole, representing approximately 17% of group sales in the 2011/12 financial year.

### Innovation and competition
Alumasc encourages an entrepreneurial and innovative approach from its business and management teams as the group's performance is dependent on niche, differentiated products, systems and solutions. Insufficient innovation could result in loss of competitive advantage.

### Product quality
The reputation of Alumasc products and brands could be impacted by significant product quality issues. The group's quality control procedures are designed to ensure that own-manufactured products and, where applicable, bought-in products perform to specification, provided they have been correctly installed. In circumstances where the group installs its own products, careful project management processes seek to ensure that any potential issues are pro-actively identified, managed and resolved on-site as far as possible. Residual risks are insured, where possible and economic to do so.

### Supply chain
The loss or failure of key suppliers, or the prolonged loss of a major manufacturing site within Alumasc could impact ability to deliver to customer expectations. The increase over the last few years in Alumasc's raw materials, components or sub-assemblies that are being sourced from the Far East, whilst reducing costs, has introduced additional supply chain risks that are being carefully managed by senior personnel within each business.

### Credit risk
Credit risk remains relatively high in the current economic environment, and this will continue to be the case as businesses recover from recession and have to finance the increased working capital needed to support recovery. The group has increased the level of credit insurance in the Building Products division to mitigate these risks in the current year, and any credit exposure in excess of £50k above insurable limits is approved at group level. The group suffered a £0.5 million bad debt in its Facades business during the 2010/11 financial year, where one of our preferred installers was unable to finance an increasing level of business. There are, and were, no uninsured credit risk exposures of anything approaching this size elsewhere in the Building Products division. Uninsured credit risks in excess of £0.5 million are given by Alumasc Precision in the case of well funded, major global OEM customers with strong external credit ratings. Credit risks continue to be monitored carefully in all group businesses, including at monthly board meetings.

### Foreign exchange rate risk
The group is exposed to movements in foreign exchange rates, particularly in relation to purchases and sales made in Euros, US Dollars and Hong Kong Dollars. These risks are mitigated wherever possible by internal hedging between businesses and then through the use of external forward foreign exchange contracts. Such hedging can only protect the group against relatively short-term volatility in exchange rates and not against more structural changes to the relative strength of these currencies against Sterling.

### Interest rate risk
The group has exposure to interest rate risk, arising principally on changes to sterling interest rates. In order to manage the risk to group profit that would arise from a significant upward rise in rates, the group has put in place interest rate caps with a total nominal value of £12.5 million, which would protect the group in the event of an increase in LIBOR to 5% or more. Further details are given in note 23 to the group financial statements.

### Liquidity risk
The group renewed its £20 million committed banking facilities in June 2011. In addition the group has a £5 million committed finance leasing facility. These facilities expire in June 2016. In addition, the group has a further £6 million of overdraft facilities repayable on demand. The Board believes these facilities are sufficient to meet the group's funding requirements for the foreseeable future.

### Pensions
Alumasc has mitigated some of the risks associated with its two defined benefit pension schemes in recent years by closing the schemes to future accrual and working with the Pension Trustees to reduce the overall level of the funding deficit. Nonetheless, the group's pension obligations remain significant and the future levels of funding required will be affected by changes in demographic, capital market and regulatory factors over time, many of which are beyond the group's control. The group is currently putting into place a revised pension investment strategy designed to reduce overall risk and reduce the volatility of investment returns. These factors, and developments in the pensions industry more generally, are closely monitored by management and its advisors in order that the group can continue to improve the funding of its pension schemes in accordance with the recovery plans agreed with the Pension Trustees.

### Environmental matters

The Board aims to conduct its business so as to minimise as far as practicable any adverse effects that its operations may have on the environment and to find alternative ways of operating where its activities may have an environmental impact. The group requires that each operating business achieves minimum standards of environmental efficiency in accordance with group policy.

The Board is committed to applying best practice environmental standards throughout the business. This is achieved through a variety of methods, including product process development, promoting use of recycled materials, waste minimisation and energy efficiency.

More information regarding the group's approach to Environmental matters is given in the Corporate and Social Responsibility Statement on pages 22 and 23.

### Health and safety

The Alumasc Group plc places the highest priority on health and safety matters and seeks to achieve high standards for the well-being of its employees. There is a clear group policy to this effect. Achieving an embedded health and safety culture and the reduction of accident risk is the responsibility of management and employees alike.

All operating companies ensure compliance with legislation and have developed and implemented action plans with the objective of achieving continuous improvement in health & safety performance which is systematically reviewed by local management and at group Board level.

More information regarding the group's approach to health and safety matters is given in the Corporate and Social Responsibility statement on page 22.

### Creditor payment policy

While the company does not follow a specific code of practice, it is the company's policy to settle the terms and conditions of payment with suppliers when agreeing each transaction, to make sure that suppliers are made aware of such terms and, providing the supplier meets its contractual obligations, to abide by them. At the year end the Company had no trade creditors (2011: none). The group's average number of creditor days as at 30 June 2012 was 76 (2011: 67).

### Research and development

The group continues to devote effort and resources to the research and development of new processes and products. Research and development expenditure during the year totalled £0.2 million (2010/11: £0.2 million).

### Employees

Through regular company announcements and other staff communications employees are kept informed on the group's financial performance, future prospects and other matters affecting them.

The group is an equal opportunities employer and its policies for recruitment, training, career development and promotion are based on the aptitude and abilities of the individual. Those who are disabled are given equal treatment with the able-bodied. Should employees become disabled after joining the company, every effort is made to ensure that employment continues and appropriate training is given.

Employees are kept informed of changes in the business and general financial and economic factors influencing the group, this is done through briefing sessions and presentations. The group values the views of its employees and consults with them and their representatives on a regular basis about matters that may affect them.

### Donations

The Group made charitable donations of £1,900 during the year (2010/11: £2,100).

No political donations were made during the year.

### Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be put to the members at the forthcoming Annual General Meeting.

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# Directors' Report

## Annual General Meeting

The notice convening the Annual General Meeting, to be held on 25 October 2012, is included with this document together with an explanation of the business to be conducted at the meeting and a form of proxy.

The Directors believe that the proposals set out for approval at the AGM will promote the success of the company. Accordingly, they recommend unanimously that members vote in favour of each resolution. Members who are in any doubt as to what action to take are advised to consult appropriate independent advisers.

By order of the Board

**Andrew Magson**
Company Secretary

4 September 2012

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility Statement

We confirm that to the best of our knowledge:

a) 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 of the group and the company; and

b) the Directors' Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that the group faces.

On behalf of the Board

**Paul Hooper**
Chief Executive

**Andrew Magson**
Group Finance Director

4 September 2012

# Statement of Corporate Governance

There is a commitment to high standards of corporate governance throughout the group. The Board endorses the general principles set out in The UK Corporate Governance Code June 2010 ("The Code") (which is available on www.frc.org.uk) and is accountable to the group's shareholders for good governance. This report, together with the information contained in the Remuneration Report on pages 35 to 38 explains how the Directors seek to apply the requirements of The Code to procedures within the group.

### Statement of Compliance

During the year ended 30 June 2012 the group has complied with the requirements of The Code save for the following:

Under the provisions of the Code a small company should have at least two independent Non-Executive Directors. Under the Code John Pilkington is classed as independent however the other three Non-Executive directors who served during the year to 30 June 2012 and have been in office for longer than the prescribed nine years are not classed as independent under the Code.

However the Non-Executive Directors are considered by the Board to be independent of management and free from any relationship that could materially interfere with the exercise of their independent judgement.

Therefore under the Code provisions B.1.2, C.3.1 and D.2.1 the company or committee in question only had one independent Non-Executive Director during the year and not two as defined by the Code.

Under Code provision B.2.1 the nominations committee did not comprise of a majority of independent Non-Executive Directors.

B.3.2 where not all Non-Executive Directors have a service contract or letter of appointment, further details are given in the Remuneration Report on pages 35 to 38.

### Directors

During the year, the Board consisted of a Chairman, Chief Executive, Group Finance Director and four Non-Executive Directors. Keith Walden was appointed to the Board on 4 September 2012.

Three of the Board's Non-Executive Directors, Jon Pither, Philip Gwyn and Richard Saville who served during the year, have been members of the Board for more than the recommended nine years. In addition, Philip Gwyn has a significant shareholding, detailed in the Directors' Report on page 26. The Board has reviewed the role of each of these Directors and concluded that each is independent in character and judgement. It is felt that their knowledge and understanding are fundamental to the Board's deliberations and these Directors also have other significant commercial commitments.

Jon Pither is the Senior Independent Director.

No individual or group of individuals dominates the Board's decision-making.

The Non-Executive Directors' interests in the shares of the Company are set out on page 26 and they receive a fixed fee for their services.

Profiles of the Board members appear on page 25 of this report. These indicate the high level and range of business experience which enables the group to be managed effectively.

The Board meets at least seven times a year and more frequently where business needs require. Two of these meetings are focused upon strategy specific discussions. The Board has a schedule of matters reserved for its decision which includes material capital commitments, commencing or settling major litigation, business acquisitions and disposals and Board appointments. Directors are given appropriate information for each Board meeting, including reports on the current financial and trading position.

Any Director appointed is required to retire and seek election by shareholders at the next Annual General Meeting following their appointment. Additionally, one-third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those in office longest since their previous re-election.

All Directors have access to independent professional advice if required and at the company's expense. This is in addition to the access that every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

### Chairman and Chief Executive

There is a clear division of responsibilities between the roles of the Chairman and of the Chief Executive.

The role of the Chairman is to conduct Board meetings and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions. He is responsible for evaluating the performance of the Board and of the Executive Management and of the other Non-Executive Directors and has active involvement in all key strategic decisions taken by the group.

# Statement of Corporate Governance

The role of the Chief Executive is to oversee the day to day running of the group's business including the development of business strategies and processes to enable the group to meet shareholder requirements. The role involves leading the executive team and evaluating the performance of the Executive Management. Together with the Group Finance Director, he is also responsible for dealing with investor and public relations, external communications and corporate governance.

### Board Evaluation

In line with The Code, a formal evaluation of the performance and effectiveness of the Board, its Committees and individual Directors was carried out during the year. A briefing paper was prepared by the Chairman and formed the basis of one-to-one discussions between each of the Directors and the Chairman and, in the case of the Chairman, between the Chairman and the Senior Independent Director. Issues arising from this process were discussed with the Board with recommendations for actions where appropriate. The Senior Independent Director in conjunction with the Non-Executive Directors is responsible for evaluating the performance of the Chairman.

### Board Committees

The Board has delegated authority to the following committees and there are written terms of reference for each committee outlining its authority and duties. All terms of reference comply with The Code and are available on the company's website www.alumasc.co.uk.

### Audit Committee

The members of the Audit Committee throughout the year were Richard Saville (Chairman), Jon Pither, Philip Gwyn and John Pilkington. The Board considers that Richard Saville has relevant, recent financial experience. The Committee meets at least three times a year and its main duties are as follows:

i. monitoring the integrity of and reviewing the financial reporting process and statements;

ii. the appointment of and the review of the effectiveness and independence of the external auditors;

iii. approval of the scope and monitoring the effectiveness of the group's internal controls and risk management processes;

The Chairman, Chief Executive, Group Finance Director, Group Financial Controller and the group's external auditors were invited to and attended a number of meetings of the Audit Committee. As part of these meetings members of the Audit Committee meet with the external auditors without members of the management team being present.

The Audit Committee keeps the scope and cost effectiveness of the external audit under review, with the external auditors having access to the Committee Chairman.

KPMG have reported to the Audit Committee that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements and the objectivity of the audit Director and audit staff is not impaired.

The independence and objectivity of the external auditors are also considered on a regular basis, with particular regard to the level of non-audit fees. The provision of non-audit fees is reviewed on a case-by-case basis. During the year, non-audit fees of £9,000 were paid to KPMG for limited scope procedures work performed at Blackdown Horticultural Consultants Limited.

The Committee's view is that the size and complexity of the group and the close involvement of the Executive Directors make it unnecessary for the group to have a dedicated internal audit function, although a major part of the Group Financial Controller's role is to lead an annual internal audit programme. This position is kept under annual review.

### Remuneration Committee

The Remuneration Committee members throughout the year were Jon Pither (Chairman), Philip Gwyn, Richard Saville and John Pilkington. The Committee meets at least twice a year to review the remuneration of the Executive Directors. It is also responsible for determining the fees of the Chairman. Full details of the Directors' remuneration and a statement of the company's remuneration policy are set out in the Remuneration Report on pages 35 to 38. The Chairman and Chief Executive attend meetings of the Committee as necessary but take no part in deliberations relating to their own position.

The Executive Directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

The Non-Executive Directors' fees are reviewed by the Board, excluding the Non-Executives.

### Nominations Committee

The Nomination Committee members throughout the year were John McCall (Chairman), Jon Pither, Philip Gwyn and Richard Saville. The Committee meets when appropriate to consider appointments to the Board of both Executive and Non-Executive Directors. Generally, when considering appointments, unless a very specific skill gap is identified and a strong candidate is already known, external search consultants are used to ensure that a wide range of candidates is considered. An induction to the group's business and training is available for all Directors on appointment.

**Attendance at Board meetings**

| | Board – 9 meetings | Audit Committee – 3 meetings | Remuneration Committee – 2 meetings | Nomination Committee – 2 meetings |
|---|---|---|---|---|
| J S McCall | 9 | 2† | 2† | 2 |
| J P Pither | 8 | 3 | 2 | 2 |
| P H R Gwyn | 9 | 3 | 2 | 2 |
| J Pilkington | 9 | 3 | 2 | n/a |
| R C C Saville | 8 | 3 | 2 | 2 |
| G P Hooper | 9 | 3† | n/a | n/a |
| A Magson | 9 | 3† | n/a | n/a |

† By invitation as an attendee

Note: As Keith Walden was appointed to the Board on 4 September 2012, he did not attend any meetings during the year to 30 June 2012.

**Internal control and risk management**

The Board acknowledges that it is responsible for the group's systems of internal control and for reviewing its effectiveness. The system is designed to manage the risk of failure to achieve business objectives. However, this risk cannot be wholly eliminated and therefore the system can only provide reasonable and not absolute assurance against the risk of material misstatement, fraud or loss.

The Board has considered the effectiveness of the group's internal control systems in light of the issues that emerged during the year at Alumasc Precision Components "APC" described in the Chief Executive's business review and the financial review on pages 14 to 15 and page 21. Whilst it was unacceptable that these issues were not prevented or detected sooner by internal controls in the APC business, the Board noted that the issues were initially uncovered by an internal audit and to that extent secondary group-level control processes had operated effectively. The Board is satisfied that given the separate control environments in each of the group's businesses similar issues are unlikely to exist elsewhere. Actions taken to improve controls at APC are detailed on pages 14 to 15 and page 21.

In accordance with the Turnbull Guidance on Internal Control, the group has an ongoing process for identifying, evaluating and managing the significant risks faced by the business. This process was in place during the year and remained in place on the date that the Annual Report and financial statements were approved by the Board. The main elements of the group's internal control process are as follows:

(i) Risk management

Risk management is a continuing activity throughout the year, dealt with through the board meetings of operating companies. In addition, a formal business risk review exercise is conducted every year at each operating company and for the group as a whole. This identifies the most important risks, their likelihood of occurrence and possible business and financial implications and the effectiveness of mitigating controls. Each operating company has implemented procedures for controlling the relevant risks of their business.

Based on their attendance at the board meetings of each operating subsidiary, the Executive Directors report periodically to the Board on the risk management processes that have been in place during the year and the effectiveness of the level of control in managing the identified risks. The Board is able to confirm that these procedures are ongoing.

(ii) Financial Reporting and Monitoring

The Board receives regular financial reports, including monthly management accounts, quarterly re-forecasts, annual budgets and 5 year strategic plans. These procedures are intended to ensure that the Board maintains full and effective control over all financial issues. An Executive Committee, comprising the group's Executive Directors and the Managing Directors of the group's operating segments, reviews the group's trading activities and addresses matters of common interest with regard to safety, strategic development, performance, risk and other matters of mutual group interest.

Day to day management of the group companies is delegated to operational management with a clearly defined system of control, including:

- An organisational structure with an appropriate delegation of authority within each company;
- The identification and appraisal of business and financial risks both formally, within the annual process of preparing business plans and budgets and informally through close monitoring of operations;
- A comprehensive financial reporting system within which actual results are compared with approved budgets, quarterly re-forecasts and previous years' figures on a monthly basis and reviewed at both local and group level; and
- An investment evaluation procedure to ensure an appropriate level of scrutiny and approval for all significant items of capital expenditure.

# Statement of Corporate Governance

(iii) Internal Audit

Whilst the group, due to its size, does not have a full-time internal audit function, this position is kept under annual review. The group has, in recent years, increased the level of resource available for internal audit work and, during the year, the Audit Committee agreed a formal programme of work which was carried out under the leadership of the Group Financial Controller. Specialist external resource is used to carry out parts of this work, where appropriate.

With the exception of the matters that arose at APC during the year, described on the previous page, and having reviewed the scope and results of internal control activities and information provided by management and the group's external auditors, the Board was satisfied with the process of risk identification, management and control during the year.

**Whistleblowing policy**

The Audit Committee has reviewed and enhanced during the year the whistleblowing policy, which provides a formal mechanism whereby every group employee can, on a confidential basis, raise concerns over potential malpractice or impropriety within the group. A copy of the whistleblowing policy can be found on the group website www.alumasc.co.uk.

**Bribery and corruption policy**

The group issued a policy in connection with compliance with the Bribery Act which became effective from 1 July 2011. The group's anti-bribery policy and guidelines reflect the Directors' zero tolerance approach to bribery and corruption of all kinds.

This policy was cascaded down into the operating companies and training has been held at Head Office and subsidiary level. Any matters of particular concern whether arising from due diligence or otherwise with regard to related parties as defined in the Act are discussed at monthly operating board meetings.

**Business ethics policy**

The group has in place a business ethics policy, setting out the standards of business conduct that the group expects from its executives and employees. This policy is subject to periodic review to ensure it reflects the operation of the group and the business environment in which it operates.

**Internal controls assurance**

The Audit Committee on behalf of the Board has reviewed during the year the effectiveness of the system of internal control from information provided by management and the group's external auditors. The review included an assessment by the Board of the key risks affecting the group in the delivery of its long-term strategies.

**Going Concern**

The Board is satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future for the reasons given on pages 21 and 44.

**Shareholder relations**

The company is committed to maintaining good communications with its shareholders. Shareholders have direct access to the company via its website where material of interest to shareholders is displayed. Additionally, the company responds to numerous individual enquiries from shareholders on a wide range of issues.

There is regular dialogue with individual institutional shareholders, analysts and private shareholders with large holdings, as well as general presentations after the announcement of results. The Board receives regular updates on all the meetings and communications with major shareholders, who are offered the opportunity to meet with the Non-Executive Directors from time to time. The Senior Independent Director is available to shareholders if they have concerns that cannot be addressed through regular channels such as The Chairman, Chief Executive or Group Finance Director.

All shareholders have the opportunity to raise questions at the Annual General Meeting when the company also highlights the latest key business developments.

# Remuneration Report

### Introduction

The Remuneration Committee has adopted the principles of good governance relating to Directors' remuneration as set out in The UK Corporate Governance Code June 2010. This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium–sized companies and groups (Accounts and Reports) Regulations 2008.

It is a requirement that the company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those parts of it have been properly prepared. Accordingly, the Report has been divided into separate sections consisting of unaudited and audited information.

As required by the Companies Act, a resolution to approve this Report will be proposed at the Annual General Meeting of the company on 25 October 2012.

This Report has been prepared by the Remuneration Committee on behalf of the Board.

### Unaudited information

### The Remuneration Committee

The Remuneration Committee is entirely non-executive and its membership is set out on page 32. The Committee's principal functions are to advise the Board on the company's policy on executive remuneration and to approve the specific remuneration of Executive Directors, including their service contracts. Its remit therefore includes, but is not limited to, basic salary, benefits in kind, performance-related bonus awards, share options and awards, long-term incentive plans, pension rights and any other compensation or termination payments. The detailed terms of reference for the Committee are displayed on the company's web-site www.alumasc.co.uk.

### Remuneration policy

The company's policy is that current and future remuneration arrangements should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the group's objectives thereby enhancing shareholder value. The Committee considers the arrangements described below are reasonable and necessary to achieve this purpose. In determining the remuneration of Directors for the year, the Committee took careful account of the pay and conditions of the employees throughout the group.

Executive Directors bonuses are designed to reward action taken to grow the business in line with the group's strategic plan whilst managing cash efficiently. In addition an element of the bonus related to the achievement of personal objectives connected to the group's strategic development. Bonus arrangements are discretionary and the Committee retains discretion to review these criteria should circumstances dictate.

There are four main elements which make up the executive remuneration package, basic salary, bonuses, benefits and share-based incentive schemes.

#### Salaries

Salaries are reviewed annually on the basis of market comparisons with positions of similar responsibility and scope in companies of a similar size in comparable industries. In reviewing Directors' salaries the Remuneration Committee takes into account both company pay awards and personal performance and information from external salary survey sources.

The base salaries of the Executive Directors were reviewed with effect from 1 July 2012 and no increases were awarded.

Fees for Non-Executive Directors are determined by the Board on the basis of market comparisons with positions of similar responsibility and scope in companies of a similar size in comparable industries. They are not eligible for pension scheme membership and do not participate in any of the group's bonus, share option or incentive schemes. The fees payable remained unchanged throughout the year.

#### Bonuses

Annual bonuses are determined as a percentage of basic salary by a formula agreed with the Remuneration Committee. A zero threshold is set each year above which bonuses increase in line with profits, cash generation and the achievement of certain personal objectives, to a maximum in the 2011/12 financial year of 50% in relation to Paul Hooper and 45% in relation to Andrew Magson. The bonus targets are set at levels which the Remuneration Committee believes provide a major challenge for management in the bonus year.

No bonuses were payable to Executive Directors for the year ended 30 June 2012.

#### Benefits

During the year, Paul Hooper and Andrew Magson participated in defined contribution pension arrangements. Additional benefits available to Directors include health insurance and a car allowance.

# Remuneration Report

## Share-based Incentive Schemes

Long term incentive awards and awards under the group's executive share option plan are designed to reward the achievement of long-term performance targets and to align the interests of management with those of the shareholders.

*1 – Executive Share Option Scheme*

Executives have, in the past, been able to participate in the Executive Share Option Scheme approved by shareholders in 2004. This scheme is designed to encourage the matching of interests between management and shareholders. No awards under the scheme were made to Executive Directors during the year. Paul Hooper continues to participate by virtue of an award made in 2006, which may be exercised until 2016 on condition that the growth in Earnings per Share (EPS) exceeds the increase in the Retail Price Index (RPI) by 7.5% over the course of a continuous three year period.

*2 – Long Term Incentive Plan*

The group operates the Long Term Incentive Plan (the "Plan") which was approved by shareholders in October 2008. The purpose of the Plan is to motivate key individuals to take the company upon a programme of long term growth and to reward them for exceptional performance. Under the Plan each participant is allocated a number of shares. The vesting of shares under the Plan is subject to the achievement of performance criteria, which are described below.

*The 2008 Plan*

Details of the awards made to individual Directors are set out in the table in the section of this Report that is subject to audit.

Each award is dependent partially on an EPS performance condition and partially on total shareholder return ("TSR") meaning a measure of the growth in value of the ordinary shares of the Company over the performance period, assuming that all dividends are reinvested to purchase additional shares. The relative weighting to be attributed to EPS and TSR in a particular award is decided upon by the Remuneration Committee.

No part of any award will vest unless the average annual growth of EPS equals or exceeds RPI plus 2.5% measured over a fixed 3 year period following the making of the award.

On the attainment of this 2.5% average annual growth threshold, 25% of the whole award will vest.

The whole of the remaining part of an award dependent on EPS will vest if the average annual growth in EPS equals or exceeds RPI plus 10%.

The vesting of the remainder of any part of an award dependent on TSR will depend on the percentage movement of the Company's share price at least equalling the median performance of the FTSE All Share Index, up to 100% vesting if the percentage movement is equivalent to upper quartile performance.

In between the higher and the lower targets for both EPS and TSR, the awards vest on a straight line basis.

The performance conditions set out for the LTIP award granted in November 2011 were altered so that of the EPS element, 25% would vest on the Group achieving an underlying profit before tax of £7 million in 2013/14. If the underlying profit in 2013/14 was £9 million or above the full award would vest with a pro rata vesting in between.

**Service contracts**

The Remuneration Committee has determined to respect current best practice in respect of service contracts issued on all new appointments.

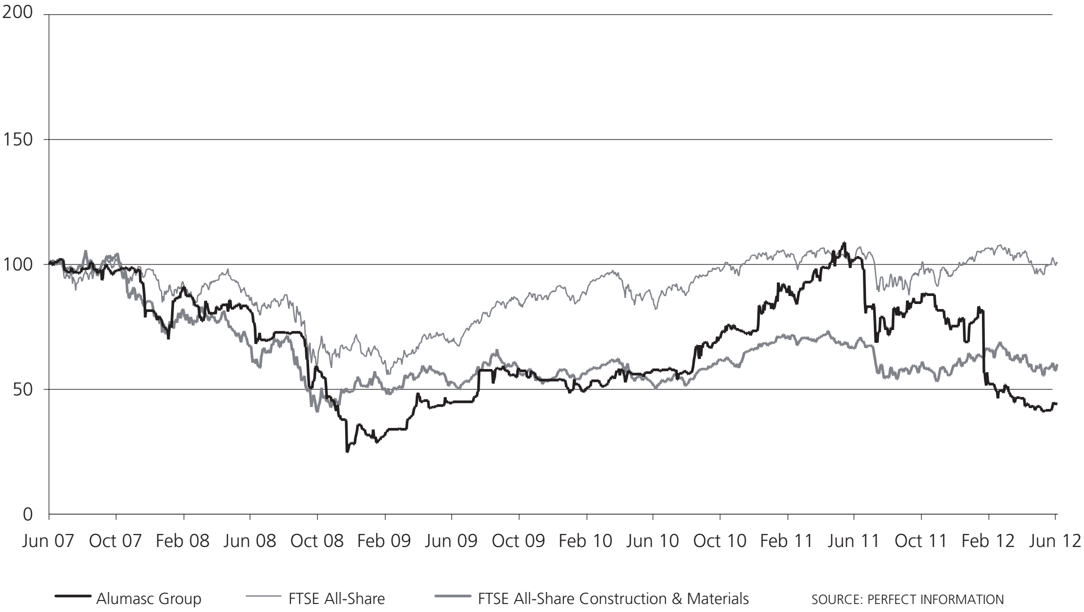
Executive Directors are employed under rolling service contracts, with notice periods of 12 months in either direction. Paul Hooper's contract is dated 28 January 2001 and Andrew Magson's contract is dated 7 August 2006.

None of the Non-Executive Directors have service contracts except for John McCall who has a service contract dated 9 May 1986. Mr McCall's contract, which was substantially amended in 2006 on his move to a part-time role, was renewed in 2012 for a further two year term expiring on 30 April 2014. It is subject to a notice period of 12 months in either direction.

There are no specific contractual provisions dealing with compensation payable to directors for early termination of service contracts. Under the service contracts, the company has the right to terminate employment on paying basic salary in lieu of the contractual notice period. In the event of such early termination, the Remuneration Committee would give careful consideration to the amount to be paid, taking into account the circumstances of the particular case and the responsibility and ability of the individual to mitigate.

In accordance with current best practice, since 1999 all new Non-Executive Directors have been appointed on the basis of letters of appointment providing for an initial period of three years, subject to review. There are no such letters of appointment in respect of Messrs Gwyn and Pither, who were appointed prior to this date. Mr Saville's letter of appointment was renewed for a further one-year period during the year.

**Historical Total Shareholder Return Performance**




The graph shows the total shareholder return on a hypothetical holding of shares in the company compared with a broad equity market. The Directors have chosen to illustrate TSR against the FTSE All Share Index and the All Share Construction & Materials index. These indexes have been selected as, in the opinion of the Directors, they provide a more sound comparison than any subset of the market.

**Information subject to audit**

**Directors' remuneration**

| | Basic salary and fees £000 | Benefits and other payments £000 | Bonuses £000 | **Total 2012 £000** | Total 2011 £000 |
|---|---|---|---|---|---|
| Executive Directors | | | | | |
| G P Hooper | 242 | 18 | – | **260** | 303 |
| A Magson | 152 | 14 | – | **166** | 190 |
| Non-Executive Directors | | | | | |
| J S McCall | 100 | 3 | – | **103** | 102 |
| J P Pither | 28 | – | – | **28** | 28 |
| P H R Gwyn | 23 | – | – | **23** | 23 |
| J Pilkington | 23 | – | – | **23** | 23 |
| R C C Saville | 28 | – | – | **28** | 28 |

Benefits include health insurance, the provision of a car and fuel allowance and payment of professional subscriptions.

**Pension arrangements**

The company paid contributions for Paul Hooper and Andrew Magson into executive pension schemes which are defined contribution arrangements.

Contributions paid during the year were £45,825 (2011: £45,825) and £22,800 (2011: £21,787) respectively.

**Share-based Incentive Plans**

The performance criteria for all awards under Share-based Incentive Plans are consistent with the remuneration policy and the summary of the schemes set out on page 36.

There were no variations in the terms and conditions applicable to any award during the year.

# Remuneration Report

### Executive Share Option Scheme

| | Exercise price | Earliest exercise date | Expiry date | **As at 1 July 2011** | Exercised in year | Granted in year | Lapsed in year | **At 30 June 2012** |
|---|---|---|---|---|---|---|---|---|
| G P Hooper | 171.2p | April 2009 | April 2016 | **39,878** | – | – | – | **39,878** |

### Long Term Incentive Plans

| | Date of award | Market price at award date* | Earliest exercise date | **As at 1 July 2011** | Vested in year | Market price at vesting date | Granted in year | Lapsed in year | **At 30 June 2012** |
|---|---|---|---|---|---|---|---|---|---|
| **G P Hooper** | | | | | | | | | |
| 2008 Plan | Dec 2008 | 79p | Dec 2011 | **176,020** | – | – | – | 176,020 | **–** |
| | Oct 2009 | 102.5p | Oct 2012 | **152,426** | – | – | – | – | **152,426** |
| | Nov 2010 | 129.5p | Oct 2013 | **153,261** | – | – | – | – | **153,261** |
| | Nov 2011 | 140p | Nov 2014 | **–** | – | – | 135,448 | – | **135,448** |
| Total 2008 Plan | | | | **481,707** | – | – | 135,448 | 176,020 | **441,135** |
| **A Magson** | | | | | | | | | |
| 2008 Plan | Dec 2008 | 79p | Dec 2011 | **72,449** | – | – | – | 72,449 | **–** |
| | Oct 2009 | 102.5p | Oct 2012 | **62,737** | – | – | – | – | **62,737** |
| | Nov 2010 | 129.5p | Oct 2013 | **63,043** | – | – | – | – | **63,043** |
| | Nov 2011 | 140p | Nov 2014 | **–** | – | – | 56,716 | – | **56,716** |
| Total 2008 Plan | | | | **198,229** | – | – | 56,716 | 72,449 | **182,496** |

All options under the 2008 Plan have a £nil exercise price.

The aggregate of gains made by directors on the exercise of share options during the year was £nil (2011: £nil).

* The market price at the award date is based on the price at the date the employee trust granted the award. This price differs from the market value at the date the Remuneration Committee recommended the award to the trust.

### Company share price

The closing mid market price of the shares on 30 June 2012 was 69.5p and ranged between 65.0p and 172p per share during the year.

### Employee Trust

At the year end the employee trust held 485,171 ordinary shares. The market value of the shares held in trust at 30 June 2012 was £337,194.

On behalf of the Board

**J P Pither**
Chairman
Remuneration Committee

4 September 2012

# Independent Auditor's Report

To the members of The Alumasc Group plc

We have audited the financial statements of The Alumasc Group plc for the year ended 30 June 2012 set out on pages 40 to 83. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 34, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 31 to 34 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**PD Selvey** (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Altius House
1 North Fourth Street
Central Milton Keynes
MK9 1NE
4 September 2012

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

| | | | | **2011/12** | | | 2010/11 |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | Notes | **Before non-recurring items and brand amortisation £000** | **Non-recurring items and brand amortisation £000** | **Total £000** | Before non-recurring items and brand amortisation £000 | Non-recurring items and brand amortisation £000 | Total £000 |
| **Revenue** | 3 | **110,619** | **–** | **110,619** | 106,805 | – | 106,805 |
| Cost of sales | | **(84,501)** | **–** | **(84,501)** | (77,769) | – | (77,769) |
| Cost of sales – impairment charge reversal | 5 | **–** | **–** | **–** | – | 1,220 | 1,220 |
| **Gross profit** | | **26,118** | **–** | **26,118** | 29,036 | 1,220 | 30,256 |
| Net operating expenses before non-recurring items and brand amortisation | | **(23,540)** | **–** | **(23,540)** | (23,357) | – | (23,357) |
| Brand amortisation | 5 | **–** | **(299)** | **(299)** | – | (320) | (320) |
| Profit on disposal of property | 5 | **–** | **–** | **–** | – | 759 | 759 |
| Restructuring costs | 5 | **–** | **(866)** | **(866)** | – | (241) | (241) |
| **Net operating expenses** | | **(23,540)** | **(1,165)** | **(24,705)** | (23,357) | 198 | (23,159) |
| **Operating profit** | 4 | **2,578** | **(1,165)** | **1,413** | 5,679 | 1,418 | 7,097 |
| Finance income | 9 | **4,402** | **–** | **4,402** | 3,879 | – | 3,879 |
| Finance expenses | 5,9 | **(5,425)** | **–** | **(5,425)** | (5,286) | (307) | (5,593) |
| **Profit before taxation** | | **1,555** | **(1,165)** | **390** | 4,272 | 1,111 | 5,383 |
| Tax income/(expense) | 10 | **(491)** | **514** | **23** | (1,294) | (257) | (1,551) |
| **Profit for the year from continuing operations** | | **1,064** | **(651)** | **413** | 2,978 | 854 | 3,832 |
| **Discontinued operations** | | | | | | | |
| Loss after taxation for the year from discontinued operations | 6 | **–** | **–** | **–** | (187) | – | (187) |
| **Profit for the year** | | **1,064** | **(651)** | **413** | 2,791 | 854 | 3,645 |
| **Other comprehensive income** | | | | | | | |
| Actuarial (loss)/gain on defined benefit pensions | 24 | | | **(13,818)** | | | 5,590 |
| Effective portion of changes in fair value of cash flow hedges | | | | **(7)** | | | 544 |
| Exchange differences on retranslation of foreign operations | | | | **7** | | | (16) |
| Tax on items taken directly to or transferred from equity | 10 | | | **3,191** | | | (1,712) |
| **Other comprehensive (loss)/income for the year, net of tax** | | | | **(10,627)** | | | 4,406 |
| **Total comprehensive (loss)/income for the year, net of tax** | | | | **(10,214)** | | | 8,051 |
| **Earnings per share** | | | | **Pence** | | | Pence |
| **Basic earnings per share** | | | | | | | |
| – Continuing operations | | | | **1.2** | | | 10.7 |
| – Discontinued operations | | | | **–** | | | (0.5) |
| | 12 | | | **1.2** | | | 10.2 |
| **Diluted earnings per share** | | | | | | | |
| – Continuing operations | | | | **1.2** | | | 10.6 |
| – Discontinued operations | | | | **–** | | | (0.5) |
| | 12 | | | **1.2** | | | 10.1 |

# Consolidated Statement of Financial Position

At 30 June 2012

| | Notes | **2012 £000** | **2012 £000** | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **13,826** | | 14,605 | |
| Goodwill | 14 | **16,888** | | 16,888 | |
| Other intangible assets | 15 | **2,976** | | 3,556 | |
| Financial asset investments | 16 | **17** | | 17 | |
| Deferred tax assets | 10 | **3,489** | | 742 | |
| | | | **37,196** | | 35,808 |
| **Current assets** | | | | | |
| Inventories | 17 | **14,136** | | 12,443 | |
| Biological assets | 18 | **91** | | 370 | |
| Trade and other receivables | 19 | **26,451** | | 23,848 | |
| Cash and cash equivalents | | **6,550** | | 5,038 | |
| Income tax receivable | | **161** | | – | |
| Derivative financial assets | 23 | **82** | | 98 | |
| | | | **47,471** | | 41,797 |
| **Total assets** | | | **84,667** | | 77,605 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest bearing loans and borrowings | 22 | **(19,779)** | | (14,724) | |
| Employee benefits payable | 24 | **(14,539)** | | (2,853) | |
| Provisions | 25 | **(469)** | | (450) | |
| Deferred tax liabilities | 10 | **(1,694)** | | (2,012) | |
| | | | **(36,481)** | | (20,039) |
| **Current liabilities** | | | | | |
| Interest bearing loans and borrowings | 22 | **–** | | (1,045) | |
| Trade and other payables | 20 | **(28,739)** | | (24,107) | |
| Provisions | 25 | **(516)** | | (143) | |
| Income tax payable | | **–** | | (56) | |
| Derivative financial liabilities | 23 | **(3)** | | (250) | |
| | | | **(29,258)** | | (25,601) |
| **Total liabilities** | | | **(65,739)** | | (45,640) |
| **Net assets** | | | **18,928** | | 31,965 |
| **Equity** | | | | | |
| Called up share capital | 26 | **4,517** | | 4,517 | |
| Share premium | 27 | **445** | | 445 | |
| Capital reserve – own shares | 27 | **(618)** | | (618) | |
| Hedging reserve | 27 | **(22)** | | 44 | |
| Foreign currency reserve | 27 | **36** | | 29 | |
| Profit and loss account reserve | | **14,570** | | 27,548 | |
| **Total equity** | | | **18,928** | | 31,965 |

**G P Hooper**
Director

**A Magson**
Director

4 September 2012

Company number 1767387

# Consolidated Statement of Cash Flows

For the year ended 30 June 2012

| | Notes | **2011/12 £000** | 2010/11 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit from continuing operations | | **1,413** | 7,097 |
| Adjustments for: | | | |
| Depreciation | 13 | **2,444** | 2,074 |
| Amortisation | 15 | **652** | 677 |
| Impairment reversal | 13 | **–** | (1,220) |
| Gain on disposal of property, plant and equipment | | **(19)** | (774) |
| Increase in inventories | | **(1,693)** | (1,629) |
| Decrease in biological assets | | **279** | 2 |
| Increase in receivables | | **(2,599)** | (3,807) |
| Increase in trade and other payables | | **4,789** | 4,080 |
| Movement in provisions | | **392** | 41 |
| Cash contributions to retirement benefit schemes | | **(2,449)** | (3,928) |
| Share based payments | 28 | **(60)** | 16 |
| **Cash generated from continuing operations** | | **3,149** | 2,629 |
| Loss before taxation from discontinued operations | | **–** | (269) |
| Depreciation | 13 | **–** | 89 |
| Amortisation | 15 | **–** | 10 |
| Movement in working capital from discontinued operations | | **–** | 104 |
| **Cash generated from discontinued operations** | 6 | **–** | (66) |
| Tax paid | | **(68)** | (418) |
| **Net cash inflow from operating activities** | | **3,081** | 2,145 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(1,877)** | (931) |
| Payments to acquire intangible fixed assets | | **(72)** | (305) |
| Proceeds from sales of property, plant and equipment | | **48** | 1,244 |
| Acquisition of subsidiary undertaking | | **–** | (50) |
| Acquisition of non-controlling interest | | **–** | (49) |
| Proceeds from sale of business activity | | **–** | 1,173 |
| Interest received | | **12** | 18 |
| **Net cash (outflow)/inflow from investing activities** | | **(1,889)** | 1,100 |
| **Financing activities** | | | |
| Interest paid | | **(866)** | (647) |
| Equity dividends paid | | **(2,763)** | (3,580) |
| Draw down of amounts borrowed | | **5,000** | 15,000 |
| Repayment of amounts borrowed | | **–** | (15,000) |
| Loan and overdraft facility fees | | **–** | (303) |
| Purchase of financial instrument | | **(7)** | (94) |
| Purchase of own shares | | **–** | (249) |
| **Net cash inflow/(outflow) from financing activities** | | **1,364** | (4,873) |
| **Net increase/(decrease) in cash and cash equivalents** | 29 | **2,556** | (1,628) |
| Net cash and cash equivalents brought forward | | **3,993** | 5,622 |
| Effect of foreign exchange rate changes | | **1** | (1) |
| **Net cash and cash equivalents carried forward** | 29 | **6,550** | 3,993 |
| **Net cash and cash equivalents comprise:** | | | |
| Cash and cash equivalents | | **6,550** | 5,038 |
| Bank overdrafts | | **–** | (1,045) |
| | 29 | **6,550** | 3,993 |

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

| | 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 £000 | Non-controlling interest £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2010 | | 4,517 | 445 | (369) | (389) | 45 | 23,494 | 27,743 | 33 | 27,776 |
| Profit for the period | | – | – | – | – | – | 3,645 | 3,645 | – | 3,645 |
| Exchange differences on retranslation of foreign operations | | – | – | – | – | (16) | – | (16) | – | (16) |
| Net gain on cash flow hedges | | – | – | – | 544 | – | – | 544 | – | 544 |
| Tax on derivative financial liability | | – | – | – | (111) | – | – | (111) | – | (111) |
| Actuarial gain on defined benefit pensions, net of tax | | – | – | – | – | – | 3,989 | 3,989 | – | 3,989 |
| Acquisition of own shares | | – | – | (249) | – | – | – | (249) | – | (249) |
| Dividends | 11 | – | – | – | – | – | (3,580) | (3,580) | – | (3,580) |
| Acquisition of non-controlling interest | | – | – | – | – | – | (16) | (16) | (33) | (49) |
| Share based payments | 28 | – | – | – | – | – | 16 | 16 | – | 16 |
| At 1 July 2011 | | 4,517 | 445 | (618) | 44 | 29 | 27,548 | 31,965 | – | 31,965 |
| Profit for the period | | **–** | **–** | **–** | **–** | **–** | **413** | **413** | **–** | **413** |
| Exchange differences on retranslation of foreign operations | | **–** | **–** | **–** | **–** | **7** | **–** | **7** | **–** | **7** |
| Net loss on cash flow hedges | | **–** | **–** | **–** | **(7)** | **–** | **–** | **(7)** | **–** | **(7)** |
| Tax on derivative financial liability | | **–** | **–** | **–** | **(59)** | **–** | **–** | **(59)** | **–** | **(59)** |
| Actuarial loss on defined benefit pensions, net of tax | | **–** | **–** | **–** | **–** | **–** | **(10,568)** | **(10,568)** | **–** | **(10,568)** |
| Dividends | 11 | **–** | **–** | **–** | **–** | **–** | **(2,763)** | **(2,763)** | **–** | **(2,763)** |
| Share based payments | 28 | **–** | **–** | **–** | **–** | **–** | **(60)** | **(60)** | **–** | **(60)** |
| **At 30 June 2012** | | **4,517** | **445** | **(618)** | **(22)** | **36** | **14,570** | **18,928** | **–** | **18,928** |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 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 2012, and the Companies Act 2006.

The prior year cost of sales have been increased by £597,000 to reflect a reclassification of carriage and transport costs previously disclosed within operating expenses. The reclassification has arisen due to improved analysis and greater consistency of reporting across the group to better reflect the nature of the underlying costs.

### 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 Business Review on pages 6 to 21. The financial position of the group, its cashflows, liquidity position and borrowing facilities are described within note 23.

The group has £26 million of banking facilities, of which £20 million is committed until June 2016. In addition, the group has recently renewed overdraft facilities totalling £6 million for another year. At 30 June 2012 the group's net indebtedness was £13.2 million (2011: £10.7 million).

On the basis of the group's financing facilities, pension deficit recovery plan commitments and current 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 Summary of significant accounting policies

### Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

The following new standards, amendments and interpretations are effective for the period beginning on or after 1 January 2011 and have been adopted for the group financial statements where appropriate:

Amendment to IAS1 "Presentation of Financial Statements" – the amendment clarifies that a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity for each component of equity. IAS1 is also amended to allow the analysis of the individual OCI line items by component of equity to be presented in the notes. Previously, such analysis could only be presented in the SOCIE. This has had no material impact on disclosures made by the group.

Amendment to IFRS7 "Financial Instruments: Disclosures" – the standard has been amended to require an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments. This has been reflected in the financial instruments note of the group accounts.

### Basis of consolidation

The group financial statements consolidate the financial statements of the company and each of its subsidiaries made up to 30 June each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control in this context means the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

## 2 Summary of significant accounting policies (continued)

### Judgements 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 intangible assets and goodwill and the measurement and valuation of defined benefit pension obligations. The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see note 14). Measurement of defined benefit pension obligations requires estimation of future changes in inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate (see note 24).

The group may from time to time become involved in legal action which could give rise to contingent assets or liabilities. The group accounts for these under IAS 37 and will only accrue costs when it is probable that there will be a transfer of economic benefits based on independent legal advice and the Directors' judgement.

Revenue recognised on construction contracts is determined by the assessment of completion stage of each contract. The requirement for Directors' judgement is limited in most cases due to the involvement of quantity surveyors during the assessment process as detailed within the revenue recognition accounting policy.

### Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

As part of its transition to IFRS, the group elected to re-state only those business combinations that occurred on or after 1 July 2004. In respect of acquisitions prior to 1 July 2004, goodwill represents the amount recognised under the group's previous accounting framework, UK GAAP. For acquisitions on or after 1 July 2004, goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value may be impaired. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

### Other intangible assets

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred.

Development expenditure is recognised as an intangible asset only after all the following criteria are met:

– the project's technical feasibility and commercial viability can be demonstrated;
– the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
– the correlation between development costs and future revenues has been established.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

| | |
|---|---|
| – computer software | 2 to 5 years |
| – development expenditure | 7 years |
| – brands | 3 to 20 years |

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually and before being brought into use.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 2 Summary of significant accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Under IFRS transitional provisions, the group elected to bring in previous valuations of freehold and long leasehold land and buildings at a valuation frozen under FRS15, and these amounts are carried forward at deemed cost.

Freehold land is not depreciated.

The cost of other property, plant and equipment is written off by equal monthly instalments over their estimated useful lives as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 25 to 50 years |
| Long leasehold property | – | over the period of the lease to a maximum of 50 years |
| Short leasehold improvements | – | over the period of the lease |
| Plant and equipment | – | 3 to 15 years |
| Motor vehicles | – | 4 to 5 years |

Where parts of an item of property, plant and equipment have different useful lives, each part is accounted for as a separate item. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

### Impairment of fixed assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or business level as the case may be.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

### Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group are classified as finance leases and are capitalised with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the rental obligation is charged to the statement of comprehensive income in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the life of the lease.

### Financial assets

When financial assets are recognised initially under IAS39, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

The group's investments are classified as available-for-sale financial assets. As there is no active market for these investments their fair value cannot be reliably measured subsequent to initial recognition, and they are therefore held at cost less impairment.

### Inventories

Inventories are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. The allocation of manufacturing overheads has regard to normal production.

The group holds certain raw materials from suppliers on an inventory held on consignment basis, which are accounted for as consumed. This inventory remains the property of the supplier until used.

## 2 Summary of significant accounting policies (continued)

### Biological assets

Biological assets relate to the value of horticultural inventories at Blackdown Horticultural Consultants, which form part of the green roof systems supplied by this business. The assets are measured at fair value, being discounted market value less estimated point-of-sale costs, with any change therein recognised in the statement of comprehensive income. Point-of-sale costs include all costs that would be necessary to sell the assets.

### Pension costs

The group operates both defined benefit and defined contribution pension schemes as follows:

(i) Defined benefit pensions

The group operates two principal defined benefit schemes which require deficit reduction contributions to be made to separately administered funds. One of the schemes was closed to future benefit accrual in 2009, the other in 2010, with neither closure resulting in a curtailment gain or loss. Prior to this, benefits were accrued under the career average revalued earnings (CARE) basis.

Prior to the closure of these schemes to future benefit accrual, the cost of providing benefits under the defined benefit plans was determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and is based on actuarial advice.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

The interest cost on the liabilities is charged to finance costs and the expected return on plan assets is credited to finance revenue.

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income. These comprise, for scheme assets, the difference between the expected and actual return on assets, and, for scheme liabilities, the difference between the actuarial assumptions and actual experience, and the effect of changes in actuarial assumptions.

The defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the group expects to recover by way of refunds from the plan or reductions in the future contributions.

(ii) Defined contribution pensions

The pension cost charge to the statement of comprehensive income of the group's defined contribution schemes represents the contributions payable by the group to the funds. The assets of the schemes are held separately from those of the group in independently administered funds.

### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 2 Summary of significant accounting policies (continued)

### Foreign currencies

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the year end date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the consolidated income statement.

### Own shares

The Alumasc Group plc shares held by the group are classified in shareholders' equity as 'own shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

### Equity settled share based payment transactions

The fair value of long term incentive awards and share options granted to employees is recognised as an employee expense from the date of grant, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of shares for which the related service and non-market vesting conditions are met.

### Derivative financial instruments and hedging

The group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risk.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such items are expected at inception to be highly effective.

For the purpose of hedge accounting, the hedges used by the group are classified as cash flow hedges, as they hedge exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

The portion of the gain or loss on a cash flow hedge that is determined to be an effective hedge is initially recognised directly in equity, while the ineffective portion is recognised in the statement of comprehensive income.

Amounts taken to equity are transferred to the income statement at the time when the underlying transaction being hedged affects profit or loss, such as when the forecast sale or purchase of the hedged item occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction being hedged occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Information regarding both the qualitative and quantitative characteristics of the group's treasury activities is presented to enable the improved evaluation of the group's exposure to risks arising from financial instruments.

## 2 Summary of significant accounting policies (continued)

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, and is stated net of rebates, and before VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Tooling
Revenue generated on tooling work is recognised when work on the tool has been completed and it has been accepted by the customer.

Construction contracts
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

### Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the group will not be able to recover balances in full.

### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance costs. Borrowing costs are recognised as an expense over the period to the maturity of the underlying instrument.

### Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

### New standards and interpretations not applied

The group has considered all new standards and interpretations that are endorsed but not effective at the year end and views that there will be no significant impact on the financial statements next year.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 3 Revenue

Revenue from continuing operations disclosed in the statement of comprehensive income is analysed as follows:

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Revenue arising from: | | |
| Sales of goods | **86,898** | 85,562 |
| Sales of tooling | **3,612** | 2,475 |
| Recognised on construction contracts | **20,109** | 18,768 |
| Revenue (per statement of comprehensive income) | **110,619** | 106,805 |
| Rental income | **147** | 89 |
| Finance revenue (note 9) | **4,402** | 3,879 |
| **Total revenue** | **115,168** | 110,773 |

## 4 Segmental analysis

In accordance with IFRS8 "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 underlying segmental operating profit 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. 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.

**Analysis by reportable segment 2011/12**

| | Revenue | | | |
|---|---|---|---|---|
| | **External £000** | **Inter-segment £000** | **Total £000** | **Segmental Operating Result £000** |
| Solar Shading | 16,751 | – | 16,751 | 247 |
| Roofing & Walling | 22,369 | – | 22,369 | 437 |
| **Energy Management** | **39,120** | **–** | **39,120** | **684** |
| Construction Products | 15,135 | – | 15,135 | 1,894 |
| Rainwater, Drainage & Other | 20,598 | 64 | 20,662 | 1,806 |
| **Water Management & Other** | **35,733** | **64** | **35,797** | **3,700** |
| **Building Products** | **74,853** | **64** | **74,917** | **4,384** |
| Alumasc Precision | 35,766 | 1,038 | 36,804 | (770) |
| **Engineering Products** | **35,766** | **1,038** | **36,804** | **(770)** |
| Elimination/Unallocated costs | – | (1,102) | (1,102) | (1,036) |
| **Total** | **110,619** | **–** | **110,619** | **2,578** |

| | £000 |
|---|---|
| Segmental operating result | 2,578 |
| Brand amortisation | (299) |
| Restructuring costs | (866) |
| **Total operating profit** | **1,413** |

## 4 Segmental analysis (continued)

### Analysis by reportable segment 2011/12 (continued)

| | Segment Assets £000 | Segment Liabilities £000 | Capital expenditure: Property, Plant & Equipment £000 | Capital expenditure: Other Intangible Assets £000 | Depreciation £000 | Amortisation £000 |
|---|---|---|---|---|---|---|
| Solar Shading | 18,235 | (4,116) | 28 | 1 | 84 | 170 |
| Roofing & Walling | 15,809 | (8,278) | 102 | 41 | 138 | 120 |
| **Energy Management** | **34,044** | **(12,394)** | **130** | **42** | **222** | **290** |
| Construction Products | 6,715 | (3,012) | 130 | 2 | 202 | 1 |
| Rainwater, Drainage & Other | 11,831 | (4,341) | 353 | 1 | 551 | 256 |
| **Water Management & Other** | **18,546** | **(7,353)** | **483** | **3** | **753** | **257** |
| **Building Products** | **52,590** | **(19,747)** | **613** | **45** | **975** | **547** |
| Alumasc Precision | 21,406 | (9,261) | 1,079 | 27 | 1,237 | 92 |
| **Engineering Products** | **21,406** | **(9,261)** | **1,079** | **27** | **1,237** | **92** |
| Unallocated | 10,671 | (36,731) | 2 | – | 232 | 13 |
| **Total** | **84,667** | **(65,739)** | **1,694** | **72** | **2,444** | **652** |

### Analysis by reportable segment 2010/11

| | Revenue: External £000 | Revenue: Inter-segment £000 | Revenue: Total £000 | Segmental Operating Result £000 |
|---|---|---|---|---|
| Solar Shading | 17,011 | – | 17,011 | 757 |
| Roofing & Walling | 19,869 | – | 19,869 | (355) |
| **Energy Management** | **36,880** | **–** | **36,880** | **402** |
| Construction Products | 12,965 | – | 12,965 | 1,547 |
| Rainwater, Drainage & Other | 21,309 | 65 | 21,374 | 1,965 |
| **Water Management & Other** | **34,274** | **65** | **34,339** | **3,512** |
| **Building Products** | **71,154** | **65** | **71,219** | **3,914** |
| Alumasc Precision | 35,651 | 1,093 | 36,744 | 2,978 |
| **Engineering Products** | **35,651** | **1,093** | **36,744** | **2,978** |
| Elimination/Unallocated costs | – | (1,158) | (1,158) | (1,213) |
| **Total** | **106,805** | **–** | **106,805** | **5,679** |

| | £000 |
|---|---|
| Segmental operating result | 5,679 |
| Brand amortisation | (320) |
| Profit on disposal of property | 759 |
| Restructuring costs | (241) |
| Impairment charge reversal | 1,220 |
| **Total operating profit from continuing operations** | **7,097** |

# Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

## 4 Segmental analysis (continued)

### Analysis by reportable segment 2010/11 (continued)

| | Segment Assets £000 | Segment Liabilities £000 | Capital expenditure: Property, Plant & Equipment £000 | Capital expenditure: Other Intangible Assets £000 | Depreciation £000 | Amortisation £000 |
|---|---|---|---|---|---|---|
| Solar Shading | 18,171 | (3,901) | 37 | 3 | 94 | 171 |
| Roofing & Walling | 11,634 | (2,815) | 155 | 84 | 220 | 234 |
| **Energy Management** | **29,805** | **(6,716)** | **192** | **87** | **314** | **405** |
| Construction Products | 6,382 | (2,061) | 94 | 1 | 203 | 5 |
| Rainwater, Drainage & Other | 12,462 | (6,363) | 266 | 63 | 407 | 170 |
| **Water Management & Other** | **18,844** | **(8,424)** | **360** | **64** | **610** | **175** |
| **Building Products** | **48,649** | **(15,140)** | **552** | **151** | **924** | **580** |
| Alumasc Precision | 22,287 | (8,729) | 651 | 84 | 1,006 | 82 |
| **Engineering Products** | **22,287** | **(8,729)** | **651** | **84** | **1,006** | **82** |
| Unallocated | 6,669 | (21,771) | 2 | 15 | 144 | 15 |
| Discontinued operations | – | – | 21 | – | 89 | 10 |
| **Total** | **77,605** | **(45,640)** | **1,226** | **250** | **2,163** | **687** |

### Analysis by geographical segment 2011/12

| | United Kingdom £000 | Europe £000 | North America £000 | Middle East £000 | Far East £000 | Rest of World £000 | Total Continuing £000 |
|---|---|---|---|---|---|---|---|
| Sales to external customers | **87,298** | **8,743** | **9,375** | **1,863** | **1,958** | **1,382** | **110,619** |
| Segment non-current assets | **33,664** | **–** | **–** | **–** | **43** | **–** | **33,707** |

### Analysis by geographical segment 2010/11

| | United Kingdom £000 | Europe £000 | North America £000 | Middle East £000 | Far East £000 | Rest of World £000 | Total Continuing £000 |
|---|---|---|---|---|---|---|---|
| Sales to external customers | 85,230 | 7,800 | 10,055 | 2,524 | 647 | 549 | 106,805 |
| Segment non-current assets | 35,065 | – | – | – | 1 | – | 35,066 |

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 Brand amortisation and non-recurring items

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Brand amortisation | **(299)** | (320) |
| Restructuring costs | **(866)** | (241) |
| Impairment charge reversal | **–** | 1,220 |
| Profit on disposal of property | **–** | 759 |
| Re-financing costs | **–** | (307) |
| | **(1,165)** | 1,111 |

Restructuring costs relate to restructuring and redundancy costs in both years. The high cost in 2011/12 relates mainly to the management restructuring at Alumasc Precision Components described in the Business Review. Of the total 2011/12 charge of £866,000, £330,000 remained accrued and un-spent at 30 June 2012 (see note 25).

The impairment charge reversal in 2010/11 relates to the strong recovery in trading and future prospects at Alumasc Precision Components.

Profit on disposal of property relates to the sale of land during 2010/11 for net proceeds of £1.2 million.

Re-financing costs in 2010/11 relate to the renewal of the group's borrowing facilities, described further in note 23.

## 6 Discontinued operation

The discontinued operation in the prior year relates to the sale of the trade and assets of the group's drinks dispensing business, Alumasc Dispense, in April 2011. The business was sold to management at the value of capital employed in that business at the date of disposal, £1,173,000. No gain or loss arose on disposal, except for costs of disposal of £26,000.

The results of the discontinued operation included in the consolidated statement of comprehensive income are as follows:

| | **Year to 30 June 2012 £000** | Period to 11 April 2011 £000 |
|---|---|---|
| Revenue | – | 3,467 |
| Cost of sales | – | (2,882) |
| **Gross profit** | – | 585 |
| Net operating expenses | – | (828) |
| **Operating loss** | – | (243) |
| Net loss on disposal | – | (26) |
| **Loss before taxation** | – | (269) |
| Tax credit | – | 82 |
| **Loss after taxation** | – | (187) |

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

| | **Year to 30 June 2012 £000** | Period to 11 April 2011 £000 |
|---|---|---|
| Operating cash flows | – | (66) |
| Investing cash flows | – | 1,173 |
| **Net cash inflow** | – | 1,107 |

Details of the sale of the trade and assets of Alumasc Dispense are as follows:

| | **£000** |
|---|---|
| **Sales proceeds** | **1,173** |
| Assets disposed of: | |
| Plant and equipment | **339** |
| Intangible assets | **10** |
| Working capital | **824** |
| **Gain/(loss) on disposal** | **–** |
| Costs of disposal | **(26)** |
| **Net loss on disposal** | **(26)** |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 7 Expenses by nature

The following items have been charged/(credited) in arriving at operating profit:

| | **2011/12** | | | 2010/11 |
|---|---|---|---|---|
| | **Total £000** | Continuing operations £000 | Discontinued operations £000 | Total £000 |
| Raw materials and consumables | **54,621** | 51,488 | 2,183 | 53,671 |
| Increase in stocks of finished goods and WIP | **(1,213)** | (2,365) | (50) | (2,415) |
| Depreciation of property, plant and equipment | **2,444** | 2,074 | 89 | 2,163 |
| Intangible assets amortisation | **353** | 357 | 10 | 367 |
| Brand amortisation | **299** | 320 | – | 320 |
| Impairment reversal | **–** | (1,220) | – | (1,220) |
| Gain on disposal of property, plant and equipment | **(19)** | (774) | – | (774) |
| Foreign exchange losses | **222** | 33 | (4) | 29 |
| Employee benefit expense | **26,148** | 24,856 | 673 | 25,529 |
| Operating lease payments – plant | **753** | 835 | 5 | 840 |
| Income from property operating leases | **(147)** | (89) | – | (89) |
| Research and development | **243** | 221 | – | 221 |
| Auditors' remuneration: | | | | |
| Audit of these financial statements | **56** | 48 | – | 48 |
| Audit of financial statements of subsidiaries pursuant to legislation | **91** | 97 | – | 97 |
| Non-audit fees | **9** | – | – | – |
| Other operating charges | **25,346** | 23,827 | 830 | 24,657 |
| | **109,206** | 99,708 | 3,736 | 103,444 |

## 8 Employee costs and numbers

| | **2011/12** | | | 2010/11 |
|---|---|---|---|---|
| | **Total £000** | Continuing operations £000 | Discontinued operations £000 | Total £000 |
| Employee benefit expense: | | | | |
| Wages and salaries | **23,090** | 22,012 | 569 | 22,581 |
| Social security | **2,412** | 2,297 | 63 | 2,360 |
| Pension costs (note 24) | | | | |
| – defined contribution plans | **646** | 547 | 41 | 588 |
| – defined benefit plans | **317** | 745 | – | 745 |
| | **26,465** | 25,601 | 673 | 26,274 |

Pension costs – defined benefit plans includes net pension finance costs of £317,000 (2010/11: £745,000).

| | **2011/12 Number** | 2010/11 Number |
|---|---|---|
| Average number of employees: | | |
| Building products | **468** | 468 |
| Engineering products | **308** | 273 |
| Continuing operations | **776** | 741 |
| Discontinued operations | **–** | 22 |
| | **776** | 763 |

## 9 Net finance costs

| | | 2011/12 £000 | 2010/11 £000 |
|---|---|---|---|
| Finance revenue | – Bank interest | **(12)** | (18) |
| | – Expected return on pension scheme plan assets | **(4,390)** | (3,861) |
| | | **(4,402)** | (3,879) |
| Finance costs | – Bank loans and overdrafts | **101** | 183 |
| | – Revolving credit facility | **617** | 497 |
| | – Re-financing costs | **–** | 307 |
| | | **718** | 987 |
| | – Pension scheme liability interest | **4,707** | 4,606 |
| | | **5,425** | 5,593 |

## 10 Tax expense

### (a) Tax on profit on ordinary activities

Tax (credited)/charged in the statement of comprehensive income

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax (credit)/charge – continuing operations | **(177)** | 441 |
| – discontinued operations | **–** | (82) |
| UK corporation tax | **(177)** | 359 |
| Overseas tax | **37** | – |
| Amounts (over)/under provided in previous years | **(9)** | 150 |
| **Total current tax** | **(149)** | 509 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **291** | 1,078 |
| Tax over provided in previous years | **(4)** | (43) |
| Rate change adjustment | **(161)** | (75) |
| Total deferred tax | **126** | 960 |
| **Total tax (credit)/expense** | **(23)** | 1,469 |

| | | |
|---|---|---|
| The tax (credit)/charge in the statement of comprehensive income is disclosed as follows: | | |
| Tax (credit)/expense on continuing activities | **(23)** | 1,551 |
| Tax credit on discontinued activities | **–** | (82) |
| | **(23)** | 1,469 |

| | | |
|---|---|---|
| Tax recognised in other comprehensive income | | |
| Deferred tax: | | |
| Actuarial (losses)/gains on pension schemes | **(3,250)** | 1,601 |
| Cash flow hedge | **59** | 111 |
| Tax (credited)/charged to other comprehensive income | **(3,191)** | 1,712 |
| **Total tax (credit)/charge in the statement of comprehensive income** | **(3,214)** | 3,181 |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 10 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 (5.9)% is lower than (2010/11: 28.7% was higher than) the standard rate of corporation tax in the UK of 25.5% (2010/11: 27.5%). The differences are reconciled below:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Profit before tax from continuing operations | **390** | 5,383 |
| Loss before tax from discontinued operations | **–** | (269) |
| Accounting profit before taxation | **390** | 5,114 |
| Current tax at the UK standard rate of 25.5% (2010/11: 27.5%) | **99** | 1,406 |
| Expenses not deductible for tax purposes | **52** | 244 |
| Income not taxable | **–** | (213) |
| Rate change adjustment | **(161)** | (75) |
| Tax (over)/under provided in previous years – corporation tax | **(9)** | 150 |
| Tax over provided in previous years – deferred tax | **(4)** | (43) |
| | **(23)** | 1,469 |

### (c) Unrecognised tax losses

The group has agreed tax capital losses in the UK amounting to £21 million (2011: £21 million) that relate to prior years. Under current legislation these losses are available for offset against future chargeable gains. A deferred tax asset has not been recognised in respect of these losses, as they do not meet the criteria for recognition.

Revaluation gains on land and buildings amount to £1 million (2011: £1 million). These may be offset against the capital losses detailed above, therefore net capital losses carried forward amount to £20 million (2011: £20 million). The capital losses are able to be carried forward indefinitely.

### (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 | Losses £000 | Hedging £000 | Total deferred tax liability £000 | Pension deferred tax asset £000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2010 | 1,113 | 28 | 863 | – | (151) | 1,853 | (3,255) |
| Charged/(credited) to the statement of comprehensive income – current year | 180 | 35 | (124) | – | – | 91 | 912 |
| Charged/(credited) to the statement of comprehensive income – prior year | 42 | (85) | – | – | – | (43) | – |
| Debited to equity | – | – | – | – | 111 | 111 | 1,601 |
| At 1 July 2011 | 1,335 | (22) | 739 | – | (40) | 2,012 | (742) |
| (Credited)/charged to the statement of comprehensive income – current year | **(249)** | **(9)** | **(115)** | **–** | **–** | **(373)** | **503** |
| Charged/(credited) to the statement of comprehensive income – prior year | **8** | **(12)** | **–** | **–** | **–** | **(4)** | **–** |
| Debited/(credited) to equity | **–** | **–** | **–** | **–** | **59** | **59** | **(3,250)** |
| **At 30 June 2012** | **1,094** | **(43)** | **624** | **–** | **19** | **1,694** | **(3,489)** |

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 £4.8 million (2011: £5.2 million) have not been recognised in respect of net capital losses of £20 million (2011: £20 million).

## 10 Tax expense (continued)

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

The Chancellor announced on 21 March 2012 changes to reduce the main rate of UK corporation tax to 24 per cent from 1 April 2012 and to 22 per cent by 1 April 2014. These changes were not substantively enacted at the balance sheet date and therefore are not included in the figures above.

## 11 Dividends

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Interim dividend for 2012 of 1.0p paid on 10 April 2012 | **357** | – |
| Final dividend for 2011 of 6.75p paid on 31 October 2011 | **2,406** | – |
| Interim dividend for 2011 of 3.25p paid on 8 April 2011 | **–** | 1,164 |
| Final dividend for 2010 of 6.75p paid on 29 October 2010 | **–** | 2,416 |
| | **2,763** | 3,580 |

A final dividend of £357,000, 1.0p per equity share, has been proposed for the year ended 30 June 2012, payable on 31 October 2012. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

## 12 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:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Profit attributable to equity holders of the parent – continuing operations | **413** | 3,832 |
| Loss attributable to equity holders of the parent – discontinued operations | **–** | (187) |
| Net profit attributable to equity holders of the parent | **413** | 3,645 |

| | **000s** | 000s |
|---|---|---|
| Basic weighted average number of shares | **35,648** | 35,780 |
| Dilutive potential ordinary shares – employee share options | **–** | 465 |
| | **35,648** | 36,245 |

Calculation of underlying earnings per share from continuing operations:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Continuing operations: | | |
| Profit before taxation | **390** | 5,383 |
| Add back brand amortisation | **299** | 320 |
| Deduct profit on disposal of property | **–** | (759) |
| Add back restructuring costs | **866** | 241 |
| Add back re-financing costs | **–** | 307 |
| Deduct impairment charge reversal | **–** | (1,220) |
| Underlying profit before taxation | **1,555** | 4,272 |
| Tax at underlying group tax rate of 31.6% (2010/11: 30.3%) | **(491)** | (1,294) |
| Underlying earnings | **1,064** | 2,978 |
| Basic weighted average number of shares | **35,648** | 35,780 |
| Underlying earnings per share | **3.0p** | 8.3p |

# Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

## 13 Property, plant and equipment

| | Freehold land and buildings £000 | Long leasehold property £000 | Short leasehold improvements £000 | Plant & equipment £000 | Total £000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1 July 2010 | 11,134 | 235 | 401 | 39,433 | 51,203 |
| Additions | 27 | – | 13 | 1,186 | 1,226 |
| Disposal of business activity | – | – | (134) | (1,258) | (1,392) |
| Reclassification | – | – | 185 | (185) | – |
| Disposals | (555) | - | (45) | (4,094) | (4,694) |
| At 1 July 2011 | 10,606 | 235 | 420 | 35,082 | 46,343 |
| Additions | **142** | **–** | **10** | **1,542** | **1,694** |
| Disposals | **–** | **–** | **–** | **(479)** | **(479)** |
| **At 30 June 2012** | **10,748** | **235** | **430** | **36,145** | **47,558** |
| Accumulated depreciation and impairment losses: | | | | | |
| At 1 July 2010 | 4,230 | 139 | 194 | 31,509 | 36,072 |
| Depreciation charge for year | 200 | 7 | 44 | 1,912 | 2,163 |
| Impairment reversal | – | – | – | (1,220) | (1,220) |
| Disposal of business activity | – | – | (54) | (1,017) | (1,071) |
| Reclassification | – | – | 184 | (184) | – |
| On disposals | (87) | – | (45) | (4,074) | (4,206) |
| At 1 July 2011 | 4,343 | 146 | 323 | 26,926 | 31,738 |
| Depreciation charge for year | **338** | **8** | **39** | **2,059** | **2,444** |
| On disposals | **–** | **–** | **–** | **(450)** | **(450)** |
| **At 30 June 2012** | **4,681** | **154** | **362** | **28,535** | **33,732** |
| **Net book value at 30 June 2012** | **6,067** | **81** | **68** | **7,610** | **13,826** |
| Net book value at 30 June 2011 | 6,263 | 89 | 97 | 8,156 | 14,605 |
| Net book value at 1 July 2010 | 6,904 | 96 | 207 | 7,924 | 15,131 |

## 14 Goodwill

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Cost: | | |
| **At 1 July and 30 June** | **16,986** | 16,986 |
| Impairment: | | |
| **At 1 July and 30 June** | **98** | 98 |
| **Net book value at 1 July and 30 June** | **16,888** | 16,888 |

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

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Building Products Division: | | |
| Roof-Pro | **3,194** | 3,194 |
| Timloc | **2,264** | 2,264 |
| Levolux | **10,179** | 10,179 |
| Blackdown | **1,251** | 1,251 |
| At 30 June | **16,888** | 16,888 |

**Impairment testing of acquired goodwill**

The group considers each of the operating businesses that have goodwill allocated to them, which are those units for which a separate cashflow is computed, to be a cash generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use. Each of the CGUs are either operating segments as shown in note 4, or sub-sets of those operating segments.

For the purpose of impairment testing, the recoverable amount of CGUs is based on value in use calculations. The value in use is derived from discounted management cash flow forecasts for the businesses, based on budgets and strategic plans covering a four year period.

The growth rate used to extrapolate the cash flows beyond this period was 1% (2011: 1%) for each CGU.

Key assumptions included in the recoverable amount calculation include:

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

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

The range of pre-tax rates used to discount the cash flows of these cash generating units with on balance sheet goodwill was between 10% and 13% (2011: between 9.5% and 10.5%). These rates were based on the group's estimated weighted average cost of capital (W.A.C.C.), which was risk-adjusted for the specific circumstances of each CGU. The group's W.A.C.C. in 2012 was slightly lower than the rate used in 2011 mainly due to the higher proportion of lower cost debt finance used in the calculation. The surplus headroom above the carrying value of goodwill at 30 June 2012 was significant in the case of each relevant CGU, with no impairment arising from either a 2% increase in the discount rate; a growth rate of -1% used to extrapolate the cash flows; or a reduction of 25% in the cash flow generated in the terminal year for any CGU. Blackdown's goodwill would be at risk of impairment based on current forecasts if the discount rate was increased by 2% or there was a reduction of 20% in the cash flow generated in the terminal year. Roofpro's goodwill would be at risk of impairment based on current forecasts if the discount rate was increased by 1% or there was a reduction of 10% in the cash flow generated in the terminal year.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 15 Other intangible assets

| | Brands £000 | Development expenditure £000 | Computer software £000 | Total £000 |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 July 2010 | 4,015 | 166 | 3,102 | 7,283 |
| Additions | – | – | 250 | 250 |
| Disposal of business activity | – | – | (171) | (171) |
| Disposals | – | – | (1,141) | (1,141) |
| At 1 July 2011 | 4,015 | 166 | 2,040 | 6,221 |
| Additions | **–** | **–** | **72** | **72** |
| Disposals | **–** | **–** | **(30)** | **(30)** |
| **At 30 June 2012** | **4,015** | **166** | **2,082** | **6,263** |
| Accumulated amortisation: | | | | |
| At 1 July 2010 | 795 | 77 | 2,408 | 3,280 |
| Amortisation for the year | 320 | 25 | 342 | 687 |
| Disposal of business activity | – | – | (161) | (161) |
| On disposals | – | – | (1,141) | (1,141) |
| At 1 July 2011 | 1,115 | 102 | 1,448 | 2,665 |
| Amortisation for the year | **299** | **64** | **289** | **652** |
| On disposals | **–** | **–** | **(30)** | **(30)** |
| **At 30 June 2012** | **1,414** | **166** | **1,707** | **3,287** |
| **Net book value at 30 June 2012** | **2,601** | **–** | **375** | **2,976** |
| Net book value at 30 June 2011 | 2,900 | 64 | 592 | 3,556 |
| Net book value at 1 July 2010 | 3,220 | 89 | 694 | 4,003 |

The Levolux brand is being amortised over a life of 20 years from May 2007.

The Blackdown brand is being amortised over a life of 5 years from March 2008.

The Contour-Ply brand was being amortised over a life of 3 years from May 2009 and became fully amortised during the year.

## 16 Financial asset investments

| | £000 |
|---|---|
| Cost: | |
| **At 1 July 2011 and 30 June 2012** | **17** |

The group holds 20% of the share capital of Amorim Isolamentos SA, a specialist cork insulation product manufacturer and distributor, which is incorporated and operates in Portugal. In the Directors' opinion, the degree of influence exercised over Amorim Isolamentos SA is insufficient to justify its treatment as an associate.

## 17 Inventories

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Raw materials | **4,948** | 4,468 |
| Work in progress | **3,144** | 3,036 |
| Finished goods | **6,044** | 4,939 |
| | **14,136** | 12,443 |

During the year the group's inventory provision for continuing operations increased by £48,000 (2011: decreased by £52,000). At 30 June 2012 the group's inventory provision was £1,068,000 (2011: £1,020,000).

£1,840,000 of the prior year work in progress balance has been reclassified as raw materials.

## 18 Biological assets

| | **2012 £000** | 2011 £000 |
|---|---|---|
| At 1 July | **370** | 372 |
| Increases from purchases | **47** | 200 |
| Decreases from sales | **(283)** | (264) |
| Gain from change in fair value less costs to sell | **(11)** | 68 |
| Decrease due to natural damage | **(32)** | (6) |
| **At 30 June** | **91** | 370 |

## 19 Trade and other receivables

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Trade receivables | **17,013** | 17,343 |
| Construction contracts | **7,373** | 4,170 |
| Other receivables | **427** | 453 |
| Prepayments and accrued income | **1,638** | 1,882 |
| | **26,451** | 23,848 |

Trade receivables are non-interest bearing, are generally on terms of 30-90 days and are shown net of provisions for impairment. As at 30 June 2012, trade receivables at nominal value of £408,000 (2011: £490,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| At 1 July | **490** | 417 |
| Charge for the year | **258** | 817 |
| Amounts written off | **(340)** | (744) |
| **At 30 June** | **408** | 490 |

Included within the total provision for impairment is £205,000 (2011: £146,000) in relation to provisions against construction contracts.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 20 Trade and other payables

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Trade payables | **20,710** | 18,823 |
| Other taxation and social security | **1,657** | 1,221 |
| Other payables | **1,096** | 1,145 |
| Construction deposits received on account | **93** | 59 |
| Accruals | **1,761** | 1,804 |
| Deferred income | **3,422** | 1,055 |
| | **28,739** | 24,107 |

## 21 Construction contracts

Details of amounts due from and to customers for contract work as at 30 June are included in notes 19 and 20 above.

For contracts in progress at 30 June 2012, the amount of contract costs incurred plus recognised profits less recognised losses to date was £8,350,000 (2011: £6,312,000). These contracts were on average 31% complete at 30 June 2012 (2011: 64%).

## 22 Borrowings

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Current liabilities: | | |
| Bank overdraft | **–** | 1,045 |
| Non-current liabilities: | | |
| Non-current instalments due on bank loan | **19,779** | 14,724 |

The bank loan outstanding at 30 June 2012 is an unsecured committed £20 million revolving credit facility currently drawn down against six month LIBOR. The following financial covenants apply to the facility: group interest cover, based on EBITDA, to be at least four times; and net debt as a multiple of EBITDA to be below three times. Group interest cover was 7.6 times at June 2012 (2011: 12.3 times) whilst the net debt multiple was 2.5 times at June 2012 (2011: 1.4 times.) The group has the option to cancel and repay elements of this facility at short notice should it wish to do so. The facility has a final maturity date of 23 June 2016.

## 23 Financial instruments

### Financial risk management

The group's treasury activities are carried out in accordance with policies set by the Board. The purpose of treasury policies is to ensure that adequate, cost effective funding is available to the group at all times and that exposure to interest rate, foreign exchange and counterparty risks are managed within acceptable levels. The group uses derivative financial instruments as economic hedges to manage foreign exchange and interest rate risks. It is the group's policy that no trading in financial instruments is undertaken. Hedge accounting treatment has been applied to all of these hedging activities. All derivative financial instruments are measured at fair value at each balance sheet date.

### Financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the group's financial assets and liabilities:

| | **30 June 2012** | | 30 June 2011 | |
|---|---|---|---|---|
| | **Carrying amount £000** | **Fair value £000** | Carrying amount £000 | Fair value £000 |
| Financial assets: | | | | |
| Available-for-sale financial assets | **17** | **17** | 17 | 17 |
| Cash and cash equivalents | **6,550** | **6,550** | 5,038 | 5,038 |
| Trade receivables | **17,013** | **17,013** | 17,343 | 17,343 |
| Construction contracts | **7,373** | **7,373** | 4,170 | 4,170 |
| Other receivables | **427** | **427** | 453 | 453 |
| Derivative financial assets | **82** | **82** | 98 | 98 |
| | **31,462** | **31,462** | 27,119 | 27,119 |
| Financial liabilities: | | | | |
| Bank overdraft | **–** | **–** | 1,045 | 1,045 |
| Bank loans | **19,779** | **19,779** | 14,724 | 14,724 |
| Trade and other payables | **26,989** | **26,989** | 22,827 | 22,827 |
| Derivative financial liabilities | **3** | **3** | 250 | 250 |
| | **46,771** | **46,771** | 38,846 | 38,846 |

Available-for-sale financial assets have been valued at cost. Market values have been used to determine the fair value of bank borrowings. The fair value of interest rate cap transactions has been determined by marking those contracts to market against prevailing/forecast future interest rates. The fair value of forward foreign exchange contracts has been determined by marking those contracts to market against prevailing forward foreign exchange rates.

Trade and other payables balances do not include other taxation and social security costs or construction deposits received on account, as these balances do not meet the definition of financial liabilities in IAS39.

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2012 and 2011 based on contractual undiscounted payments. The total interest bearing loans and borrowings value in the table below includes future unaccrued interest, whilst the bank overdraft and loans balance in the table above shows only the carrying amount at the year end date.

| **Year ended 30 June 2012** | **On demand £000** | **Less than 3 months £000** | **3 to 12 months £000** | **1 to 5 years £000** | **Total £000** |
|---|---|---|---|---|---|
| Interest bearing loans and borrowings | **–** | **208** | **623** | **22,033** | **22,864** |
| Trade and other payables | **10,482** | **15,706** | **756** | **45** | **26,989** |
| | **10,482** | **15,914** | **1,379** | **22,078** | **49,853** |

| Year ended 30 June 2011 | On demand £000 | Less than 3 months £000 | 3 to 12 months £000 | 1 to 5 years £000 | Total £000 |
|---|---|---|---|---|---|
| Interest bearing loans and borrowings | 1,045 | 124 | 371 | 16,712 | 18,252 |
| Trade and other payables | 6,615 | 14,502 | 1,585 | 125 | 22,827 |
| | 7,660 | 14,626 | 1,956 | 16,837 | 41,079 |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 23 Financial instruments (continued)

### Liquidity and interest rate risk

The group manages liquidity and interest rate risk by monitoring its net debt position regularly and ensuring that banking facilities are in place to provide adequate headroom for anticipated future cash flows. At the year end date of 30 June the group had £26 million (2011: £26 million) of banking facilities. The facilities comprise a committed five year £20 million revolving credit facility (2011: £20 million), and unsecured overdraft facilities of £6 million (2011: £6 million.) In addition, the group has £5 million of finance leasing facilities currently unutilised. The group's £20 million committed debt facility and finance lease facility expires in June 2016. The uncommitted overdrafts are repayable on demand and the facility agreements are reviewed annually.

The group's net debt at 30 June 2012 was £13.2 million (2011: £10.7 million), equivalent to 66% (2011: 54%) of committed debt facilities, and 51% (2011: 41%) of total debt facilities.

Details of the group's policies and procedures for managing capital are given within the Financial Review on page 20.

The maturity profile of the group's interest bearing financial liabilities is as follows:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Floating rate interest bearing financial liabilities: | | |
| In two to five years | **19,779** | 14,724 |
| | **19,779** | 14,724 |

During the year, the group entered into an additional three year £5 million interest rate cap, which supplements the five year £7.5m interest rate cap already in place. These hedges have the objective of ensuring that the majority of the group's net indebtedness at any time is protected against a significant increase in LIBOR interest rates above 5%.

The group's overall pre-tax cost of debt finance at interest rates in place at 30 June 2012 is approximately 4.5% (2011: 4.8%).

The floating rate financial liabilities comprise a revolving credit facility that bears interest based on LIBOR, the unamortised premiums on two interest rate caps that have a LIBOR strike rate of 5%, and bank overdrafts that bear interest at a margin over the Bank of England base rate.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact of floating rate borrowings).

| | | Basis Points | Effect on profit before tax £000 |
|---|---|---|---|
| **2012** | **Increase** | **+300** | **(405)** |
| | **Decrease** | **–50** | **67** |
| 2011 | Increase | +300 | (352) |
| | Decrease | –50 | 59 |

The effect of the above changes to the interest rate on the group's equity is not considered material.

## 23 Financial instruments (continued)

### Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services on deferred terms. There are no concentrations of credit risk which amount to more than 10% of group revenues, other than the Caterpillar Group, which represented approximately 17% of group sales in the 2011/12 financial year (2010/11: 16%). The maximum credit risk exposure relating to financial assets is represented by its carrying value less amounts recoverable from credit insurance contracts, where applicable, as at the balance sheet date and is limited to the value of trade and other receivables. In addition the group may from time to time have credit exposures relating to bespoke inventories. The group's cash deposits are only lodged with approved institutions that have strong credit ratings.

Group policies are aimed at minimising credit losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit terms to ensure that the group's exposure to bad debts is minimised. Goods may be sold on a cash with order basis to mitigate credit risk. Some operating units purchase credit insurance where the cost is not excessive when compared to the risks covered and the group increased its overall levels of credit insurance during the 2011/12 financial year.

At 30 June, the analysis of trade and other receivables that were past due but not impaired is as follows:

| | | | **Past due but not impaired** | | | |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2012** | **Total £000** | **Not past due £000** | **< 30 days £000** | **30-60 days £000** | **60-90 days £000** | **> 90 days £000** |
| Trade receivables | **17,013** | **13,514** | **2,710** | **637** | **30** | **122** |
| Construction contracts | **7,373** | **5,851** | **935** | **418** | **–** | **169** |
| Other receivables | **427** | **427** | **–** | **–** | **–** | **–** |
| | **24,813** | **19,792** | **3,645** | **1,055** | **30** | **291** |

| | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| Year ended 30 June 2011 | Total £000 | Not past due £000 | < 30 days £000 | 30-60 days £000 | 60-90 days £000 | > 90 days £000 |
| Trade receivables | 17,343 | 13,603 | 2,428 | 719 | 269 | 324 |
| Construction contracts | 4,170 | 3,820 | 175 | 105 | 19 | 51 |
| Other receivables | 453 | 453 | – | – | – | – |
| | 21,966 | 17,876 | 2,603 | 824 | 288 | 375 |

### Foreign currency risk

The group has transactional currency exposures. Such exposures arise from sales or purchases by operating companies in currencies other than the companies' operating currency (mainly Pounds Sterling). Transactional currency risks are managed by offsetting as far as possible purchases and sales by group companies in the same currency. A proportion of the residual risk is managed, where appropriate, through the use of forward currency contracts.

None of the derivative financial instruments held at 30 June 2012 or 30 June 2011 related to derivative trading activity. Where cash flow hedge accounting is applied, gains or losses on the financial instrument hedges are held in equity and only recognised in the consolidated income statement when the losses or gains on the hedged transactions are recognised in the consolidated income statement.

The following shows the amounts of foreign currency denominated receivables, payables and cash balances at 30 June stated in local currency:

| | | | **2012** | | | 2011 |
|---|---|---|---|---|---|---|
| | **Receivable 000** | **Payable 000** | **Cash 000** | Receivable 000 | Payable 000 | Cash 000 |
| Euros | **379** | **(868)** | **84** | 915 | (840) | 537 |
| US Dollars | **1,316** | **(1,978)** | **52** | 934 | (1,200) | 721 |
| Hong Kong Dollars | **1,798** | **(701)** | **4,251** | 1,329 | (11) | 1,735 |
| Chinese Yuan | **258** | **(1,629)** | **27** | 58 | – | 305 |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 23 Financial instruments (continued)

The following table demonstrates the impact on the group's profit after tax and equity when the fair value of monetary asset and liabilities at 30 June are retranslated at exchange rates either 10% above or below the year end exchange rate:

| | | | Effect on profit after tax and equity | | | |
|---|---|---|---|---|---|---|
| | | Exchange rate change | US $ £000 | Euro £000 | Hong Kong $ £000 | Chinese Yuan £000 |
| **2012** | **Increase** | **+10%** | **35** | **30** | **(40)** | **12** |
| | **Decrease** | **–10%** | **(43)** | **(36)** | **49** | **(15)** |
| 2011 | Increase | +10% | (26) | (50) | (22) | (3) |
| | Decrease | –10% | 31 | 61 | 27 | 4 |

### Hedging activities

The net fair values of the group's derivative financial instruments at 30 June designated as hedging instruments are set out below:

| | **2012** | 2011 |
|---|---|---|
| | **Cash flow hedges £000** | Cash flow hedges £000 |
| Interest rate cap instruments | **82** | 94 |
| Interest rate swap instrument | **–** | (250) |
| Forward foreign exchange contracts | **(3)** | 4 |
| | **79** | (152) |

Cash flow hedges

At 30 June 2012 the group had two interest rate caps, one with a notional principal amount of £7.5 million and a maturity date of 23 June 2016, another with a notional principal amount of £5.0 million and a maturity date of 18 May 2015. The cash flows associated with the interest rate cap hedges are expected to occur over the term of the instruments, therefore these instruments are deemed effective hedges and deemed to address the risk they are intended to address.

At 30 June 2012 the group had forward foreign exchange contracts with principal amounts equivalent to £1,030,000 (2011: £447,000). The forward foreign exchange contracts hedge foreign currency price risks of various currency purchases and sales across the group. The cash flows associated with the forward foreign exchange hedges are generally expected to occur within the next 12 months.

The derivative financial instruments carried at fair value have been valued using directly observable market inputs and therefore they are all considered to have been valued at Level 2, as described in the amendments to IFRS7.

## 24 Retirement benefit obligations

### (a) The group's pension schemes

The group operates a number of defined contribution and defined benefit pension schemes, funded by the payment of contributions into separately administered funds. The defined benefit schemes, which have been closed to future accrual since 2010, provide defined benefits based on a career average revalued earnings (CARE) basis.

Defined contribution schemes
Of the amount charged to operating profit in the statement of comprehensive income for pension contributions, £646,000 (2011: £588,000) was in respect of defined contribution schemes. At 30 June 2012 there was an accrual of £77,000 payable in respect of defined contribution schemes (2011: £68,000).

Defined benefit schemes
The two principal defined benefit schemes are The Alumasc Group Pension Scheme and The Benjamin Priest Group Pension Scheme. The rate of contributions to fund the deficits in the schemes is assessed by the scheme's actuary on a triennial basis.

Deficit reduction contributions to these pension schemes are not expected to exceed £2 million in aggregate in the 2012/13 financial year.

### (b) IAS 19

Disclosures in accordance with IAS19 are set out below in respect of the defined benefit schemes.

Pension charges are determined with the advice of an independent qualified actuary on the basis of annual valuations using the projected unit credit method. Under the projected unit method, for closed schemes the amounts allocated to service cost in future periods will tend to be higher as the members of the schemes approach retirement.

The principal assumptions used for the purpose of the IAS19 valuations are set out below.

To develop the expected long term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments, (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. An allowance for the expected administration expenses of the schemes over the forthcoming year was deducted from the expected return on each class.

| | **The Alumasc Group Scheme 2012 %** | **The Benjamin Priest Group Scheme 2012 %** | The Alumasc Group Scheme 2011 % | The Benjamin Priest Group Scheme 2011 % |
|---|---|---|---|---|
| Discount rate | **4.5** | **4.5** | 5.5 | 5.5 |
| Expected rate of deferred pension increases | **1.8** | **1.8** | 2.7 | 2.7 |
| Future pension increases | **1.5 – 3.5** | **1.5 – 3.5** | 1.9 – 3.8 | 1.9 – 3.8 |
| Retail Price Index inflation rate | **2.6** | **2.6** | 3.5 | 3.5 |
| Consumer Price Index inflation rate | **1.8** | **1.8** | 2.7 | 2.7 |
| Expected return on plan assets: | | | | |
| Equities | **6.2** | **6.2** | 6.7 | 6.7 |
| Gilts | **2.7** | **2.7** | 4.2 | 4.2 |
| Bonds | **4.5** | **4.5** | 5.4 | 5.4 |
| Absolute return | **5.6** | **5.6** | 6.5 | 6.5 |
| | **Years** | **Years** | Years | Years |
| Post retirement mortality | | | | |
| Current pensioners at 65 – male | **22.0** | **21.2** | 21.9 | 21.1 |
| Current pensioners at 65 – female | **23.7** | **22.8** | 23.6 | 22.7 |
| Future pensioners at 65 in 2032 – male | **24.4** | **23.6** | 24.4 | 23.5 |
| Future pensioners at 65 in 2032 – female | **25.1** | **24.2** | 25.0 | 24.1 |

A discount rate of 4.5% has been used in calculating the present value of liabilities of the pension schemes at 30 June 2012. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £1,429,000 before tax.

A Retail Price Index inflation rate of 2.6% and a Consumer Price Index inflation rate of 1.8% has been used in calculating the present value of liabilities of the pension schemes at 30 June 2012. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £1,034,000 before tax.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 24 Retirement benefit obligations (continued)

In valuing the liabilities of the pension schemes at 30 June 2012, mortality assumptions have been assumed as indicated on the prior page. If life expectancy had been changed to assume that all members of the schemes live for one year longer on average, the value of the reported liabilities at 30 June 2012 would have increased by approximately £3,553,000 before tax.

The combined assets and liabilities of the schemes at 30 June are:

| | **2012 £000** | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 |
|---|---|---|---|---|---|
| Scheme assets at fair value: | | | | | |
| Equities | **31,475** | 37,422 | 30,098 | 36,716 | 34,649 |
| Government bonds | **11,823** | 10,836 | 10,185 | 16,863 | 18,688 |
| Corporate bonds and insured annuities | **10,145** | 8,889 | 8,437 | 4,708 | 12,205 |
| Absolute return fund | **23,646** | 24,215 | 22,650 | – | – |
| Property | **719** | 1,185 | 1,140 | 1,145 | 1,351 |
| Cash | **2,077** | 2,117 | 3,496 | 4,200 | 676 |
| | **79,885** | 84,664 | 76,006 | 63,632 | 67,569 |
| Present value of scheme liabilities | **(94,424)** | (87,517) | (87,632) | (76,136) | (87,387) |
| Defined benefit pension deficit | **(14,539)** | (2,853) | (11,626) | (12,504) | (19,818) |

The whole of the defined benefit pension deficit is shown as a non-current liability.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plans, before taxation, are as follows:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Included in net finance cost: | | |
| Expected return on plan assets | **4,390** | 3,861 |
| Interest cost | **(4,707)** | (4,606) |
| | **(317)** | (745) |
| Included in other comprehensive income: | | |
| Actuarial (loss)/gain on plan assets | **(5,935)** | 5,449 |
| Actuarial (loss)/gain on retirement benefit obligations | **(7,883)** | 141 |
| | **(13,818)** | 5,590 |
| Total recognised in the statement of comprehensive income | **(14,135)** | 4,845 |

The actual return on plan assets for 2011/12 was a loss of £1,545,000 (2010/11: gain of £9,310,000).

Changes in the present value of the defined benefit obligation before taxation are as follows:

| | **2012 £000** | 2011 £000 | 2010 £000 |
|---|---|---|---|
| At 1 July | **(87,517)** | (87,632) | (76,136) |
| Current service cost | **–** | – | (290) |
| Interest cost | **(4,707)** | (4,606) | (4,812) |
| Benefits paid | **5,683** | 4,580 | 4,562 |
| Actuarial (loss)/gain | **(7,883)** | 141 | (10,823) |
| Contributions by plan participants | **–** | – | (133) |
| At 30 June | **(94,424)** | (87,517) | (87,632) |

## 24 Retirement benefit obligations (continued)

Changes in the fair value of plan assets before taxation are as follows:

| | **2012 £000** | 2011 £000 | 2010 £000 |
|---|---|---|---|
| At 1 July | **84,664** | 76,006 | 63,632 |
| Expected return on plan assets | **4,390** | 3,861 | 3,904 |
| Actuarial (loss)/gain | **(5,935)** | 5,449 | 8,765 |
| Contributions by plan participants | **–** | – | 133 |
| Contributions by employer | **2,449** | 3,928 | 4,134 |
| Defined benefit actual benefit payments | **(5,683)** | (4,580) | (4,562) |
| At 30 June | **79,885** | 84,664 | 76,006 |

| | **2011/12** | 2010/11 | 2009/10 | 2008/09 | 2007/08 |
|---|---|---|---|---|---|
| Experience adjustments on scheme liabilities: | | | | | |
| Amount (£000) | **2** | 662 | (3,391) | 115 | 1,317 |
| Percentage of scheme liabilities (%) | **–** | 0.76 | (3.87) | 0.15 | 1.51 |
| Experience adjustments on scheme assets: | | | | | |
| Amount (£000) | **(5,935)** | 5,449 | 8,765 | (8,912) | (7,874) |
| Percentage of scheme assets (%) | **(7.43)** | 6.44 | 11.53 | (14.01) | (11.65) |

During the year ended 30 June 2012 £1,992,000 of contributions to the scheme deficit were paid into the defined benefit plans (2011: £2,366,000) to eliminate the past service shortfall over ten years. Further contributions of £457,000 (2011: £562,000) were made by the company to fund the administration expenses and the Pension Protection Fund Levies on the schemes.

The cumulative amount of actuarial losses recognised since 1 July 2004 in the group statement of comprehensive income is £3,484,000 (2010/11: gains of £10,334,000).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 25 Provisions

| | Dilapidations £000 Note (i) | Warranty £000 Note (ii) | Restructuring £000 Note (iii) | Total £000 |
|---|---|---|---|---|
| At 1 July 2010 | 303 | 249 | – | 552 |
| Charge for the year | 187 | 75 | 241 | 503 |
| Utilised | – | (221) | (241) | (462) |
| At 1 July 2011 | 490 | 103 | – | 593 |
| Charge for the year | **24** | **176** | **866** | **1,066** |
| Utilised | **(38)** | **(100)** | **(536)** | **(674)** |
| **At 30 June 2012** | **476** | **179** | **330** | **985** |

| | | | | |
|---|---|---|---|---|
| **At 30 June 2012** | | | | |
| Current liabilities | **113** | **73** | **330** | **516** |
| Non-current liabilities | **363** | **106** | **–** | **469** |
| | **476** | **179** | **330** | **985** |
| At 30 June 2011 | | | | |
| Current liabilities | 40 | 103 | – | 143 |
| Non-current liabilities | 450 | – | – | 450 |
| | 490 | 103 | – | 593 |

### (i) Dilapidations

The provision is in respect of a number of the group's leased premises where the group has obligations to make good dilapidations.

The non-current liabilities are estimated to be payable over periods from one to eight years.

### (ii) Warranty

Warranty provisions are generally utilised within five years and relate to certain products supplied by the Building Products division.

Provisions are not discounted since the impact of reflecting the time value of money on these balances is not considered to be material.

### (iii) Restructuring

The provision for restructuring costs relates entirely to the Alumasc Precision operating segment. This provision has been utilised since the year end.

## 26 Called up share capital

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Authorised: | | |
| 54,800,000 (2011: 54,800,000) ordinary shares of 12.5p each | **6,850** | 6,850 |
| Allotted, called up and fully paid: | | |
| 36,133,558 (2011: 36,133,558) ordinary shares of 12.5p each | **4,517** | 4,517 |

## 27 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 485,171 (2011: 485,171) ordinary own shares held by the company. The market value of shares at 30 June 2012 was £337,194 (2011: £834,494). 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.

## 28 Share based payments

The company operates two types of share based payment schemes, the main features of each scheme as detailed in the Remuneration Report on pages 35 to 38.

| | As at 1 July 2011 | Weighted average exercise price (pence) | Granted | Weighted average exercise price (pence) | Exercised | Weighted average exercise price (pence) | Lapsed | Weighted average exercise price (pence) | **As at 30 June 2012** | Weighted average exercise price (pence) |
|---|---|---|---|---|---|---|---|---|---|---|
| LTIP (i) | 994,375 | n/a | 322,761 | n/a | – | n/a | (436,274) | n/a | **880,862** | n/a |
| ESOS (ii) | 416,878 | 1.30 | 130,000 | 1.35 | – | – | (43,000) | 1.41 | **503,878** | 1.30 |

| | As at 1 July 2010 | Weighted average exercise price (pence) | Granted | Weighted average exercise price (pence) | Exercised | Weighted average exercise price (pence) | Lapsed | Weighted average exercise price (pence) | As at 30 June 2011 | Weighted average exercise price (pence) |
|---|---|---|---|---|---|---|---|---|---|---|
| LTIP (i) | 814,322 | n/a | 342,391 | n/a | – | n/a | (162,338) | n/a | 994,375 | n/a |
| ESOS (ii) | 304,878 | 1.38 | 140,000 | 1.15 | – | – | (28,000) | 1.47 | 416,878 | 1.30 |

(i) Long term incentive plan
(ii) Executive share option scheme

### ESOS

For the share options outstanding at 30 June 2012 the weighted average remaining contractual life is 1.5 years (30 June 2011: 6.8 years). The exercise price of the options outstanding ranges between 104p and 180p. 84,000 share options are exercisable at 30 June 2012 (30 June 2011: 107,000) with a weighted average option price of 167p (2011: 166p).

Included within the balance outstanding at 30 June 2012 are options over 24,000 shares (30 June 2011: 24,000) that have not been recognised in accordance with IFRS2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS2.

### Fair value of awards

The fair values of awards granted in the year, together with the other inputs into the option pricing model are shown below. The Black-Scholes and the Cox Ross Rubenstein Binomial option pricing models have been used to calculate the fair value of the options and the amount to be expensed in the statement of comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

## 28 Share based payments (continued)

| | ESOS | | LTIP | |
|---|---|---|---|---|
| | **Black Scholes 2012** | Black Scholes 2011 | **Black Scholes & Binomial 2012** | Black Scholes & Binomial 2011 |
| Share price at grant date | **140p** | 117.5p | **140p** | 117.5p |
| Exercise price | **135p** | 115p | **nil** | nil |
| Expected volatility | **40%** | 45% | **40%** | 45% |
| Expected life (years) | **3** | 3 | **3** | 3 |
| Risk free rate | **0.8%** | 1.25% | **0.8%** | 1.25% |
| Dividend yield | **7.0%** | 7.5% | **7.0%** | 7.5% |
| Fair value per option | **23p** | 22p | **113p** | 103p |

The expected volatility is based on historical volatility over the last three years. The risk free rate of return is based on the yield on government bonds due to mature on the expected maturity of the award.

The credit recognised for share based payments in respect of employee services rendered during the year to 30 June 2012 was £60,000 (2010/11: charge of £16,000).

## 29 Movement in net borrowings

| | **Cash and bank overdrafts £000** | **Bank loans £000** | **Net borrowings £000** |
|---|---|---|---|
| At 1 July 2010 | 5,622 | (14,939) | (9,317) |
| Cash flow movements | (1,628) | 278 | (1,350) |
| Non-cash movements | – | (63) | (63) |
| Effect of foreign exchange rates | (1) | – | (1) |
| At 1 July 2011 | 3,993 | (14,724) | (10,731) |
| Cash flow movements | **2,556** | **(5,000)** | **(2,444)** |
| Non-cash movements | **–** | **(55)** | **(55)** |
| Effect of foreign exchange rates | **1** | **–** | **1** |
| **At 30 June 2012** | **6,550** | **(19,779)** | **(13,229)** |

## 30 Financial commitments

### (i) Capital commitments

At 30 June 2012, £92,000 (2011: £32,000) of capital expenditure had been authorised and £162,000 (2011: £22,000) of capital expenditure had been authorised and contracted but not provided for by the group.

### (ii) Operating lease commitments

The group has entered into commercial leases on certain properties, motor vehicles and items of plant and equipment. The leases have varying terms and renewal rights.

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | **Property 2011/12 £000** | **Plant and vehicles 2011/12 £000** | Property 2010/11 £000 | Plant and vehicles 2010/11 £000 |
|---|---|---|---|---|
| Less than one year | **777** | **546** | 930 | 505 |
| Between one and five years | **1,621** | **554** | 2,189 | 733 |
| After five years | **1,243** | **–** | 1,487 | – |
| | **3,641** | **1,100** | 4,606 | 1,238 |

The total future minimum sublease receipts under non-cancellable operating leases are as follows:

| | **Property 2011/12 £000** | Property 2010/11 £000 |
|---|---|---|
| Less than one year | **121** | 147 |
| Between one and five years | **38** | 159 |
| | **159** | 306 |

## 31 Related party disclosure

The group's principal subsidiaries are listed below:

| Principal subsidiaries | Principal activity | Country of incorporation | % of equity interest and votes held | |
|---|---|---|---|---|
| | | | **2012** | 2011 |
| Alumasc Precision Limited | Engineering products | England | **100** | 100 |
| Alumasc Exterior Building Products Limited | Building products | England | **100** | 100 |
| Alumasc Limited | Building products | England | **100** | 100 |
| Levolux Limited and Levolux AT Limited | Building products | England | **100** | 100 |
| Blackdown Horticultural Consultants Limited | Building products | England | **100** | 100 |
| Elkington China Limited | Building products | Hong Kong | **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. Details of transactions with the Directors and their compensation are detailed in the Remuneration Report on pages 35 to 38.

## 32 Contingent liabilities

At the balance sheet date there existed contingent liabilities amounting to £300,000 (2011: £nil) in relation to outstanding Guarantees and £111,000 (2011: £nil) in relation to outstanding Performance Bonds.

# Company Balance Sheet

At 30 June 2012

| | Notes | 2012 £000 | 2011 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 4 | **2,643** | 2,740 |
| Investments in subsidiary undertakings | 5 | **74,542** | 74,942 |
| | | **77,185** | 77,682 |
| **Current assets** | | | |
| Debtors | 6 | **505** | 586 |
| Financial assets | 7 | **82** | 94 |
| Cash | | **14** | 1,788 |
| | | **601** | 2,468 |
| **Creditors:** amounts falling due within one year | 8 | **(11,389)** | (15,575) |
| Net current liabilities | | **(10,788)** | (13,107) |
| Total assets less current liabilities | | **66,397** | 64,575 |
| **Creditors:** amounts falling due in more than one year | 9 | **(26,579)** | (21,524) |
| Deferred tax liabilities | 10 | **(29)** | (32) |
| Pension liability | 11 | **(535)** | (112) |
| **Net assets** | | **39,254** | 42,907 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | **4,517** | 4,517 |
| Share premium | 13 | **445** | 445 |
| Revaluation reserve | 13 | **2,265** | 2,265 |
| Merger reserve | 13 | **10,606** | 10,606 |
| Capital reserve – own shares | 13 | **(618)** | (618) |
| Profit and loss account reserve | 13 | **22,039** | 25,692 |
| **Shareholders' funds** | | **39,254** | 42,907 |

**G P Hooper**
Director

**A Magson**
Director

4 September 2012

Company number 1767387

# Notes to the Company Financial Statements

For the year ended 30 June 2012

## 1 Accounting policies

### Basis of accounting

The accounts are prepared under UK GAAP using the historical cost convention as modified by the revaluation of the investment in certain subsidiaries, and in accordance with applicable accounting standards. As permitted by Section 408 of the Companies Act 2006, the profit and loss account is not presented.

The company has taken advantage of the exemption in paragraph 20 of FRS29 Financial Instruments: Disclosures, and has not disclosed information required by that standard, as the group's consolidated financial statements, in which the company is included, provide equivalent disclosures for the group under IFRS7 Financial Instruments: Disclosures.

### 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 Business Review on pages 6 to 21. The financial position of the group, its cashflows, liquidity position and borrowing facilities are described within note 23 of the group financial statements.

The group has £26 million of banking facilities, of which £20 million is committed until June 2016. At 30 June 2012 the group's net indebtedness was £13.2 million (2011: £10.7 million).

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

### Depreciation of tangible fixed assets

Freehold land is not depreciated. The cost or valuation of other tangible fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 25 to 50 years |
| Long leasehold property | – | over the period of the lease to a maximum of 50 years |
| Plant and equipment | – | 3 to 15 years |

### Valuation of fixed assets

The company elected to adopt the transitional provisions of FRS15 under which previous valuations of freehold and long leasehold land and buildings are retained and treated as 'cost' for future accounting purposes. The majority of the company's properties have been acquired as a result of the acquisition of related businesses; in these cases, the fair value of the freehold and long leasehold land and buildings at acquisition is already treated as 'cost' for all purposes.

### Leased assets

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases and rentals payable are charged to the profit and loss account as incurred.

### Pensions

The company operates a defined benefit pension scheme, which is constituted as a separately administered fund and which is closed to future accrual. Deficit reduction contributions are agreed with the pension trustees on the basis of actuarial advice to fund this scheme. The company also operates a defined contribution scheme where agreed contractual contributions are paid into a separately administered fund.

In accounting for defined benefit schemes under FRS17, the pension scheme assets are measured using fair values whilst the pension scheme liabilities are measured using a projected unit credit method and discounted using an appropriate discount rate. The company's share of the pension scheme deficit is recognised net of the related deferred tax asset on the face of the balance sheet. The movement on the deficit is split between operating and finance charges in the profit and loss account and also in the statement of total recognised gains and losses. Prior to the Alumasc Group Pension Scheme closure to future accrual in April 2010, the employer's portion of the current service cost was charged to operating profit. The interest cost on scheme liabilities and the expected return on scheme assets is charged or credited to other financing costs.

The actuarial gain or loss is charged directly to equity through the statement of total recognised gains and losses. This arises from the difference between the expected return on assets and those actually achieved, and also any changes in the assumptions and experiences used in the valuations.

For defined contribution schemes the amount charged to the profit and loss account represents the contributions payable to the plans in the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

# Notes to the Company Financial Statements

For the year ended 30 June 2012

## 1 Accounting policies (continued)

### Deferred taxation

Provision is made for deferred taxation in accordance with FRS19.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

– provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

– deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Own shares

The Alumasc Group plc shares held by the group are classified in shareholders' equity as 'own shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

### Equity settled share based payment transactions

The fair value of long term incentive awards and share options granted to employees is recognised as an employee expense at the date of grant, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of shares for which the related service and non-market vesting conditions are met. Awards granted to employees of subsidiary undertakings are treated as capital contributions within investments.

### Investment in subsidiaries

Investments in subsidiaries are stated at cost, or revalued amount, less provisions for impairment where appropriate.

### Dividends

Under FRS21, final ordinary dividends payable to shareholders are recognised in the period that they are approved by the shareholders. Interim ordinary dividends payable are recognised in the period that they are paid. Dividends receivable are recognised when the company's right to receive payments is established.

### Financial assets

When financial assets are recognised initially under FRS26, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

## 2 Operating profit

Operating profit is stated after charging:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Auditors' remuneration – audit of the financial statements of the company | **16** | 15 |
| Depreciation of tangible fixed assets | **99** | 101 |
| Hire of plant and machinery | **1** | 1 |

## 3 Dividends

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Interim dividend for 2012 of 1.0p paid on 10 April 2012 | **357** | – |
| Final dividend for 2011 of 6.75p paid on 31 October 2011 | **2,406** | – |
| Interim dividend for 2011 of 3.25p paid on 8 April 2011 | **–** | 1,164 |
| Final dividend for 2010 of 6.75p paid on 29 October 2010 | **–** | 2,416 |
| | **2,763** | 3,580 |

A final dividend of £357,000, 1.0p per equity share, has been proposed for the year ended 30 June 2012, payable on 31 October 2012. In accordance with accounting requirements this dividend has not been accrued in these financial statements.

## 4 Tangible fixed assets

| | Freehold land and buildings £000 | Long leasehold property £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 July 2011 | 3,775 | 235 | 335 | 4,345 |
| Additions | – | – | 2 | 2 |
| Disposals | – | – | (37) | (37) |
| **At 30 June 2012** | **3,775** | **235** | **300** | **4,310** |
| Depreciation: | | | | |
| At 1 July 2011 | 1,185 | 147 | 273 | 1,605 |
| Charge for the year | 75 | 7 | 17 | 99 |
| Disposals | – | – | (37) | (37) |
| **At 30 June 2012** | **1,260** | **154** | **253** | **1,667** |
| Net book value: | | | | |
| **At 30 June 2012** | **2,515** | **81** | **47** | **2,643** |
| At 1 July 2011 | 2,590 | 88 | 62 | 2,740 |

Included within freehold land and buildings is land of £1,909,000 (2011: £1,909,000) which is not depreciated.

## 5 Investments in subsidiary undertakings

| | £000 |
|---|---|
| Cost: | |
| **At 1 July 2011 and 30 June 2012** | **74,942** |
| Provisions: | |
| At 1 July 2011 | – |
| Provided in year | 400 |
| **At June 2012** | **400** |
| Net book value: | |
| **At 30 June 2012** | **74,542** |
| At 30 June 2011 | 74,942 |

# Notes to the Company Financial Statements
For the year ended 30 June 2012

## 5 Investments in subsidiary undertakings (continued)

At 30 June 2012 the principal subsidiary undertakings and related classes of business are as follows: Alumasc Precision Limited, (engineering products), Alumasc Exterior Building Products Limited, (building products), Alumasc Limited, (building products), Levolux Limited and Levolux A.T. Limited (building products) and Blackdown Horticultural Consultants Limited (building products).

All principal subsidiary companies are owned 100%, and are registered and operated in England, with the exception of Elkington China Limited, which is incorporated and operates in China. All shareholdings relate to ordinary shares. The company's investment in Alumasc Limited was revalued in 1985 to reflect the subsidiary's net assets at that date and its investment in Benjamin Priest Group Limited was re-stated in 1999 and 2005 to reflect permanent diminutions in value.

During the year £400,000 was provided against the investment in Blackdown Horticultural Consultants Limited following the annual impairment testing, based on a discount rate of 13%.

All major subsidiary companies are owned directly by the Alumasc Group plc.

## 6 Debtors

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Other debtors | **46** | 40 |
| Prepayments and accrued income | **459** | 546 |
| | **505** | 586 |

## 7 Financial assets

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Interest rate cap instrument | **82** | 94 |

During the year the company entered into an interest rate cap with a notional principal amount of £5.0 million and a maturity date of 18 May 2015 to add to the £7.5 million interest rate cap with a maturity date of 23 June 2016 already in place. The interest rate caps bear a floating rate of interest up to LIBOR of 5% and above that becomes fixed at LIBOR of 5%. The cash flows, if any, associated with the interest rate caps are expected to occur over the term of the instruments.

## 8 Creditors: amounts falling due within one year

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Bank overdraft | **8,112** | 7,905 |
| Other creditors | **1,214** | 920 |
| Accruals | **270** | 365 |
| Amounts due to subsidiary undertakings | **1,793** | 6,385 |
| | **11,389** | 15,575 |

## 9 Creditors: amounts falling due after more than one year

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Bank loan | **19,779** | 14,724 |
| Amounts due to subsidiary undertakings | **6,800** | 6,800 |
| | **26,579** | 21,524 |

## 10 Deferred tax liabilities

| | £000 |
|---|---|
| At 1 July 2011 | (32) |
| Deferred tax credit – current year | 1 |
| Rate change adjustment | 2 |
| **At 30 June 2012** | **(29)** |

The deferred tax included in the balance sheet is as follows:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Accelerated capital allowances | **(30)** | (33) |
| Short term timing differences | **1** | 1 |
| | **(29)** | (32) |

## 11 Employee benefit expense

### Defined benefit schemes

The company participates in the defined benefit scheme, The Alumasc Group Pension Scheme, which has been closed to future accrual since 2010.

The defined benefit scheme maintained by the company is a multi-employer scheme. For the purpose of allocating the total assets and liabilities of the scheme between the various group companies, the Directors have used as a basis the existing participating employer or the participating employer at the point of the employee leaving employment.

Deficit reduction contributions to the pension scheme is currently not expected to exceed £90,000 in aggregate in the next financial year.

The latest actuarial valuation was performed on 31 March 2010. The principal assumptions used by the actuary in valuing the assets and liabilities of the Scheme for FRS17 purposes were:

| | **The Alumasc Group 2012 %** | The Alumasc Group 2011 % |
|---|---|---|
| Discount rate | **4.5** | 5.5 |
| Expected rate of deferred pension increases | **1.8** | 2.7 |
| Future pension increases | **1.5 – 3.5** | 1.9 – 3.8 |
| Retail Price Index inflation rate | **2.6** | 3.5 |
| Consumer Price Index inflation rate | **1.8** | 2.7 |
| Expected return on plan assets: | | |
| Equities | **6.2** | 6.7 |
| Gilts | **2.7** | 4.2 |
| Bonds | **4.5** | 5.4 |
| Absolute return | **5.6** | 6.5 |
| | **Years** | Years |
| Post retirement mortality: | | |
| Current pensioners at 65 – male | **22.0** | 21.9 |
| Current pensioners at 65 – female | **23.7** | 23.6 |
| Future pensioners at 65 in 2032 – male | **24.4** | 24.4 |
| Future pensioners at 65 in 2032 – female | **25.1** | 25.0 |

# Notes to the Company Financial Statements

For the year ended 30 June 2012

## 11 Employee benefit expense (continued)

The following information relates to the company's element of the assets and liabilities of the scheme.

The assets in the scheme and the expected rate of return were:

| | **2012 £000** | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 |
|---|---|---|---|---|---|
| Equities | **1,298** | 1,596 | 1,296 | 1,505 | 1,465 |
| Gilts | **487** | 462 | 438 | 691 | 672 |
| Bonds | **418** | 379 | 363 | 139 | 536 |
| Absolute return fund | **975** | 1,033 | 975 | – | – |
| Property and cash | **116** | 141 | 200 | 274 | – |
| Total market value of assets | **3,294** | 3,611 | 3,272 | 2,609 | 2,673 |
| Actuarial value of liability | **(3,998)** | (3,762) | (3,756) | (3,081) | (3,623) |
| Pension liability before taxation | **(704)** | (151) | (484) | (472) | (950) |
| Related deferred tax asset | **169** | 39 | 136 | 132 | 268 |
| Net pension liability | **(535)** | (112) | (348) | (340) | (682) |

Components of defined benefit cost for the year to 30 June were:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Amounts charged to other finance costs: | | |
| Expected return on pension scheme assets | **186** | 168 |
| Interest on pension liabilities | **(197)** | (197) |
| Net interest cost | **(11)** | (29) |
| Total profit and loss charge before taxation | **(11)** | (29) |

Analysis of amounts recognised in statement of total recognised gains and losses:

| | **2011/12 £000** | 2010/11 £000 |
|---|---|---|
| Actual return less expected return on assets | **(352)** | 185 |
| Experience gains | **2** | 33 |
| Changes in assumptions | **(300)** | (36) |
| Actuarial (loss)/gain to be recognised in statement of total recognised gains and losses | **(650)** | 182 |

Changes in the present value of the defined benefit obligation before taxation are as follows:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| At 1 July | **(3,762)** | (3,756) |
| Interest cost | **(197)** | (197) |
| Benefits paid | **259** | 194 |
| Actuarial loss | **(298)** | (3) |
| At 30 June | **(3,998)** | (3,762) |

## 11 Employee benefit expense (continued)

Changes in the fair value of plan assets before taxation are as follows:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| At 1 July | **3,611** | 3,272 |
| Expected return on plan assets | **186** | 168 |
| Actuarial (loss)/gain | **(352)** | 185 |
| Contributions by employer | **108** | 180 |
| Defined benefit actual benefit payments | **(259)** | (194) |
| At 30 June | **3,294** | 3,611 |

History of experience gains and losses:

| | **2011/12** | 2010/11 | 2009/10 | 2008/09 | 2007/08 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | |
| – Amount (£000) | **(352)** | 185 | 459 | (331) | (325) |
| – Percentage of company's allocation of scheme assets (%) | **(11)** | 5 | 14 | (12) | (12) |
| Experience gains and losses on scheme liabilities: | | | | | |
| – Amount (£000) | **2** | 33 | (203) | 5 | – |
| – Percentage of company's allocation of scheme liabilities (%) | **0.1** | 0.9 | (5) | 0.2 | – |
| Total amount recognised in statement of total recognised gains and losses | | | | | |
| – Amount (£000) | **(650)** | 182 | (190) | 193 | (289) |
| – Percentage of company's allocation of scheme liabilities (%) | **(16)** | 5 | (5) | 6 | (8) |

**Defined contribution schemes**

During the year £86,000 was charged to the profit and loss account in respect of such schemes (2010/11: £84,000). At 30 June 2012 contributions of £8,000 were outstanding in relation to the month of June 2012 (2010/11: £5,000 in relation to the month of June 2011).

## 12 Called up share capital

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Authorised: | | |
| 54,800,000 (2011: 54,800,000) ordinary shares of 12.5p each | **6,850** | 6,850 |
| Allotted, called up and fully paid: | | |
| 36,133,558 (2011: 36,133,558) ordinary shares of 12.5p each | **4,517** | 4,517 |

# Notes to the Company Financial Statements

For the year ended 30 June 2012

## 13 Reserves

| | Share capital £000 | Share premium account £000 | Revaluation reserve £000 | Merger reserve £000 | Capital reserve – own shares £000 | Profit and loss account reserve £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2011 | 4,517 | 445 | 2,265 | 10,606 | (618) | 25,692 | 42,907 |
| Retained loss for the year | – | – | – | – | – | (333) | (333) |
| Dividends | – | – | – | – | – | (2,763) | (2,763) |
| Share based payments | – | – | – | – | – | (60) | (60) |
| Actuarial loss on defined benefit pensions net of tax | – | – | – | – | – | (497) | (497) |
| **At 30 June 2012** | **4,517** | **445** | **2,265** | **10,606** | **(618)** | **22,039** | **39,254** |

The company has not presented its own profit and loss account in accordance with the exemption allowed by Section 408 of the Companies Act 2006. The loss for the year after tax was £333,000 (2011: profit £2,352,000).

### Capital reserve – own shares

The capital reserve – own shares relates to 485,171 (2011: 485,171) ordinary own shares held by the company. The market value of shares at 30 June 2012 was £337,194 (2011: £834,494). 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.

### Distributable reserves

In connection with the capital reorganisation in 2007, the company reached agreement with the Pension Trustees that £14.0 million of the profit and loss account reserve shown above would be retained as a non-distributable reserve until the group's pension deficits reduced further (as determined by full actuarial valuations). Therefore the directors consider that £14.0 million of the company profit and loss account reserve remains non-distributable.

In addition, cumulative actuarial losses relating to defined benefit pension Schemes of £597,000 within the profit and loss account reserve are non-distributable (2011: gains of £53,000).

## 14 Share based payments

The company operates two types of share based payment schemes, the main features of each scheme as detailed in the Remuneration Report on pages 35 to 38.

| | As at 1 July 2011 | Weighted average exercise price (pence) | Granted | Weighted average exercise price (pence) | Exercised | Weighted average exercise price (pence) | Lapsed | Weighted average exercise price (pence) | **As at 30 June 2012** | Weighted average exercise price (pence) |
|---|---|---|---|---|---|---|---|---|---|---|
| LTIP (i) | 679,936 | n/a | 192,164 | n/a | – | n/a | (248,469) | n/a | **623,631** | n/a |
| ESOS (ii) | 59,878 | 1.51 | 20,000 | 1.35 | – | – | – | – | **79,878** | 1.47 |

| | As at 1 July 2010 | Weighted average exercise price (pence) | Granted | Weighted average exercise price (pence) | Exercised | Weighted average exercise price (pence) | Lapsed | Weighted average exercise price (pence) | As at 30 June 2011 | Weighted average exercise price (pence) |
|---|---|---|---|---|---|---|---|---|---|---|
| LTIP (i) | 531,893 | n/a | 216,304 | n/a | – | n/a | (68,261) | n/a | 679,936 | n/a |
| ESOS (ii) | 59,878 | 1.49 | 10,000 | 1.15 | – | – | (10,000) | 1.04 | 59,878 | 1.51 |

(i) Long term incentive plan
(ii) Executive share option scheme

## 14 Share based payments (continued)

ESOS

For the share options outstanding at 30 June 2012 the weighted average remaining contractual life is 2.6 years (30 June 2011: 6.1 years). The exercise price of the options outstanding ranges between 104p and 171.2p. No share options are exercisable at 30 June 2012 (30 June 2011: nil).

Fair value of awards

The fair values of awards granted in the year, together with the other inputs into the option pricing model are shown below. The Black-Scholes and the Cox Ross Rubenstein Binomial option pricing models have been used to calculate the fair value of the options and the amount to be expensed in the income statement.

| | | ESOS | | LTIP |
|---|---|---|---|---|
| | **Black Scholes 2012** | Black Scholes 2011 | **Black Scholes & Binomial 2012** | Black Scholes & Binomial 2011 |
| Share price at grant date | **140p** | 117.5p | **140p** | 129.5p |
| Exercise price | **135p** | 115p | **nil** | nil |
| Expected volatility | **40%** | 45% | **40%** | 45% |
| Expected life (years) | **3** | 3 | **3** | 3 |
| Risk free rate | **0.8%** | 1.25% | **0.8%** | 1.25% |
| Dividend yield | **7.0%** | 7.5% | **7.0%** | 7.5% |
| Fair value per option | **23p** | 22p | **113p** | 103p |

The expected volatility is based on historical volatility over the last three years. The risk free rate of return is based on the yield on government bonds due to mature on the expected maturity date of the award.

The credit recognised for share based payments in respect of employee services rendered during the year to 30 June 2012 is £60,000 (2010/11: charge of £16,000).

## 15 Financial commitments

The company had no financial commitments at the year end (2011: £nil).

## 16 Related party disclosures

The company has taken advantage of the exemption granted by paragraph 3c of FRS8 not to disclose transactions with other group companies. There were no other related party transactions during the period (2011: nil).

## 17 Contingent liabilities

The company is party to, together with subsidiary undertakings, cross guarantee banking arrangements in favour of the group's relationship banks. At the year end, subsidiary undertakings had utilised £1,450,000 (2011: none) of the overdraft facilities guaranteed by the company.

# Five Year Summary

| | 2011/12 £000 | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 | 2007/08 £000 |
|---|---|---|---|---|---|
| **Income Statement Summary** | | | | | |
| Revenue (continuing operations) | | | | | |
| Building products | 74,917 | 71,219 | 64,528 | 78,518 | 83,799 |
| Engineering products | 36,804 | 36,744 | 23,954 | 24,127 | 32,363 |
| Less intercompany | (1,102) | (1,158) | (994) | (1,133) | (2,308) |
| **Total revenue (continuing operations)** | **110,619** | **106,805** | **87,488** | **101,512** | **113,854** |
| Underlying operating profit (continuing operations) | | | | | |
| Building products | 4,384 | 3,914 | 5,351 | 9,210 | 10,720 |
| Engineering products | (770) | 2,978 | 1,311 | (1,503) | 1,002 |
| Unallocated costs | (1,036) | (1,213) | (967) | (1,063) | (1,151) |
| **Underlying operating profit (continuing operations)** | **2,578** | **5,679** | **5,695** | **6,644** | **10,571** |
| Net interest cost (on borrowings) | (706) | (662) | (676) | (626) | (1,090) |
| Net pension interest | (317) | (745) | (908) | (900) | (501) |
| **Underlying profit before tax (continuing operations)** | **1,555** | **4,272** | **4,111** | **5,118** | **8,980** |
| Net exceptional (losses)/gains | (1,165) | 1,111 | (635) | (3,361) | (493) |
| Profit before tax (continuing operations) | 390 | 5,383 | 3,476 | 1,757 | 8,487 |
| Profit/(loss) before tax (discontinued operations) | – | (269) | (98) | 47 | 1,502 |
| **Profit before taxation** | **390** | **5,114** | **3,378** | **1,804** | **9,989** |
| Taxation | 23 | (1,469) | (1,138) | (744) | (2,656) |
| Profit on ordinary activities after taxation | 413 | 3,645 | 2,240 | 1,060 | 7,333 |
| Non-controlling interest | – | – | (6) | (8) | (18) |
| **Profit for the financial year attributable to equity holders of the parent** | **413** | **3,645** | **2,234** | **1,052** | **7,315** |
| Return on sales (underlying) | | | | | |
| Building products | 5.9% | 5.5% | 8.3% | 11.7% | 12.8% |
| Engineering Products | (2.1%) | 8.1% | 5.5% | (6.2%) | 3.1% |
| Group | 2.3% | 5.3% | 6.5% | 6.5% | 9.3% |
| Underlying tax rate | 31.6% | 30.3% | 30.4% | 30.4% | 31.4% |
| Underlying earnings per share (from continuing operations) (pence) (note a) | 3.0 | 8.3 | 8.0 | 9.9 | 17.1 |

**Notes**

a) Underlying earnings per share is calculated as described in note 12 of the group's financial statements

| | | 2011/12 £000 | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 | 2007/08 £000 |
|---|---|---|---|---|---|---|
| **Balance Sheet Summary** | | | | | | |
| Shareholders' funds | | 18,928 | 31,965 | 27,743 | 30,796 | 30,887 |
| Non-controlling interests | | – | – | 33 | 33 | 22 |
| Net debt | | 13,229 | 10,731 | 9,317 | 10,318 | 9,367 |
| Pension deficit (net of associated deferred tax asset) | | 11,050 | 2,111 | 8,371 | 9,003 | 14,269 |
| Capital invested | | 43,207 | 44,807 | 45,464 | 50,150 | 54,545 |
| Return on capital invested (post-tax) | (note a) | 4.0% | 8.8% | 8.3% | 8.8% | 13.0% |
| Return on shareholders' funds (post-tax) | (note b) | 4.2% | 10.0% | 9.8% | 11.5% | 19.7% |
| Gearing | (note c) | 70.0% | 33.6% | 33.5% | 33.5% | 30.3% |
| Group interest cover | (note d) | 7.6 | 12.3 | 12.4 | 15.6 | 12.6 |
| **Other Statistics** | | | | | | |
| Earnings per share (on continuing operations) (pence) | | 1.2 | 10.7 | 6.4 | 2.8 | 16.1 |
| Total earnings per share (pence) | | 1.2 | 10.2 | 6.2 | 2.9 | 20.3 |
| Dividends per share (pence) | | 2.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Order Book at 30 June (continuing operations) | | | | | | |
| Building products | | 28,608 | 13,624 | 15,920 | 15,001 | 21,467 |
| Engineering products | | 24,448 | 30,481 | 18,078 | 11,210 | 18,675 |
| Group | | 53,056 | 44,105 | 33,998 | 26,211 | 40,142 |

**Notes**

a) Underlying operating profit after tax (calculated using the underlying tax rate) as a percentage of average capital invested
b) Underlying profit after tax (calculated using the underlying tax rate) as a percentage of average shareholders funds
c) Net borrowings as a percentage of shareholders' funds plus non-controlling interests
d) EBITDA divided by net interest cost on borrowings

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Alumasc Group plc (the "Company") will be held at Founder's Hall, No.1 Cloth Fair, London EC1A 7HT at 10.30 am on Thursday 25 October 2012 for the following purposes:

**Ordinary business**

1 To receive the reports of the Directors and auditors and the accounts for the year ended 30 June 2012

2 To receive the report of the Remuneration Committee for the year ended 30 June 2012

3 To declare a final dividend of 1p per share

4 To elect Keith Walden as a Director

5 To re-elect Jon Pither as a Director[1,2,3]

6 To re-elect Phillip Gwyn as a Director[1,2,3]

7 To re-elect Richard Saville as a Director[1,2,3]

8 To re-elect John Pilkington as a Director[2,3]

9 To re-elect Andrew Magson as a Director

10 To confirm the appointment of KPMG Audit plc as auditors and to authorise the Directors to fix their remuneration

[1]Member of Nomination Committee
[2]Member of Remuneration Committee
[3]Member of Audit Committee

**Special business**

To consider, and if thought fit, to pass the following Resolutions. Resolution 11 shall be proposed as an Ordinary Resolution and Resolutions 12 and 13, shall be proposed as Special Resolutions.

11 Renewal of Directors' authorities to allot shares

That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company or to grant rights to subscribe for or to convert any security into shares in the company up to an aggregate nominal amount of £1,505,564 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the company, save that the Directors shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted pursuant to any such offers or agreements after this authority had expired; and all unexercised authorities previously granted to the Directors are hereby revoked.

12 Disapplication of statutory pre-emption rights

That the Directors be and hereby they are empowered pursuant to Section 571 of the Companies Act 2006 to allot equity securities as defined in Section 560(1) of that Act for cash pursuant to the authority conferred by Resolution 11 above as if Section 561(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue or other offer of securities in favour of the holders of ordinary shares on the register of members at such dates as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on such record dates subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter whatever; and

(ii) the allotment (otherwise than pursuant to sub paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £225,835; and shall expire on the date of expiry of the authority conferred by Resolution 11 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

In respect of an allotment of equity securities by virtue of Section 560(2b) of the Act, the words "pursuant to the authority conferred in Resolution 11 above" shall be deemed to be omitted from the power conferred by this Resolution.

13 Company's authority to purchase its own shares

That the company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 12.5p each in the Company provided that;

(i) the maximum number of ordinary shares hereby authorised to be acquired is 5,383,900 which represents 14.9% of the issued share capital of the company on 3 September 2012;

(ii) the minimum price (exclusive of taxes and expenses) which may be paid for such ordinary shares is 12.5p per share;

(iii) the maximum price (exclusive of taxes and expenses) which may be paid for such ordinary shares is an amount equal to 105% of the average of the middle market quotations for ordinary shares (derived from the Daily Official List of the London Stock Exchange Plc) for the five dealing days immediately preceding the day on which such ordinary shares are contracted to be purchased;

(iv) the authority hereby conferred shall expire on 24 October 2013, or, if earlier, on the date of the next Annual General Meeting of the company except that the expiry of such authority shall not exclude any purchase of ordinary shares made pursuant to a contract concluded before the authority expired and which would or might be executed wholly or partly after its expiration;

(v) this authority supersedes the company's authority to make market purchases granted by Special Resolution passed on 27 October 2011.

By order of the Board

**A Magson**
Company Secretary

4 September 2012

**Registered Office**
Burton Latimer
Kettering
Northamptonshire
NN15 5JP
**Registered No**
1767387

**Notes to the Notice of Annual General Meeting**

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar Capita Registrars PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
2. The return of a completed Proxy Form or other such instrument or will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
3. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. Only shareholders whose names appear on the register of members of the company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
5. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the company.
6. As at 3 September 2012, being the latest practicable date prior to the publication of this document, the company's issued share capital consists of 36,133,558 ordinary shares with voting rights.
7. Copies of the Directors' service contracts with the company will be available to members for inspection at the registered office during business hours on any week day (public holidays excepted) and will be available at the place of the Annual General Meeting for fifteen minutes prior to and during the Annual General Meeting.

# Notice of Annual General Meeting

**Explanatory notes to Resolutions 4, 5, 6, 7, 8, 9, 11, 12 and 13 to be proposed at the Annual General Meeting**

(1) Resolution 4 – Election of Keith Walden

Following his appointment to the board on 4 September 2012 Keith Walden in accordance with the articles offers himself for election as a Director.

(2) Resolution 5, 6 and 7 – Re-election of Jon Pither, Philip Gwyn and Richard Saville

Your Board recommends that Jon Pither, Philip Gwyn and Richard Saville be re-elected as Directors of the company. As they have served on the Board for longer than nine years, and in order to comply with the best practice provisions of The Code, they offer themselves for re-election.

(3) Resolution 8 – Re-election of John Pilkington

Your Board recommends that John Pilkington be re-elected as a Director of the company.

(4) Resolution 9 – Re-election of Andrew Magson

Your Board recommends that Andrew Magson be re-elected as a Director of the company.

The board has concluded that the retiring six Directors are effective, committed to their role, and subject to shareholder approval, should continue in office. The biographical details of each Director is set out on page 25 of the Annual Report 2012.

(5) Resolution 11 – Renewal of Directors' authority to allot shares

By virtue of Section 551 of the Companies Act 2006 the Directors require the authority of shareholders of the company to allot shares or other relevant securities of the company, Resolution 11 authorises the Directors to make allotments of up to an additional 12,044,519 shares (being approximately one third of the issued share capital of the company as at 3 September 2012). This authority will lapse at the conclusion of the next Annual General Meeting, unless renewed earlier. The Directors have no present intention to exercise the authority proposed to be conferred by Resolution 11.

(6) Resolution 12 – Disapplication of statutory pre-emption rights

By virtue of Section 561 of the Companies Act 2006 any issue by the company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of the shareholders of the company unless the company has obtained the authority of the shareholders under Section 571 of the Act. The purpose of Resolution 12 is to authorise the Directors to allot shares by way of rights or pursuant to an open offer or otherwise than strictly pro rata when they consider it expedient to do so and allows them to issue for cash up to 1,806,677 shares other than on a pre-emptive basis (representing 5% of the issued share capital of the company as at 3 September 2012.

(7) Resolution 13 – Company's authority to purchase its own shares

The Directors consider it desirable that the company should have the authority to make market purchases of its own shares.
The purpose of Resolution 13 is to authorise the Directors generally to purchase up to 5,383,900 ordinary shares in the market (being 14.9% of the issued share capital of the company as at 3 September 2012). The Directors will only exercise the authority granted by Resolution 13 (if passed) if to do so would result in an increase in earnings per share and is in the best interests of shareholders generally.

# The Alumasc Group – Major Brands and Operating Locations

## Building Products

### Energy Management

Solar Shading
Levolux Limited
Forward Drive
Harrow
Middlesex HA3 8NT
Tel: +44 (0) 20 8863 9111
Fax: +44 (0) 20 8863 8760
Email: info@levolux.com
Web: www.levolux.com

Levolux AT Limited
24 Eastville Close
Eastern Avenue
Gloucester GL4 3SJ
Tel: +44 (0) 1452 500007
Fax: +44 (0) 1452 527496
Email: info@levolux.com
Web: www.levolux.com

Green Roofing
Blackdown Horticultural Consultants
Street Ash Nursery
Combe St. Nicholas
Chard
Somerset TA20 3HZ
Tel: +44 (0) 1460 234582
Fax: +44 (0) 845 0760267
Email: enquiries@blackdown.co.uk
Web: www.blackdown.co.uk

ZinCo
Alumasc Exterior Building Products
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascgreenroof.co.uk

Flat Roofing & Waterproofing Systems
Alumasc Exterior Building Products
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascwaterproofing.co.uk

Roofing Services Support Systems
Roof-Pro Systems
PO Box No 505
Kempston
Beds MK42 7LQ
Tel: +44 (0) 1234 843790
Fax: +44 (0) 1234 856259
Email: info@roof-pro.co.uk
Web: www.roof-pro.co.uk

Insulated Render Systems
Alumasc Exterior Building Products
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascfacades.co.uk

### Water Management

Engineered Access Covers
Elkington Gatic
Hammond House
Holmestone Road
Poulton Close
Dover
Kent CT17 0UF
Tel: +44 (0) 1304 203545
Fax: +44 (0) 1304 215001
Email: info@gatic.com
Web: www.gatic.com

Gatic Slotdrain
Elkington Gatic
Hammond House
Holmestone Road
Poulton Close
Dover
Kent CT17 0UF
Tel: +44 (0) 1304 203545
Fax: +44 (0) 1304 215001
Email: info@gatic.com
Web: www.slotdrain.com

Architectural Rainwater Systems
Alumasc Exterior Building Products
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascrainwater.co.uk

Engineered Drainage Systems
Alumasc Exterior Building Products
White House Works
Bold Road
Sutton
St Helens
Merseyside WA9 4JG
Tel: +44 (0) 1744 648400
Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascdrainage.co.uk

Housebuilding Products
Timloc Building Products
Rawcliffe Road
Goole
East Yorkshire DN14 6UQ
Tel: +44 (0) 1405 765567
Fax: +44 (0) 1405 720479
Email: sales@timloc.co.uk
Web: www.timloc.co.uk

Pendock Interior Casing Systems
Alumasc Interior Building Products
Halesfield 19
Telford
Shropshire TF7 4QT
Tel: +44 (0) 1952 580590
Fax: +44 (0) 1952 587805
Email: sales@pendock.co.uk
Web: www.pendock.co.uk

Scaffolding Products
Scaffold & Construction Products
Unit 1
Station Court
Girton Road
Cannock
Staffordshire WS11 0EJ
Tel: +44 (0) 1543 467800
Fax: +44 (0) 1543 467993
Email: acp@scpburton.co.uk
Web: www.scp-props.co.uk

## Engineering Products

### Alumasc Precision

Alumasc Precision Components
Burton Latimer
Kettering
Northants NN15 5JP
Tel: +44 (0) 1536 383849
Fax: +44 (0) 1536 723835
Email: info@alumascprecision.co.uk
Web: www.alumasc-precision.co.uk

Dyson Diecasting
Second Avenue
Bletchley
Milton Keynes MK1 1EA
Tel: +44 (0) 1908 279200
Fax: +44 (0) 1908 279219
Email: info@alumascprecision.co.uk
Web: www.dyson-diecasting.co.uk

ckd

**Design & production**
www.carrkamasa.co.uk

**Print**
www.thecolourhouse.com

MIX
Paper from responsible sources
FSC www.fsc.org
FSC® C016713

Printed on Revive 50:50. This paper comes from sustainable forests and is fully recyclable and biodegradable. Made from 25% post-consumer waste, 25% pre-consumer waste and 50% virgin wood fibre. The paper mill and the printer are accredited with the ISO 14001 environmental management standard. The printer is also carbon neutral.

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www.alumasc.co.uk