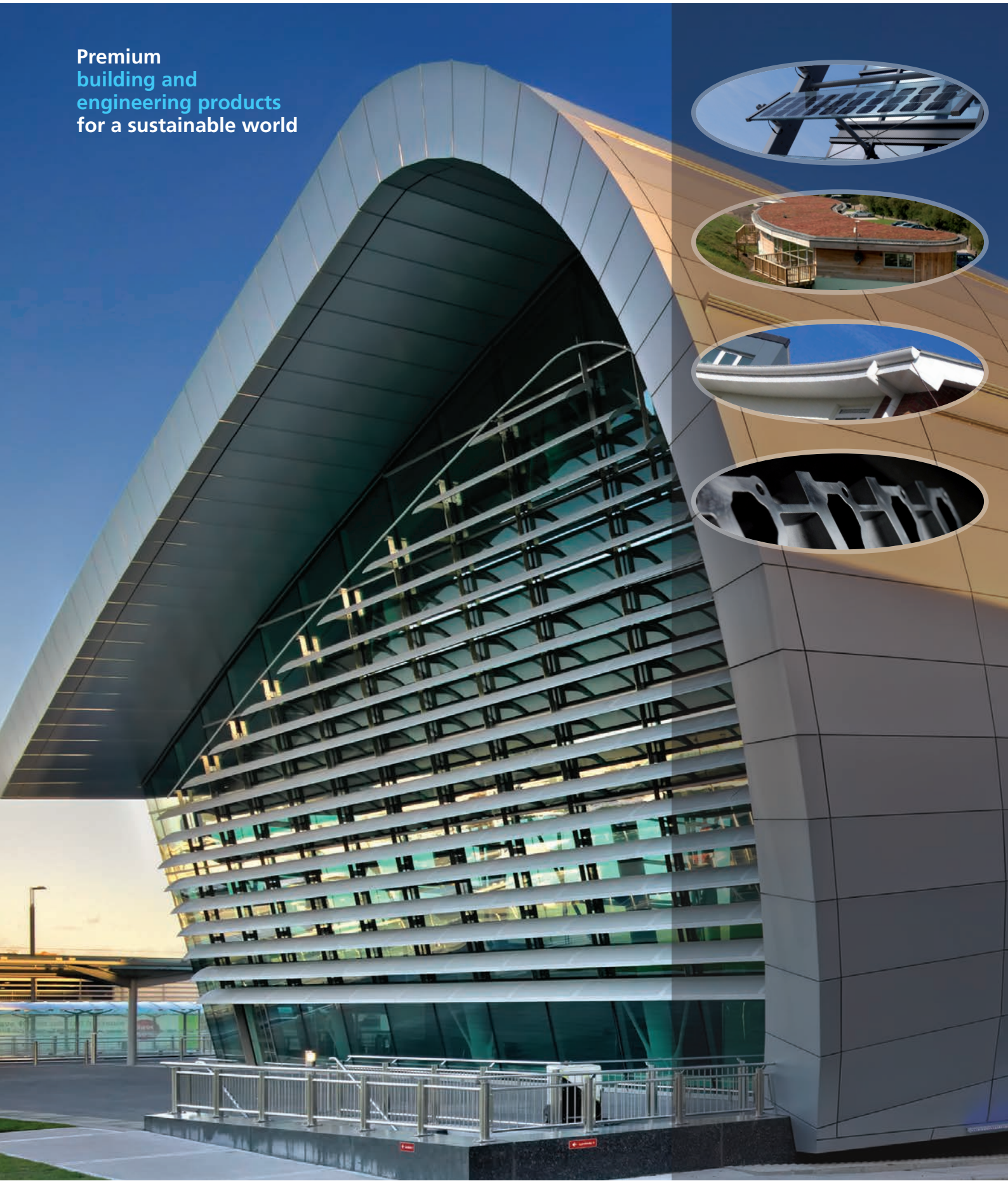
# The Alumasc Group plc
## Report and Accounts 2011

alumasc



# 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. The group's precision engineering business has recovered strongly in the last two years and is well positioned for further growth.

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 actively 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.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## Further information

**www.alumasc.co.uk**

Transparent reporting
Certain information and topics may be covered in greater detail in different sections of this report. This symbol indicates where further detail may be found.

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

**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.

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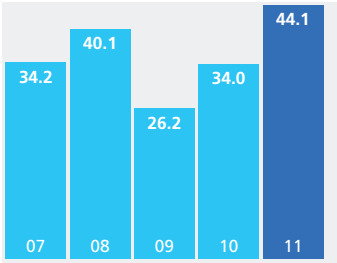
# Financial highlights

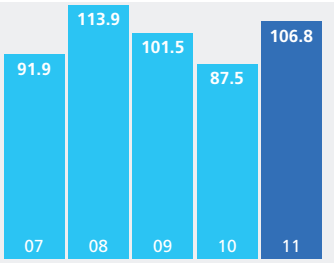
| Continuing operations | 2010/11 | 2009/10 | % change |
|---|---|---|---|
| Order book at 30 June (£m) | **44.1** | 34.0 | +30% |
| Revenue (£m) | **106.8** | 87.5 | +22% |
| Underlying profit before tax (£m)* | **4.3** | 4.1 | +4% |
| Underlying earnings per share (pence)* | **8.3** | 8.0 | +4% |
| Profit before tax (£m) | **5.4** | 3.5 | +55% |
| Basic earnings per share (pence) | **10.7** | 6.4 | +67% |
| Dividends per share (pence) | **10.0** | 10.0 | – |
| Net borrowings at 30 June (£m) | **10.7** | 9.3 | –15% |

* Underlying profits and earnings are stated prior to a reversal of impairment charges of £1.2 million (2009/10: £nil), property disposal gains of £0.8m (2009/10: £nil), restructuring and refinancing costs of £0.6 million (2009/10: £0.3 million) and amortisation of intangible assets £0.3 million (2009/10: £0.3 million).

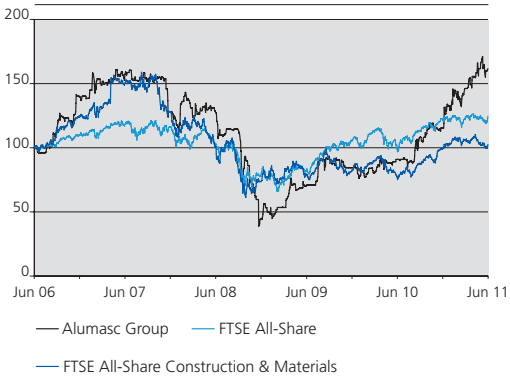
**Order Book at 30 June**
£m




**Revenue**
(continuing operations) £m

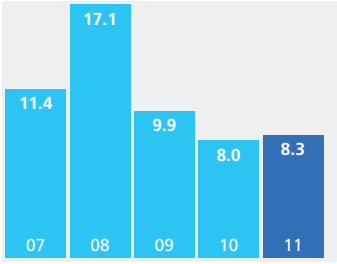



**Total shareholder return**

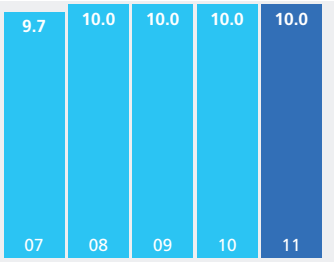



Source: Perfect Information

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




**Dividends per share**
pence



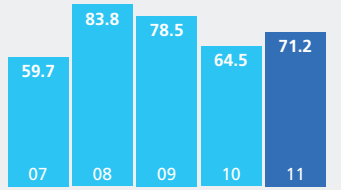
## Alumasc at a glance
Divisional analysis

Around two-thirds of group revenues are derived from building products, where the focus is on providing solutions that enable customers to manage energy and water use within the built environment.

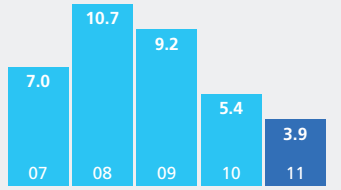
Alumasc Precision now represents approximately one third of the group's business and is benefitting from strong international demand for engine components used mainly in off-highway vehicles.

## Building products
Revenue £71.2m

**Revenue**
£m

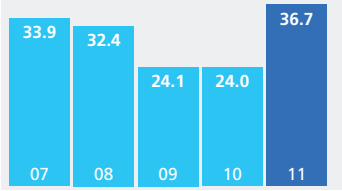



**Underlying operating profit**
£m

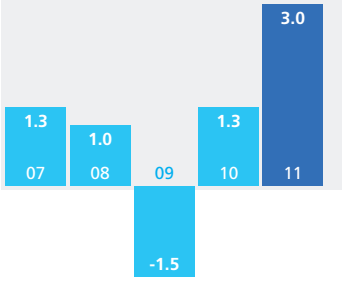



## Precision engineering products
Revenue £36.7m

**Revenue**
£m




**Underlying operating profit**
£m




## Building products
Revenue £71.2m

### Energy management
Revenue £36.9m

Solar shading

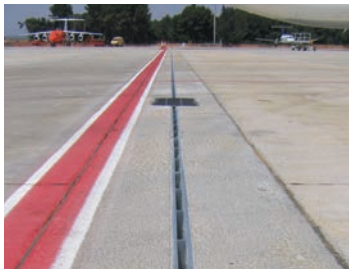
Roofing & walling

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.

Solar shading
Waterproofing
Green roofing
Roofing services support systems
Exterior wall insulation

### Water management and other
Revenue £34.3m

Construction products



Rainwater, drainage & other

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

Engineered access covers
External line drainage systems
Roof, shower and floor drainage systems
Rainwater and rainwater harvesting systems
House building products
Interior casing systems
Scaffolding products

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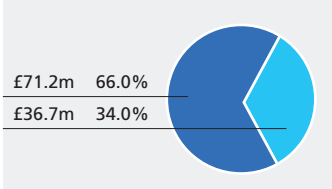
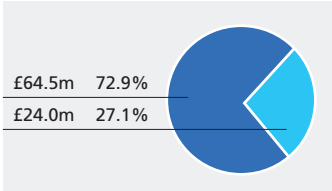
# Business analysis
by division

**Revenue in 2010/11 analysed by business**




**Revenue in 2009/10 analysed by business**



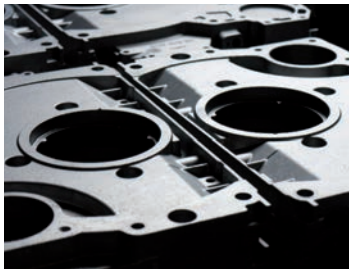

Building products
Precision engineering products

**New market opportunities**
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.

## Precision engineering products
Revenue £36.7m

### Premium engineering solutions

### 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.

# Chairman's Statement

2010/11 was a year of stark contrasts for UK business: early cycle businesses, such as precision engineering, where customers react swiftly to change in economic conditions, experienced strong recovery as distribution pipelines were replenished and global development programmes resumed. In contrast, those businesses with longer lead times, such as construction, continued to experience decline in demand as completed projects outstripped new work. The cut-back in public expenditure in the UK intensified this contrast.

Consistent with the above, Alumasc Precision made excellent progress advancing strongly in the year, while our Building Products business had to fight hard in the face of contracting markets.

The cautiously positive views expressed in our statements one year ago were based largely on factors within our control. In that sense, they have been justified by events of the last year which has seen Alumasc begin to recover from the low point of the prior year. The initiatives lying behind the revenue growth for 2010/11 of 22 per cent are dealt with in detail in the Chief Executive's review, along with the factors which restricted growth in underlying profit to 4 per cent. A major bad debt with a long standing customer depressed this result towards the end of the year.

Despite the weak economic background, we have been successful in establishing Alumasc products in a number of new market places – the Chief Executive's review deals with these in some detail – and we will continue to press to convert these early successes into major revenue and profit streams for the future. It was encouraging to see export sales grow from 16 to 20 per cent of total sales during the year. We are receiving high levels of enquiries across all our major product areas, which encourages us to believe that Alumasc is in a strong position to benefit both from future economic growth and from the outperformance of which we believe our selected market niches to be capable.

For a number of years, Alumasc has increasingly concentrated its activities in the fields of Sustainable Building Products and Precision Engineering. In April this year, Alumasc Dispense was sold to its management team, representing a further step down this path and enabling our executive team to focus exclusively on developing the core businesses. A number of senior appointments have been made during the year, which strengthen the executive team and align it more directly with the group's strategic objectives.

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Alumasc is receiving high levels of enquiries across all of its major product areas, which suggests we are in a strong position to benefit from future economic growth and the outperformance of which we believe our selected market niches to be capable.

## Belief in the strength of the business

The maintained dividend reflects the Board's belief in the underlying strength of the business and its prospects. Current order books, and other initiatives yet to convert into orders, underpin this view.

**John McCall**
Chairman

Cash remained tightly managed with the result that the growth in business was accompanied by a modest increase in group borrowings and a sustained strong balance sheet. As a result, and as a reflection of its positive forward strategy, the group successfully renewed its banking arrangements in June 2011, with Barclays and HSBC.

For many years, the legacy of mature pension schemes has been an important feature in Alumasc's affairs. There has been steady progress in managing the three factors which determine the ongoing costs of these schemes: liabilities have been controlled, investments have performed well and the costs of administration have been curtailed where possible. As a result, the IAS19 deficit in this year's balance sheet amounts to £2.9 million, a fraction of recent equivalents. While there is scope for these constituents to move in the opposite direction – as we have seen in stock market performance in recent weeks – the group's pensions obligations represent a lighter burden on the group than for many years.

The Board is recommending an unchanged final dividend of 6.75 pence per share, giving an unchanged total for the year of 10 pence per share. This reflects the improvement in the performance of the business over the past year and the Board's belief in the underlying strength of the business and its prospects, despite the negative external environment. Current order books, and other initiatives and developments yet to convert into orders, underpin this view.

Events of recent weeks make the prediction of the immediate future particularly difficult. In these circumstances, we believe it is especially important to focus on the fundamentals of customer service, costs, cash and market development. These have enabled Alumasc successfully to navigate the past year and should ensure that further progress is achieved.

**John McCall**
Chairman

# Business Review
## Chief Executive's Operating Review

**Performance Overview**

**Continuing operations**

| | **2010/11** | 2009/10 | % Change |
|---|---|---|---|
| Revenue (£m) | **106.8** | 87.5 | +22 |
| Underlying operating profit (£m) | **5.7** | 5.7 | – |
| *Operating margin (%)* | ***5.3*** | *6.5* | |
| Net financing costs (£m) | **(1.4)** | (1.6) | |
| Underlying profit before tax (£m) | **4.3** | 4.1 | +4 |
| Non-recurring items and brand amortisation (£m) | **1.1** | (0.6) | |
| Profit before tax (£m) | **5.4** | 3.5 | +55 |

**Strategic and management developments**
Alumasc's strategy is to grow shareholder value by:

- Developing our sustainable Building Products business, where we believe growth rates through the construction cycle will exceed UK industry averages;
- Continuing to grow the group's Precision Engineering business, through leveraging its strong customer, invested asset and skill base; and
- Developing the further significant growth potential in export markets, where sales rose from 16% of group revenues in the last financial year to 20% in the year ended 30 June 2011.

We stated last year our belief that the group's solar shading, construction products and precision engineering businesses, including export sales opportunities, have the potential to double in size over the medium term. We also believe that our more UK-focused businesses have exciting growth potential under the leadership of market-focused, energetic and innovative management teams.

Following the necessary cost reduction programme associated with the recession, Alumasc strengthened its senior management, sales and operational resources during 2010/11 to underpin delivery of the group's strategic growth potential:

- The management of the group's rainwater & drainage business was separated from that of the roofing & walling business at the beginning of the year. New managing directors, both with sales and marketing backgrounds, were appointed to each of these businesses in order to drive growth. This has given these businesses fresh impetus which began to yield benefits in the year.
- The group has invested approximately £1 million in general management, sales and operational resources, as well as in marketing and web-based activities, in order to support the growth of our businesses, whilst further strengthening customer service and improving quality. The group plans to invest a further £1 million in 2011/12 to build on these initiatives.
- We recently finalised management succession arrangements in our solar shading and house building products businesses, with the appointment earlier this summer of new managing directors, each having a proven track record in growing and managing businesses of the size to which we aspire.

The group's strategic focus on sustainable building products and precision engineering activities led to the decision in April 2011 to divest the group's non-core drinks dispensing business, Alumasc Dispense. This followed the sale in March 2011 of surplus property close to the group's head office near Kettering.

**Health & Safety**
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 over the last five years with group achieving a further improvement in its safety performance rate from 3.7 in 2009/10 to 2.8 in 2010/11. The safety performance rate in 2006/07 was 9.5. Further details are given in the Corporate and Social Responsibility Statement on page 22.

**Performance Overview**
Alumasc began the 2010/11 financial year with cautious optimism, predicated on rising order books across the group and continuing strong growth from Alumasc Precision following recovery from recession and its return to profitability in the second half of 2009/10.

Our caution proved justified in the Building Products division, with the UK government's comprehensive spending review in October 2010 setting out plans for significant cuts to public sector expenditure in the construction sector, which began increasingly to bite in the new tax year, impacting Alumasc's second half performance. Meanwhile slower UK economic growth (following a short period of modest recovery a year ago boosted by government stimulus), and continuing wider UK and international economic uncertainties have undermined confidence leading to further delays in private sector investment in major construction projects. For 2010/11, this resulted in further contraction of the UK's commercial new build construction market, which accounts

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Alumasc's strategy is to grow shareholder value by:

- developing our sustainable Building Products business;
- continuing to grow the group's Precision Engineering business; and
- developing the further significant growth potential in export markets.

## Delivering on the group's strategic growth potential

Steps taken in 2010/11 to underpin the group's strategic growth potential have included strengthening management teams, developing export growth strategies and the re-focusing of our roofing & walling and rainwater & drainage businesses under new managing directors.

**Paul Hooper**
Chief Executive

for over 40% of Alumasc's divisional sales and the majority of end user market sales in the group's solar shading and roofing businesses.

Alumasc Precision, whose customer base comprises mainly global OEMs, benefited from a strong, export-led recovery, driven by demand for off-highway vehicles used in the mining and construction sectors of emerging market economies. By the latter part of the financial year, the run rate of sales at Alumasc Precision had already recovered to pre-recession levels.

Against this background, it is not surprising that Building Products activities did not meet profit expectations set at the beginning of the year, whilst Alumasc Precision out-performed.

Nonetheless, Building Products revenues grew by 10% to £71.2 million. This compares favourably with the small contraction in overall UK construction market, suggesting another year of market outperformance by the group, with sales further buoyed by growth in exports.

Alumasc Precision's revenues increased by an exceptional 53% to £36.7 million, to recover back to pre-recession levels, benefiting from the growth in international demand described above, re-stocking and some buying ahead of the introduction of more stringent international engine emission standards which came into effect in January 2011.

Overall, full year group revenues from continuing operations grew by £19.3 million, or 22%, to £106.8 million.

The group's gross margins reduced, due to:

- Margin mix across the group's portfolio of business with Alumasc Precision's revenues increasing as a proportion of overall group revenues, but at lower incremental margins on average than are earned from sales of building products;
- Against a background of increasing raw material and energy costs, there was fierce competition for work in a weak UK construction market impacting the Building Products division, and the group had to accept some margin erosion in order to protect market share;
- Lower margins in our construction products business, due to a higher proportion of relatively lower margin export and scaffolding product sales; and
- Extra costs associated with rapid sales growth at Alumasc Precision, where some operating inefficiencies were necessary to meet demanding customer lead times and service levels.

It is an objective of the management teams within Alumasc to address the above factors, where possible, and there is a determination to improve the gross margin in the forthcoming year.

Despite continued tight control of overhead costs, the reduction in gross margins, combined with the £1 million investment in additional management and sales resources described above, and the £0.5 million impact of a bad debt in our facades business described further below, led to a reduction in underlying group operating margins from 6.5% to 5.3%. As a result, underlying operating profit from continuing operations remained unchanged when compared with the prior year at £5.7 million.

Net interest costs improved by £0.2 million to £1.4 million, mainly relating to the reduction in the group's pension deficit, enabling underlying profit before tax from continuing operations to improve to £4.3 million from £4.1 million.

Statutory reported profit before tax from continuing operations improved to £5.4 million from £3.5 million in the prior year as the result of the reversal, following the strong recent resurgence at Alumasc Precision, of the £1.2 million impairment charge taken against this business in 2009, and a £0.8 million profit arising from a sale of surplus land near Kettering. A full reconciliation of underlying to reported profit is given in the Group Finance Director's Review on page 19.

Cash flow performance again exceeded expectations in the year, with working capital efficiency improving further, mitigating the additional funding requirements arising from increased group revenues, and careful control

# Business Review
## Chief Executive's Operating Review

**Building Products' Divisional Operating Performance**

| | **2010/11** | 2009/10 | % Change |
|---|---|---|---|
| Revenue (£m) | **71.2** | 64.5 | +10 |
| Underlying operating profit (£m) | **3.9** | 5.4 | –27 |
| *Operating margin (%)* | ***5.5*** | *8.3* | |
| Restructuring costs (£m) | **(0.2)** | (0.2) | |
| Brand amortisation (£m) | **(0.3)** | (0.3) | |
| Reported operating profit (£m) | **3.4** | 4.8 | –30 |

was again exercised over capital expenditure. Net debt at 30 June 2011 increased to £10.7 million from £9.3 million at 30 June 2010, mainly as a result of the net increased working capital requirements of £1.1 million to fund the £19.3 million growth in sales. Nonetheless, both interest cover and gearing remain at comfortable levels, and the group's balance sheet remains strong.

**Building Products Division**
Divisional revenues grew from £64.5 million to £71.2 million, but as a result of the margin pressures and additional investment in management, sales and operational resources described above and the net £0.5 million bad debt described further below, divisional operating margins reduced from 8.3% to 5.5%. This resulted in divisional underlying operating profit reducing from £5.4 million to £3.9 million.

***Energy management***
Solar shading
In the UK, Levolux had to manage through a period when there was a reduced number of high profile, private or public sector buildings incorporating complex solar shading designs for which it is recognised as a leader in the industry. Nonetheless, it was a busy year, albeit on smaller projects, not only external solar shading and screening work, but also fit out work, acoustic fabric walling and interior blinds. The Levolux team had to fight hard to ensure that its clear UK leadership position in the UK solar shading niche was not diluted.

At the same time, continued investment enabled Levolux to develop a presence in the North American and Middle Eastern export markets. Against this background, segmental revenues grew by 3% to £17.0 million, but operating profits reduced from £1.7 million to £0.8 million, reflecting a less favourable mix of project work, contract margin pressure in a highly competitive market place and the incremental overhead costs of investing in resources to develop the still embryonic export business.

Notable projects completed in the year were at Chiswick Park, the Aquatics Centre and Media Hub both at the Olympic Park, all in London; an office building for a large international company in Dubai; a new terminal building at Dublin airport (pictured on the front cover of this report) and an internal shading system at the Grand Hyatt Hotel in New York (pictured opposite).

International market sales development is progressing steadily, and Levolux has secured some £5.2 million of "Basis of Design" or "Acceptable Alternative" specifications in the USA, where work continues to develop these opportunities into firm sales orders. There are further promising signs in the Middle East and, more recently, opportunities have emerged in South Africa.

Levolux continues to invest in innovation, and is increasingly working to develop electronic control systems to increase the sophistication of its shading solutions to a level we believe is unparalleled in the industry. A new managing director, Giovanni Simoni, has been appointed since the year end, with extensive experience in the construction industry as well as in the key areas of control systems and international business development.

Ahead of their forthcoming retirement, I would like to express my personal thanks to John and Pamela Stern who, as the former owners of Levolux, built the company into the market leader that it is today and have made an outstanding contribution to Alumasc since the acquisition of the business in 2007. We are pleased that John and Pamela will continue to provide valuable support in a consultancy capacity in the future.

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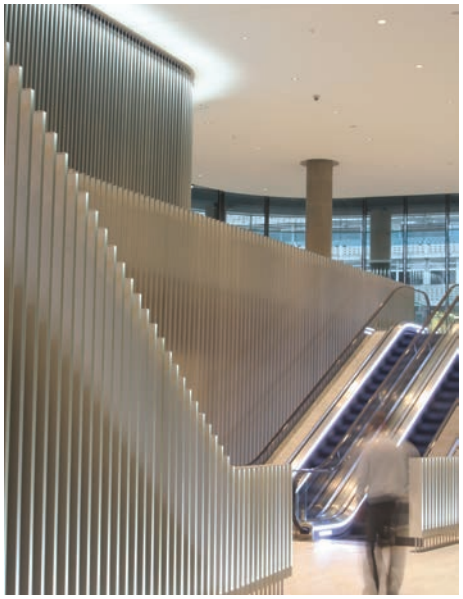
## Exploiting opportunities

Exploiting international opportunities at Levolux, the UK's leading solar shading company, is a major element of the group's growth strategy for sustainable building products activities. Investment in export and new product development initiatives continued during the financial year, whilst refurbishment project sales for internal blinds performed resiliently in the UK market.



Top: The Grand Hyatt New York bar and restaurant was recently refurbished and now features a new contemporary decor with an ultra modern solar shading solution by Levolux.

Above: The Levolux shading solution protects treasures of the world in the new Medieval and Renaissance Galleries at the Victoria and Albert Museum in London.

Far left: The design of the new St. Botolph office development in the City of London pushes the boundaries of contemporary architecture, including the internal application of vertical illuminated louvres from Levolux.

# Business Review
## Chief Executive's Operating Review

### Roofing & walling

The group's roofing businesses began the year benefiting from a strengthened order book, which was buoyed by a small number of large, high profile projects including an industrial building in Leicester for Caterpillar, the Peacehaven Wastewater Treatment Works facility on the South Coast, and a number of green roof projects at the Olympic Park. Other than these significant project wins, the underlying level of new build commercial work has been subdued throughout the year, and the forward order book reflects the current shortage of replacement work for these larger projects. In response to the challenging environment, new management is extending the range of products offered, increasing technical sales presence in the busier London and South East market, widening distribution channels and increasing activity in the refurbishment sector. Following encouraging market research, Alumasc's various leading waterproofing membranes will be marketed again under the Euroroof umbrella brand, recognised in the industry for excellence in product quality and service.

Markets have been particularly difficult and highly competitive for our green roofing brands, Blackdown and ZinCo, where we believe we offer the UK's premium range of products. Sales efforts have focused on promoting the benefits of product quality in terms of rainwater management, insulation, bio-diversity, longevity and life cycle cost. However, this has not always been an easy task in a market that is still at a relatively early stage of development and lacking in clear quality and performance standards, at a time of significant pressure on roofing contractors' budgets. Roof-Pro has also experienced a highly competitive environment during the year. These businesses have reacted positively by continuing to invest in quality, service and innovation, whilst strengthening sales coverage, marketing materials and launching new web sites, and there are encouraging signs that these initiatives are beginning to bear fruit.

The MR Facades business, which supplies exterior wall insulation mainly in the social housing refurbishment sector, had a quiet start to the year with momentum improving as the Comprehensive Spending Review confirmed that funding would remain available to complete the Decent Homes initiative, whilst additional new work came on stream under the Community Energy Savings Plan funded by energy companies. Activity levels improved both on the Glasgow Housing Association project and on a number of schemes in the M62 corridor in the second half of the year. However, one of our long standing approved installers proved unable to fund the working capital required by this increased activity and became insolvent, causing the business to suffer a net bad debt charge of £0.5 million. There currently seems little prospect of recovering any funds from the insolvency process. More positively, there are potentially exciting prospects in this business arising from the government's Green Deal initiative which will begin to benefit 2013 and beyond, and significant work with possible delivery partners is underway on how to best exploit this opportunity.

It is highly regrettable that the bad debt resulted in this business segment as a whole reporting a loss for the year of £0.4 million, after all the hard work that had driven a 16% increase in revenues to £19.9 million.

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Euroroof

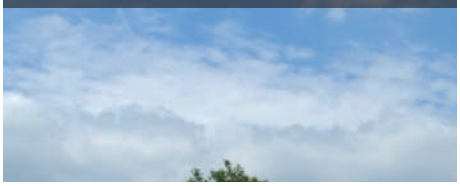
ROOF-PRO

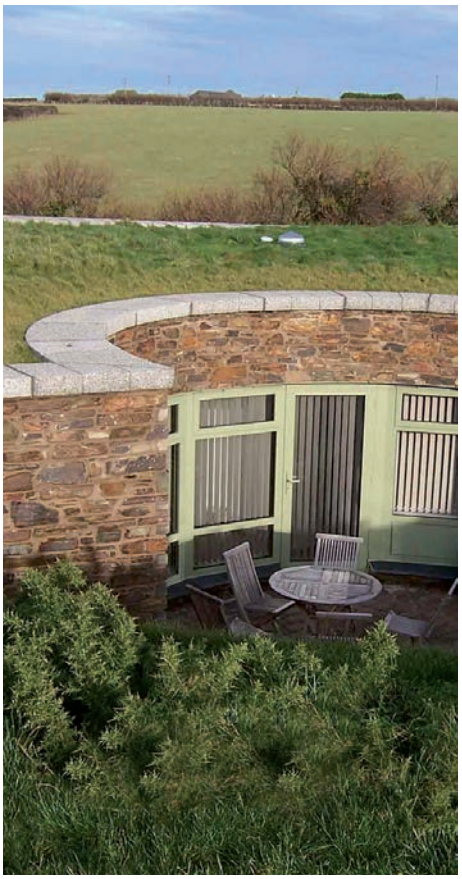
blackdown greenroofs

ZinCo

**Waterproofing & Green Roof Systems**
Alumasc is a specialist provider of world class waterproofing and green roof systems including Derbigum flat roofing membranes, Hydrotech structural waterproofing solutions and extensive, biodiverse, semi-intensive and intensive green roofs.

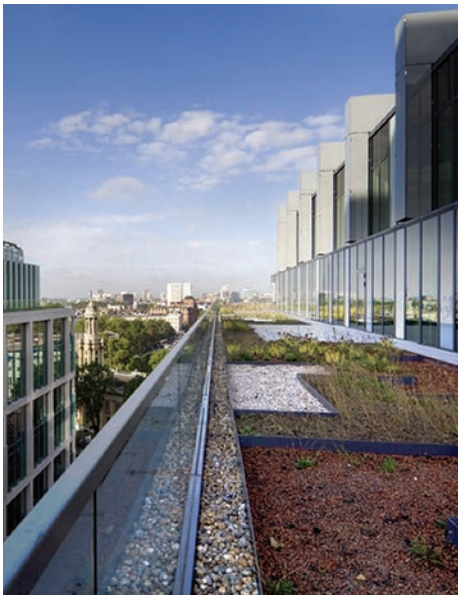
www.alumascwaterproofing.co.uk
www.blackdown.co.uk





## Sustainability and life cycle

Growing environmental awareness continues to drive changes in policy and regulation, with sustainability and life cycle cost increasingly important to building and construction specifiers. Alumasc's ethos of sustainability ensures the wider group is well placed to benefit from this growing trend.



Top: Alumasc Biodiverse and Extensive Green Roofs were installed at an outstanding ecological project at Trevose Golf & Country Club in Cornwall. The lodges required a sustainable roofing solution to minimise their visual impact on the golf course and surrounding area.

Above: GX Gutter and Skyline Fascia systems from Alumasc have provided a high performance rainwater solution at Bradwell Hospital.

Far left: Alumasc provided a series of stunning biodiverse Green Roofs for Central London's new mixed-use development at Regents Place. The roofs are designed to create a high value biodiverse environment through the provision of a broad range of wildlife habitats.

# Business Review
## Chief Executive's Operating Review

***Water management & other***

### Construction products

Segmental revenues increased by 13% to £13.0 million, driven by an encouraging increase in export sales of both Gatic access covers and Gatic Slotdrain products, mainly into the Middle East and Southern Europe. Further sales of Slotdrain in the USA and a strong recovery from recession at SCP, the group's scaffolding and related products business also contributed to the results. However, the increased mix of lower margin export and SCP sales, particularly in the final quarter when steel costs increased rapidly, significantly diluted margins and underlying operating profit for the year reduced by £0.6 million to £1.5 million. It was not possible to recover all steel cost inflation in the final quarter, due to market conditions and competition from alternative materials.

Gatic is the most international business in the group, with almost 50% of sales in the year coming from export markets compared to 28% a year ago. Particularly pleasing was the steady development of exports into the USA, where feedback from contractors and potential customers at trade shows was encouraging, and successful projects at McCarran International Airport in Las Vegas and Hickam Airforce Base in Hawaii were completed in the year. Gatic intends to strengthen sales and business development resources in the USA in the new financial year in order to accelerate momentum in this market.

Increased investment has also been made in new product development (NPD), including Assist Lift products to enhance the Gatic covers range, and a new CastSlot drainage product, ideal for asphalt conditions which is already proving popular in the UK market. A programme of additional NPD is ongoing in both the Gatic covers and Slotdrain ranges.

SCP had an excellent year, with revenues benefiting from market recovery, a wider product range which assisted some market share growth and increased on-line sales.

### Rainwater, drainage & other

The group's rainwater, drainage and other brands together delivered an excellent performance. This was led by Alumasc Rainwater where performance was buoyed by a large project to supply the London Olympics. In addition, new management quickly identified opportunities to improve customer service and delivery levels which have now been implemented. Harmer drainage products also had an improved year, with the new shower drain launched in the latter part of the prior year experiencing strong demand. The new financial year is expected to be busy, benefiting from the current marketing campaign 'In extraordinary weather, ordinary rainwater systems just aren't good enough' with new product and product range extensions planned to build on recent successes.

Pendock, the group's pre-formed plywood pipe boxing brand had a slower start to the year, but built momentum in the second half through increased sales into the retail sector. A number of important improvements in manufacturing efficiency were also delivered in the second half of the year.

Timloc, the group's house building products and plastic building products business, had another successful year, again winning market share and launching new products including the new Aero range, and a simple but effective modular ventilator system. This business has been operating at close to capacity and the decision was taken to invest in larger premises locally with the move scheduled for completion prior to the end of the calendar year. Timloc's managing director, David Preston, retired at the year end and will be succeeded by Michael Leaf who has extensive commercial and operational experience gained in larger businesses. I would like to put on record my personal thanks to David, who has grown Timloc consistently and successfully since the group's acquisition of the business in 2004, and leaves us after delivering another record year.

Segmental revenues increased by 10% to £21.4 million and underlying operating profit increased by 58% to £2.0 million, benefiting from new product introductions and relatively high levels of operational gearing, making this the best performing operating segment in the Building Products division during the year.

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GATIC
Specialised Engineering.
Special Advice.

ALUMASC
RAINWATER SYSTEMS

HARMER

PENDOCK

timloc
building products

SCP

**Gatic**
Gatic is a leading UK and international authority in the design and manufacture of engineered access covers, manhole covers and surface water drainage products, including slotdrain.

www.gatic.com

## Re-focused approach

The group's roofing & walling and rainwater & drainage activities were re-focused under new management with a background in sales and marketing, giving these businesses and brands fresh impetus, which began to yield benefits during the year.

Top: Heritage Cast Aluminium systems have provided the perfect solution for the restoration of buildings in a Victorian park in South Tyneside.

Above: A Skyline fascia system was specified for the underside canopy of the new Centre Court at The All England Lawn Tennis Club at Wimbledon.

**Alumasc Rainwater**
Alumasc is the UK's leading manufacturer of BBA certified aluminium rainwater systems. In addition, the Alumasc range includes cast iron rainwater systems used for historic and restoration sites, with bespoke designs available to match or replace existing installations.

www.alumascrainwater.co.uk

Far left: A Heritage Cast Aluminium Rainwater System was specified for the refurbishment and the extension of the historic Luton Hoo Hotel, originally built in 1817.

# Business Review
## Chief Executive's Operating Review

**Engineering Products' Divisional Operating Performance**

**Continuing operations**

| | **2010/11** | 2009/10 | % Change |
|---|---|---|---|
| Revenue (£m) | **36.7** | 24.0 | +53 |
| Underlying operating profit (£m) | **3.0** | 1.3 | +100 |
| *Operating margin (%)* | ***8.1*** | *5.5* | |
| Impairment charge reversal (£m) | **1.2** | – | |
| Restructuring costs (£m) | **–** | (0.1) | |
| Reported operating profit (£m) | **4.2** | 1.2 | +100 |

**Engineering Products Division**

Alumasc Precision

Following its return to profitability in the previous financial year, 2010/11 was another outstanding year for Alumasc Precision. Divisional revenues improved by 53% to £36.7 million and underlying operating profit more than doubled to £3.0 million. This result is a great credit to both the new management team who have joined the business over the last 2-3 years as well as to the loyal employees who remained with the business to see it through very difficult times in the recession and restore it back into health.

Revenue growth was driven mainly by:

- Emerging market demand for off-highway vehicles, used mainly in the mining and construction sectors;
- Re-stocking following the recession;
- Buying ahead of the introduction of more stringent international engine emission standards which came into effect in January 2011;
- Greater use of light weight, recyclable aluminium engine components for new generation diesel engines; and
- New work won from customers such as Caterpillar, Perkins, Deutz, JCB, BMW, McLaren, Rotork and Bentley.

The most important business wins arose from the ability to leverage our expertise in both low pressure die-casting and machining to win new work to supply component parts for larger engine transmissions systems, first announced last October, which has so far added an incremental £2.0 million to revenues. We expect this programme to accelerate further in 12-15 months time, and are investing in additional machining capacity in the current year to ensure we are ready for the next phase of growth.

Whilst greatly improved by the increased volume throughput and better consequential capacity utilisation, margins were impacted during the year by the sheer pace of the increase in demand and challenging customer schedules and lead times. This inevitably caused some operational inefficiency, presenting an opportunity for improvement in the new financial year.

Some £0.3 million was spent on improving the strength and depth of operational and commercial management to support the greater level of business during the year, and we are planning to invest a similar amount in 2011/12. A key focus for the business is to ensure that its processes to underpin quality, service and efficiency are embedded, and programmes are underway to further develop world class manufacturing methodologies and disciplines into the division's two factories.

In view of the strong resurgence at Alumasc Precision Components over the last eighteen months and the encouraging future prospects for this business, the impairment charge booked following the operating losses incurred in 2009 has been reversed, giving rise to a one-off, non-cash gain of £1.2 million. The impairment charge reversal, which will increase the book value of plant and equipment, will give rise to a higher depreciation charge of £0.3 million per annum in the 2011/12 financial year and next few years.

Direct sales to international customers in China, where Alumasc Precision works closely with its local manufacturing partners are now beginning to gather pace following the establishment of this business last year. This is expected to provide the division with another incremental revenue and profit stream in the current financial year.

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**Alumasc Precision**
Alumasc Precision has expertise in producing low and high pressure die castings that are both machined and validated for many blue chip OEMs including Caterpillar and Deutz.

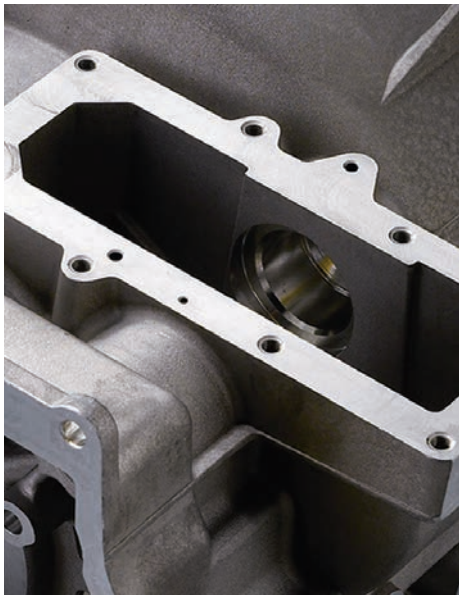
www.alumasc-precision.co.uk

alumasc
PRECISION LIMITED

## Increasing demand for precision engineered products

Alumasc Precision continued to build strongly on the recovery from recession which began last year. Improved underlying demand, greater use of light-weight, recyclable aluminium engine components for new generation diesel engines, market share gains and re-stocking all contributed to a sustainable improvement in profitability.

Top and above: Alumasc Precision produces the ten intricately cast and machined components that make up a complex engine transmission housing designed for use mainly in off-highway applications.



Far left: Alumasc Precision's fully resourced machining capabilities are ideally suited to complement both the design requirements and foundry processes.

# Business Review
## Chief Executive's Operating Review

**Discontinued Operations:**
**Alumasc Dispense**
Prior to its sale to management in April for £1.2 million, Alumasc Dispense had continued to experience challenging trading conditions and had reported an operating loss of £0.2 million. All at Alumasc wish the management team and the re-named business, ADS2 Brands Limited, every future success.

**Prospects**
The recently strengthened management teams across the Building Products division are working hard to grow the business in the face of continued challenging economic and market conditions. The Construction Products Association is forecasting further modest contraction in UK construction activity in the remainder of 2011 and into 2012, with recovery not anticipated until 2013. This phasing is supported by early evidence that a greater number of larger buildings are now being funded which, given lead times, could benefit the group's 2012/13 financial year, and Levolux in particular. In the meantime, export sales strategies are beginning to add incrementally to revenues, and there are numerous initiatives across the group to mitigate existing levels of concentration on commercial new build markets and drive growth through new and innovative products.

Alumasc Precision continues to grow, but this is anticipated to be at a more modest rate in the shorter term, prior to the next phase of the new work to supply components for larger engine transmission systems coming on stream, expected in late 2012.

In view of the current level of trading as the group enters its new financial year, group order books which now total some £44 million, and the various factors and actions described above, the Board expects Alumasc to make further steady progress in 2011/12.

**Paul Hooper**
Chief Executive

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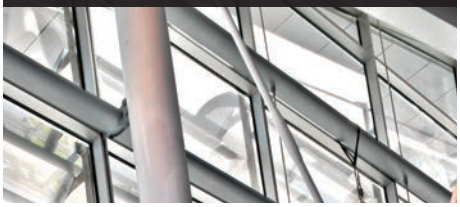
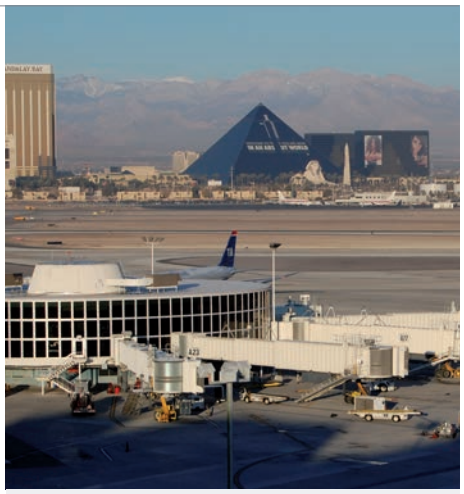
The supplier of choice for many overseas projects, the group's businesses and brands continue to develop their presence internationally.

www.alumasc.co.uk



## International growth potential

The group continues to develop international markets with particular focus on growing export sales of Levolux's solar shading systems in North America, the Middle East and South Africa, Gatic Slotdrain in the USA, and Alumasc Precision's products in the USA, Europe and the Far East. Export sales have increased from 16% to 20% of group revenues in the last year.

Top: Levolux's blinds operate within a double-layer glazed facade, controlling daylight levels whilst preventing glare and excessive solar heat gain.

Above: Gatic Slotdrain was the drainage product of choice in a project to refurbish the aircraft aprons at McCarran Aiport, Las Vegas.

Far left: Dublin Airport's new 75,000m$^2$ Terminal 2 building is both visually striking and extremely energy efficient, in part due to the impressive installation of Levolux louvres.

# Business Review
## Group Finance Director's Review

### Key performance indicators

The group's key performance indicators (KPI's) are summarised in the table below. The group made positive progress on most metrics during the year. Cross references have been provided from the table to the pages in this Annual Report where each KPI is discussed.

| Key performance indicators | 2010/11 | 2009/10 | % Change | Annual Report cross reference |
|---|---|---|---|---|
| Safety performance rate | **2.8** | 3.7 | +24.3% | Pages 6 and 22 |
| Order intake for the year (£m) | **119.6** | 99.9 | +19.7% | Page 16 |
| Year end order book (£m) | **44.1** | 34.0 | +29.7% | Page 16 |
| Group revenues (£m) | **106.8** | 87.5 | +22.1% | Pages 7 and 18 |
| Operating margin (%) | **5.3** | 6.5 | –18.3% | Page 7 |
| Underlying PBT (£m) | **4.3** | 4.1 | +3.9% | Pages 7 and 18 |
| Underlying earnings per share (pence) | **8.3** | 8.0 | +3.8% | Page 19 |
| Average trade working capital % sales | **14.1** | 15.9 | +11.3% | Page 20 |
| Net cash (outflow)/inflow (£m) | **(1.4)** | 1.0 | –100%+ | Pages 8 and 20 |
| Shareholders' funds (£m) | **32.0** | 27.7 | +15.2% | Page 20 |
| Net debt (£m) | **10.7** | 9.3 | –15.2% | Pages 8 and 20 |
| Capital invested (£m) | **44.8** | 45.5 | –1.4% | Page 20 |
| Return on investment (post tax) (%) | **8.8** | 8.3 | +5.8% | Page 20 |
| Return on shareholders' funds (post tax) (%) | **10.0** | 9.8 | +2.2% | Page 20 |
| Gearing (%) | **33.6** | 33.5 | –0.1% | Page 20 |
| Interest cover (times) | **12.3** | 12.4 | –1.0% | Page 20 |
| Net debt/EBITDA (times) | **1.3** | 1.1 | –18.7% | Page 20 |

### Underlying business performance

Details of the group's trading performance are set out in the Chief Executive's Business Review. Group revenues from continuing operations grew by 22% to £106.8 million. This was due to a strong recovery and new work wins at Alumasc Precision, and market share gains and increased export sales in the Building Products division. The increased revenues in the Building Products division were gained against a background of a flat UK construction market. This impacted margins, as did rising input cost inflation, particularly in the second half year. Following £8 million of overhead cost and efficiency savings in the two previous years, a strategic decision was taken to add £1 million to the group overhead base in order to further strengthen operational management, promote export sales growth in our solar shading and construction products businesses, and further improve manufacturing performance and quality at Alumasc Precision. The combination of increased revenues at lower margins, the £1 million overhead investment and a £0.5 million bad debt in the group's Facades business during the year resulted in underlying operating profit remaining unchanged overall at £5.7 million when compared with the prior year. However, underlying profit before tax improved from £4.1 million in 2009/10 to £4.3 million in 2010/11 due to a reduction in net financing costs, mainly arising from the group's reduced pension deficit.

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The group's overall cash flow performance exceeded internal expectations for the year and the group's balance sheet remains strong.

## Improved pension scheme funding

The group's pension deficit measured under IAS19 has reduced from £24.3 million to £2.9 million in the five years to 30 June 2011.

**Andrew Magson**
Group Finance Director

**Non-recurring items, brand amortisation and statutory profit before tax**
Statutory profit before tax from continuing operations increased to £5.4 million from £3.5 million in the prior year. This was mainly due to the £1.2 million reversal of an impairment charge taken against Alumasc Precision in 2009 and a £0.8 million profit arising from the sale of surplus land during the year. Restructuring costs and brand amortisation costs were, in aggregate, similar to the prior year. In addition, in 2010/11 the group incurred £0.3 million of costs relating to the refinancing of the group in June.
A reconciliation of underlying to statutory profit before tax from continuing operations is given in the table below. The impairment charge reversal is discussed further later in this review.

**Discontinued operations**
Alumasc Dispense was sold for £1.2 million in April. This equated broadly to the group's capital invested in that business at the date of sale. In the nine months of the year prior to disposal the business had incurred operating losses of £0.2 million, which increased to £0.3 million when transaction and other costs connected with the sale were added. Under IFRS conventions, this is presented in the group income statement as a post-tax loss from discontinued operations of £0.2 million.

**Tax**
The underlying group tax rate for the year of 30.3% compares to 30.4% in the prior year. The group's overall tax rate decreased from 33.7% to 28.7%, with the gain from the disposal of surplus land shielded by indexation on the tax base cost of the asset. The group's cash tax rate remains low, reflecting ongoing pension deficit reduction payments, and the impairment charge reversal impacting deferred rather than current cash tax.

**Earnings per share**
Underlying earnings per share from continuing operations were 8.3 pence, 4% higher than the prior year, and consistent with the improvement in underlying profit before tax.

Basic earnings per share from continuing operations increased by 67% to 10.7 pence, benefiting from the impairment charge reversal, the profit from the disposal of land and the lower overall tax rate.

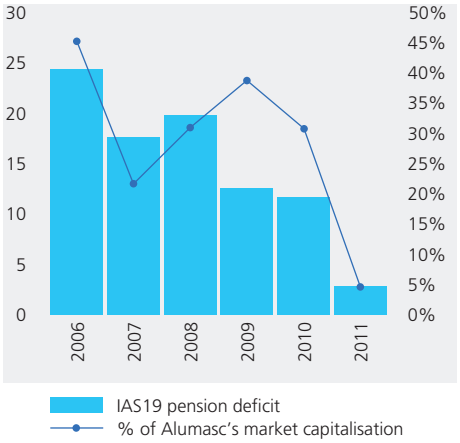
**Dividends**
The Board has proposed an unchanged final dividend of 6.75 pence per share, to be paid on 31 October 2011 to shareholders on the register on 7 October 2011. This will give a total dividend for the year of 10 pence per share.

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

| | **2010/11** | 2009/10 |
|---|---|---|
| **Continuing operations** | **£m** | £m |
| Underlying profit before tax | **4.3** | 4.1 |
| Impairment charge reversal | **1.2** | – |
| Property disposal gain | **0.8** | – |
| Re-financing costs | **(0.3)** | – |
| Restructuring costs | **(0.3)** | (0.3) |
| Brand amortisation | **(0.3)** | (0.3) |
| Reported profit before tax | **5.4** | 3.5 |

# Business Review
## Group Finance Director's Review

**Evolution of IAS19 Pension Deficit**
(£m)




### Capital invested, shareholders' funds and return on investment

The group defines its capital invested as the sum of shareholders' funds, non-controlling interests, bank debt and the (net of tax) pension deficit. Capital invested decreased slightly from £45.5 million to £44.8 million, mainly because depreciation exceeded capital expenditure in the year. Post-tax return on average capital invested[1] improved modestly from 8.3% to 8.8%, reflecting the similar level of underlying operating profit and the slightly lower level of capital invested.

Shareholders' funds increased from £27.7 million to £32.0 million mainly due to the reduced group pension deficit. Post tax return on shareholders' funds[1] improved from 9.8% to 10.0% due to the higher level of underlying earnings.

### 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. Following Alumasc Precision's recovery to profit last year, the doubling of the profit in that business in 2010/11 and its encouraging future prospects, the Board concluded that the impairment of plant and equipment recognised in 2009 should be reversed. This gave rise to a one off, non-cash gain in the income statement of £1.2 million. As a consequence, and other things being equal, the future charge for depreciation in this business segment and for the group as a whole will increase by £0.3 million a year for the next few years. Reviews elsewhere in the group found that no assets had been impaired.

### Cash flow, working capital and capital expenditure

The group's overall cash performance exceeded internal expectations for the year, reflecting continued strong control over working capital and capital expenditure. The £19.3 million increase in group revenues led to an increased investment in working capital, and this caused an overall net cash out flow for the year of £1.4 million and an increase in year end net debt to £10.7 million. Nonetheless, average trade working capital as a percentage of sales from continuing operations decreased from 15.9% to 14.1% over the year, reflecting further valuable efficiency gains. Capital expenditure of £1.2 million continued to run below the level of annual depreciation charge of £2.4 million. Capital expenditure is expected to more closely resemble the depreciation charge in the 2011/12 financial year, due to a need to invest ahead of further business growth, particularly at Alumasc Precision.

### Capital structure and financing

The group's capital structure remained broadly unchanged during the year. Gearing at 30 June 2011 was 33.6% (2010: 33.5%).

Following the successful routine re-financing of the group announced in June, Alumasc continues to have a total of £20.0 million of committed financing facilities which now expire in June 2016, supplemented by a further £6.0 million of uncommitted overdraft facilities, which are reviewed annually. The principal terms of the new committed financing facility were similar to those of the facility it replaced. Whilst lending margins in the capital markets have increased since Alumasc's original committed banking facility was negotiated in 2007, the impact on the group's future overall effective interest rate is expected to be at least offset (at the current level of LIBOR) by changes to the group's interest rate hedging arrangements described in note 23 to the financial statements.

In the 2010/11 financial year:

- Interest on borrowings was covered by underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") by 12.3 times. This compares with the group's banking covenant of a minimum of 4 times; and
- The group's ratio of net debt to EBITDA was 1.3 times. This compares with the group's banking covenant of not more than 3 times.

Based on current budgets and forecasts, the group expects to continue to operate within its banking facilities and banking covenants for the foreseeable future.

[1] Return on investment and return on shareholders' funds are calculated using underlying profit figures.

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**Summarised Cash Flow Statement**

| | **2010/11 £m** | 2009/10 £m |
|---|---|---|
| EBITDA* | **8.1** | 8.4 |
| Change in working capital | **(1.1)** | 1.7 |
| Operating cash flow | **7.0** | 10.1 |
| Capital expenditure | **(1.2)** | (0.8) |
| Pension deficit & scheme expenses funding | **(2.9)** | (3.8) |
| Interest | **(0.6)** | (0.7) |
| Tax | **(0.4)** | (0.2) |
| Dividends | **(3.6)** | (3.6) |
| Property disposal proceeds | **1.2** | – |
| Exceptional pension contribution | **(1.0)** | – |
| Restructuring and other one-off cash flows | **(1.0)** | (0.6) |
| Cash flow from discontinued operations | **1.1** | 0.6 |
| (Increase)/decrease in net debt | **(1.4)** | 1.0 |

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

**Pensions**
During the year, the group continued to build on the progress it has made in improving pension scheme funding over recent years. This is illustrated in the graph above which shows the five year progression of the group's overall pension deficit measured under IAS19 both in absolute terms, and also relative to the group's market capitalisation.

The group's overall pre-tax pension deficit measured under IAS19 decreased from £11.6 million at 30 June 2010 to £2.9 million at 30 June 2011, reflecting deficit reduction payments of £3.4 million made by the company during the period, a benefit of approximately £2.8 million arising from the government's decision to change the statutory inflation rate to be applied to pensions in payment to consumer price inflation from retail price inflation, and investment, actuarial and other gains of £2.5 million. The company's overall cash payments into the pension schemes of £3.9 million in the year included routine deficit reduction payments of £2.4 million, a one-off contribution of £1.0 million funded by capital receipts arising from the sale of Alumasc Dispense and the surplus land and a £0.5 million reimbursement of scheme running expenses.

Since the year end, the group's pension funding position, in common with many other corporate pension schemes, has suffered from the losses recorded in global financial markets. However, this does not alter the trend towards much improved pension funding levels achieved over the last few years.

Following the improved funding position shown in the April 2010 triennial actuarial review, by which time both of the group's defined benefit pension schemes had been closed to future accrual, Alumasc agreed with its Pension Trustees that regular deficit funding would reduce to £2.0 million per annum with effect from September 2010. Therefore the group is committed to make deficit contribution payments of £2.0 million in the 2011/12 financial year, and this level of funding is expected to continue until it is reviewed routinely as part of the next actuarial valuation exercise in April 2013.

**Internal control and business systems**
The group's approach to internal control is described in the Directors' Report on page 33. Further steady progress has been made to strengthen the group's systems and standards of internal control during the year.

Following the net £0.5 million bad debt incurred by the group's Facades business during the year, a full review of the circumstances of this specific loss and a more general review of credit risk management was carried out. This concluded that underlying credit risk management procedures were sound, but that in this specific instance a commercial judgment had been taken to extend further credit beyond the initial limits set. There are, and were, no uninsured credit risk exposures of anything approaching this size elsewhere in the Building Products division. Credit approvals of this size, and beyond, are given by Alumasc Precision in the case of well funded, major global OEM customers with strong external credit ratings.

With regard to business systems, more than half of the group has in recent years implemented modern integrated business systems which are improving both internal control and management information for decision making, as well as increasing administrative efficiency. These implementations have also led to improvements in IT infrastructure across the group and associated procurement benefits.

**Andrew Magson**
Group Finance Director

# Business Review
## Corporate and Social Responsibility

### 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. The group's weighted average safety performance rate followed the recent trend of improvement, reducing to 2.8 for the year, compared with 3.7 in the previous year. This is an excellent achievement of which our businesses can be justifiably proud.

### 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 Levolux, Gatic and our 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. By offsetting its primary carbon emissions, Levolux can claim to be a "climate neutral" company. With the help of Climatecare, it is taking responsibility for its impact on climate change by contributing to projects in the developing world that not only make real reductions in carbon emissions, but also make a difference to people's lives.

One such project is the "Orb Solar" project in India. This project runs across several Indian states, reducing emissions through the use of solar hot water and solar electric installations. The project also helps to develop skills in the community, creating new jobs and supporting small locally-owned business.

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

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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.

## Environmental performance

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.

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

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.

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 first 'footprint and annual report' which will become the benchmark for further energy reduction initiatives.

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**<br>Chairman | **Paul Hooper**<br>Chief Executive | **Andrew Magson**<br>Group Finance Director |
| **Jon Pither**<br>Deputy Chairman | **Philip Gwyn**<br>Non-Executive Director | **Richard Saville**<br>Non-Executive Director |
| | | **John Pilkington**<br>Non-Executive Director |

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www.alumasc.co.uk
info@alumasc.co.uk
Registered No: 1767387

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Capita Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

**Auditors**
KPMG Audit Plc
Altius House
One North Fourth Street
Milton Keynes MK9 1NE

**Investment Bankers**
DC Advisory Partners
60 Threadneedle Street
London EC2R 8HP

**Bankers**
Barclays Bank PLC
Ashton House
497 Silbury Boulevard
Milton Keynes MK9 2LD

HSBC Bank plc
4th Floor
120 Edmund Street
Birmingham B3 2QZ

**Solicitors**
Herbert Smith LLP
Exchange House
Primrose Street
London EC2A 2HS

Pinsent Masons LLP
3 Colmore Circus
Birmingham B4 6BH

**Brokers**
Peel Hunt LLP
111 Old Broad Street
London EC2N 1PH

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**John McCall** MA (Cantab) (66)
**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.

**Jon Pither** MA (Cantab) (77)
**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.

**Paul Hooper** BSc, MBA, DipM (55)
**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.

**Philip Gwyn** MA (Cantab) (67)
**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.

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

**Andrew Magson** BSc, FCA (44)
**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.

**Richard Saville** BSc (62)
**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.

**John Pilkington** MA (Cantab) (62)
**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.

# 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 2011.

### 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 pages 18. Information on potential future developments in the group is set out in the "Prospects" section on page 16.

### Results and dividends

The group reported profit before tax from continuing operations of £5.4 million (2009/10: £3.5 million). The Directors recommend a final dividend of 6.75p per ordinary share payable on 31 October 2011 to members on the register at the close of business on 7 October 2011 which, together with the interim dividend, makes a total of 10.0p for the year (2009/10: 10.0p).

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 (2009/10 335,171) . 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.

In accordance with the Articles of Association, Richard Saville retires by rotation at the forthcoming Annual General meeting and, being eligible, offers himself for re-election.

Jon Pither and Philip Gwyn, 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 2011** | At 30 June 2010 |
| J S McCall | **4,120,918** | 4,120,918 |
| J P Pither | **286,631** | 286,631 |
| P H R Gwyn | **3,057,605** | 3,057,605 |
| G P Hooper | **283,399** | 262,489 |
| A Magson | **25,000** | 20,000 |
| J Pilkington | **9,186** | 9,186 |
| R C C Saville | **23,000** | 23,000 |

The Directors' interests are beneficial with the exception of 434,000 shares (2010: 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.

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There has been no change in the Directors' interests in the share capital of the company from 30 June 2011 to 6 September 2011.

**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 2011:

| | Shares | % of issued share capital |
|---|---|---|
| Axa Investment Management | 5,040,684 | 13.95 |
| Delta Lloyd Asset Management | 4,107,702 | 11.37 |
| Schroder Investment Management | 1,149,167 | 3.18 |
| E W O'Loughlin Esq | 1,550,962 | 4.29 |

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 2011:

| | Number of Shareholders | Ordinary shares Number |
|---|---|---|
| Shareholding range: | | |
| 1 – 999 | 422 | 206,380 |
| 1,000 – 9,999 | 726 | 1,934,480 |
| 10,000 – 99,999 | 139 | 3,900,255 |
| 100,000 – 999,999 | 44 | 13,972,226 |
| 1,000,000 and over | 8 | 16,120,217 |
| | 1,339 | 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 financial statement on page 70 of this report. 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, 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 and Global Economy
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 OEM's 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.

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.

# Directors' Report

### 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 16% of group sales in the 2010/11 financial year.

### 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.

### 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, particularly relating to competitors, 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 suffered a net £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. Credit approvals of this size, and beyond, 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 and, in certain specific cases where judged cost-effective, these risks are insured.

### 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 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 this risk, the group has put in place an interest rate cap, which would protect the group in the event of a material 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 £20.0 million committed banking facilities in June 2011. The new facilities expire in June 2016 and amount to almost double the level of the group's net indebtedness at 30 June 2011. In addition, the group has a further £6.0 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.

### Acquisitions
An important part of the group's growth strategy is to acquire niche building product businesses, where we consider these will increase shareholder value. Poor execution of this strategy or poor management after acquisition could, conversely, erode value. All acquisitions are approved by the group's main board. Senior management from both Alumasc Group and operating businesses, as appropriate to each case, are involved in all key aspects of acquisition execution and post acquisition management. In most cases, Alumasc seeks to retain key staff within acquired businesses and develop their responsibilities within the group.

### 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 substantially 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. 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.

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### 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 and 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 and 23.

### 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 (2010: none). The group's average number of creditor days as at 30 June 2011 was 67 (2010: 61).

### 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 (2009/10: £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 £2,100 during the year (2009/10: £3,400).

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 27 October 2011, 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

6 September 2011

### 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

6 September 2011

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# 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 2011 the group has complied with the requirements of The Code save for the following provision:

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**

The Board consists of a Non-Executive Chairman, Chief Executive, Group Finance Director and four Non-Executive Directors.

Two of the Board's Non-Executive Directors, Jon Pither and Philip Gwyn, have served on 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. These two Directors also have other significant commercial commitments.

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. Jon Pither is the Senior Independent Director.

No individual or group of individuals dominates the Board's decision-making and the requirement of The Code that a smaller company should have at least two independent Non-Executive Directors is satisfied.

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 re-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.

The role of the Chief Executive is to oversee the day to day running of the group's businesses 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 brief questionnaire covering the main areas of the evaluation 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.

# Statement of Corporate Governance

### 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 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, no non-audit fees were paid to KPMG.

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.

### Nomination 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. When considering appointments, 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.

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**Attendance at Board meetings**

| | Board – 7 meetings | Audit Committee – 3 meetings | Remuneration Committee – 2 meetings | Nomination Committee – 1 meeting |
|---|---|---|---|---|
| J S McCall | 7 | n/a | 2† | 1 |
| J P Pither | 6 | 2 | 2 | 1 |
| P H R Gwyn | 6 | 3 | 2 | 1 |
| J Pilkington | 7 | 3 | 2 | n/a |
| R C C Saville | 7 | 3 | 2 | 1 |
| G P Hooper | 7 | 3† | 1† | n/a |
| A Magson | 7 | 3† | n/a | n/a |

† By invitation as an attendee

**Internal control and risk management**

The Board acknowledges that it is responsible for the company's system 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.

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 monthly 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, oversees 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.

(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.

# Statement of Corporate Governance

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 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

At the end of the financial year 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.

Training is ongoing both at head office and subsidiary level to ensure the group has in place embedded procedures to comply with the Act.

### 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 Directors, having taken account of the group's net cash resources and bank facilities and having made appropriate enquiries, consider that the company and the group have adequate resources to continue operations for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements.

### 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.

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# 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 27 October 2011.

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 25. 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.

The bonuses payable to Executive Directors for the year ended 30 June 2011 were 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. 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 2011 and the increases awarded are as follows:

| | Annual Salary | % Increase |
|---|---|---|
| G P Hooper | 242,000 | 3.0 |
| A Magson | 152,000 | 4.8 |

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 objectives, to a maximum in the 2010/11 financial year of 60% in relation to Paul Hooper and 55% 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.

#### 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 and fuel 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 Plans*

The group operates two Long Term Incentive Plans (the "Plans") which were approved by shareholders in October 1997 and in October 2008 respectively. The purpose of the Plans 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 Plans each participant is allocated a number of shares. The vesting of shares under the Plans is subject to the achievement of performance criteria, which are described for each plan 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 1997 Plan*

The 1997 Plan has expired and thus no new awards were made during the year. The interests of Directors in such awards are set out in the table in the section of this Report that is subject to audit.

Awards vested pro rata between nil and 100%, conditional upon achieving targeted growth in earnings per share ("EPS") over a fixed 3 year period following the making of the award.

The performance conditions stated that there would be 10% vesting when the group reaches the lower target of 2.5% growth per annum in EPS above the rate of increase in RPI. 100% of awards would have vested on achieving 10% growth per annum in EPS above the rate of increase in RPI.

In between the higher and the lower target the awards vested on a straight line basis.

**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. Mr McCall's contract, which was substantially amended in 2006 on his move to a part-time role, was renewed in 2009 for a further three year term expiring on 30 April 2012. 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.

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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 2011 £000** | Total 2010 £000 |
|---|---|---|---|---|---|
| Executive Directors | | | | | |
| G P Hooper | 235 | 17 | 51 | **303** | 321 |
| A Magson | 145 | 13 | 32 | **190** | 200 |
| 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 (2009/10: £45,662) and £21,787 (2009/10: £21,300) 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 2010** | Exercised in year | Granted in year | Lapsed in year | **At 30 June 2011** |
|---|---|---|---|---|---|---|---|---|
| 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 2010** | Vested in year | Market price at vesting date | Granted in year | Lapsed in year | **At 30 June 2011** |
|---|---|---|---|---|---|---|---|---|---|
| **G P Hooper** | | | | | | | | | |
| 1997 Plan | Oct 2007 | 208p | Oct 2010 | **45,652** | – | – | – | (45,652) | **–** |
| Total 1997 Plan | | | | **45,652** | – | | – | (45,652) | **–** |
| 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 | Nov 2013 | **–** | – | – | 153,261 | – | **153,261** |
| Total 2008 Plan | | | | **328,446** | – | | 153,261 | – | **481,707** |
| Total all LTIPs | | | | **374,098** | – | | 153,261 | (45,652) | **481,707** |
| **A Magson** | | | | | | | | | |
| 1997 Plan | Oct 2007 | 208p | Oct 2010 | **22,609** | – | – | – | (22,609) | **–** |
| Total 1997 Plan | | | | **22,609** | – | | – | (22,609) | **–** |
| 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 | Nov 2013 | **–** | – | – | 63,043 | – | **63,043** |
| Total 2008 Plan | | | | **135,186** | – | | 63,043 | – | **198,229** |
| Total all LTIPs | | | | **157,795** | – | | 63,043 | (22,609) | **198,229** |

All options under the 1997 and the 2008 Plans have a £nil exercise price.

The aggregate of gains made by Directors on the exercise of share options during the year was £nil (2009/10: £nil).

### Company share price

The closing mid market price of the shares on 30 June 2011 was 172p and ranged between 97.5p and 182p 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 2011 was £834,494.

On behalf of the Board

**J P Pither**
Chairman
Remuneration Committee

6 September 2011

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# Independent Auditors' 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 2011 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 auditors' 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 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/UKP.

**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 2011 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.

**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.

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 June 2010 UK Corporate Governance Code specified for our review.

**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
6 September 2011

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

| | | 2010/11 | | | 2009/10 | | |
|---|---|---|---|---|---|---|---|
| **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 | **106,805** | **–** | **106,805** | 87,488 | – | 87,488 |
| Cost of sales | | **(77,172)** | **–** | **(77,172)** | (57,939) | – | (57,939) |
| Cost of sales – impairment charge reversal | 5 | **–** | **1,220** | **1,220** | – | – | – |
| **Gross profit** | | **29,633** | **1,220** | **30,853** | 29,549 | – | 29,549 |
| Net operating expenses before non-recurring items and brand amortisation | | **(23,954)** | **–** | **(23,954)** | (23,854) | – | (23,854) |
| Brand amortisation | 5 | **–** | **(320)** | **(320)** | – | (315) | (315) |
| Profit on disposal of property | 5 | **–** | **759** | **759** | – | – | – |
| Restructuring costs | 5 | **–** | **(241)** | **(241)** | – | (320) | (320) |
| **Net operating expenses** | | **(23,954)** | **198** | **(23,756)** | (23,854) | (635) | (24,489) |
| **Operating profit** | 4 | **5,679** | **1,418** | **7,097** | 5,695 | (635) | 5,060 |
| Finance income | 9 | **3,879** | **–** | **3,879** | 3,926 | – | 3,926 |
| Finance expenses | 5, 9 | **(5,286)** | **(307)** | **(5,593)** | (5,510) | – | (5,510) |
| **Profit before taxation** | | **4,272** | **1,111** | **5,383** | 4,111 | (635) | 3,476 |
| Tax expense | 10 | **(1,294)** | **(257)** | **(1,551)** | (1,250) | 84 | (1,166) |
| **Profit for the year from continuing operations** | | **2,978** | **854** | **3,832** | 2,861 | (551) | 2,310 |
| **Discontinued operations** | | | | | | | |
| Loss after taxation for the year from discontinued operations | 6 | **(187)** | **–** | **(187)** | (35) | (35) | (70) |
| **Profit for the year** | | **2,791** | **854** | **3,645** | 2,826 | (586) | 2,240 |
| **Other comprehensive income** | | | | | | | |
| Actuarial gain/(loss) on defined benefit pensions | 24 | | | **5,590** | | | (2,058) |
| Effective portion of changes in fair value of cash flow hedges | | | | **544** | | | (79) |
| Exchange differences on retranslation of foreign operations | | | | **(16)** | | | 12 |
| Tax on items taken directly to or transferred from equity | 10 | | | **(1,712)** | | | 598 |
| **Other comprehensive income for the year, net of tax** | | | | **4,406** | | | (1,527) |
| **Total comprehensive income for the year, net of tax** | | | | **8,051** | | | 713 |
| Total comprehensive income for the year attributable to: | | | | | | | |
| Equity holders of the parent | | | | **8,051** | | | 703 |
| Non-controlling interest | | | | **–** | | | 10 |
| | | | | **8,051** | | | 713 |
| Profit for the year attributable to: | | | | | | | |
| Equity holders of the parent | | | | **3,645** | | | 2,234 |
| Non-controlling interest | | | | **–** | | | 6 |
| | | | | **3,645** | | | 2,240 |
| **Earnings per share** | | | | **Pence** | | | Pence |
| **Basic earnings per share** | | | | | | | |
| – Continuing operations | | | | **10.7** | | | 6.4 |
| – Discontinued operations | | | | **(0.5)** | | | (0.2) |
| | 12 | | | **10.2** | | | 6.2 |
| **Diluted earnings per share** | | | | | | | |
| – Continuing operations | | | | **10.6** | | | 6.4 |
| – Discontinued operations | | | | **(0.5)** | | | (0.2) |
| | 12 | | | **10.1** | | | 6.2 |

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# Consolidated Statement of Financial Position

At 30 June 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **14,605** | | 15,131 | |
| Goodwill | 14 | **16,888** | | 16,888 | |
| Other intangible assets | 15 | **3,556** | | 4,003 | |
| Financial asset investments | 16 | **17** | | 17 | |
| Deferred tax assets | 10 | **742** | | 3,255 | |
| | | | **35,808** | | 39,294 |
| **Current assets** | | | | | |
| Inventories | 17 | **12,443** | | 11,649 | |
| Biological assets | 18 | **370** | | 372 | |
| Trade and other receivables | 19 | **23,848** | | 21,280 | |
| Cash and cash equivalents | | **5,038** | | 5,622 | |
| Income tax receivable | | **–** | | 35 | |
| Derivative financial assets | 23 | **98** | | 1 | |
| | | | **41,797** | | 38,959 |
| **Total assets** | | | **77,605** | | 78,253 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest bearing loans and borrowings | 22 | **(14,724)** | | (14,939) | |
| Employee benefits payable | 24 | **(2,853)** | | (11,626) | |
| Provisions | 25 | **(450)** | | (339) | |
| Deferred tax liabilities | 10 | **(2,012)** | | (1,853) | |
| | | | **(20,039)** | | (28,757) |
| **Current liabilities** | | | | | |
| Interest bearing loans and borrowings | 22 | **(1,045)** | | – | |
| Trade and other payables | 20 | **(24,107)** | | (20,967) | |
| Provisions | 25 | **(143)** | | (213) | |
| Income tax payable | | **(56)** | | – | |
| Derivative financial liabilities | 23 | **(250)** | | (540) | |
| | | | **(25,601)** | | (21,720) |
| **Total liabilities** | | | **(45,640)** | | (50,477) |
| **Net assets** | | | **31,965** | | 27,776 |
| **Equity** | | | | | |
| Called up share capital | 26 | **4,517** | | 4,517 | |
| Share premium | 27 | **445** | | 445 | |
| Capital reserve – own shares | 27 | **(618)** | | (369) | |
| Hedging reserve | 27 | **44** | | (389) | |
| Foreign currency reserve | 27 | **29** | | 45 | |
| Profit and loss account reserve | | **27,548** | | 23,494 | |
| **Equity attributable to equity holders of the parent** | | | **31,965** | | 27,743 |
| Non-controlling interest | | | **–** | | 33 |
| **Total equity** | | | **31,965** | | 27,776 |

**G P Hooper**
Director

**A Magson**
Director

6 September 2011

Company number 1767387

# Consolidated Statement of Cash Flows

For the year ended 30 June 2011

| | Notes | 2010/11 £000 | 2009/10 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit from continuing operations | | **7,097** | 5,060 |
| Adjustments for: | | | |
| Depreciation | 13 | **2,074** | 2,266 |
| Amortisation | 15 | **677** | 715 |
| Impairment reversal | 13 | **(1,220)** | – |
| (Gain)/loss on disposal of property, plant and equipment | | **(774)** | 3 |
| (Increase)/decrease in inventories | | **(1,629)** | 467 |
| Decrease/(increase) in biological assets | | **2** | (31) |
| Increase in receivables | | **(3,807)** | (1,791) |
| Increase in trade and other payables | | **4,080** | 3,180 |
| Movement in provisions | | **41** | 53 |
| Movement in retirement benefit obligations | | **(3,928)** | (3,844) |
| Share based payments | 28 | **16** | 44 |
| **Cash generated from continuing operations** | | **2,629** | 6,122 |
| Loss before taxation from discontinued operations | | **(269)** | (98) |
| Depreciation | 13 | **89** | 136 |
| Amortisation | 15 | **10** | 14 |
| Movement in working capital from discontinued operations | | **104** | 538 |
| **Cash generated from discontinued operations** | 6 | **(66)** | 590 |
| Tax paid | | **(418)** | (219) |
| **Net cash inflow from operating activities** | | **2,145** | 6,493 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(931)** | (707) |
| Payments to acquire intangible fixed assets | | **(305)** | (139) |
| Proceeds from sales of property, plant and equipment | | **1,244** | 36 |
| Acquisition of subsidiary undertaking | 14 | **(50)** | (200) |
| Acquisition of non-controlling interest | | **(49)** | – |
| Proceeds from sale of business activity | | **1,173** | – |
| Interest received | | **18** | 22 |
| **Net cash inflow/(outflow) from investing activities** | | **1,100** | (988) |
| **Financing activities** | | | |
| Interest paid | | **(647)** | (663) |
| Equity dividends paid | | **(3,580)** | (3,602) |
| Equity dividends paid to non-controlling interests | | **–** | (10) |
| Draw down of amounts borrowed | | **15,000** | 4,994 |
| Repayment of amounts borrowed | | **(15,000)** | – |
| Loan and overdraft facility fees | | **(303)** | – |
| Purchase of financial instrument | | **(94)** | – |
| Purchase of own shares | | **(249)** | (191) |
| Repayment of refund of share issue costs | | **–** | (7) |
| **Net cash (outflow)/inflow from financing activities** | | **(4,873)** | 521 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,628)** | 6,026 |
| Net cash and cash equivalents brought forward | | **5,622** | (405) |
| Effect of foreign exchange rate changes | | **(1)** | 1 |
| **Net cash and cash equivalents carried forward** | 29 | **3,993** | 5,622 |
| **Net cash and cash equivalents comprise:** | | | |
| Cash and cash equivalents | | **5,038** | 5,622 |
| Bank overdrafts | | **(1,045)** | – |
| | 29 | **3,993** | 5,622 |

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# Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

| | Notes | Share capital £000 | Share premium £000 | Revaluation reserve £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 2009 | | 4,517 | 452 | 951 | (178) | (332) | 37 | 25,349 | 30,796 | 33 | 30,829 |
| Profit for the period | | – | – | – | – | – | – | 2,234 | 2,234 | 6 | 2,240 |
| Exchange differences on retranslation of foreign operations | | – | – | – | – | – | 8 | – | 8 | 4 | 12 |
| Net loss on cash flow hedges | | – | – | – | – | (79) | – | – | (79) | – | (79) |
| Tax on derivative financial liability | | – | – | – | – | 22 | – | – | 22 | – | 22 |
| Actuarial loss on defined benefit pensions, net of tax | | – | – | – | – | – | – | (1,482) | (1,482) | – | (1,482) |
| Reserves transfer | | – | – | (951) | – | – | – | 951 | – | – | – |
| Share premium costs refund | | – | (7) | – | – | – | – | – | (7) | – | (7) |
| Acquisition of own shares | | – | – | – | (191) | – | – | – | (191) | – | (191) |
| Dividends | 11 | – | – | – | – | – | – | (3,602) | (3,602) | (10) | (3,612) |
| Share based payments | 28 | – | – | – | – | – | – | 44 | 44 | – | 44 |
| 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 30 June 2011** | | **4,517** | **445** | **–** | **(618)** | **44** | **29** | **27,548** | **31,965** | **–** | **31,965** |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## 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 2011, and the Companies Act 2006.

### 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. At 30 June 2011 the group's net indebtedness was £10.7 million (2010: £9.3 million).

On the basis of the group's financing facilities and current financial plans and sensitivity analyses, the Board is satisfied that the group has adequate resources to continue in operational existence for the foreseeable future and accordingly continue 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 2010 and have been adopted for the group financial statements where appropriate:

Amendment to IAS27 "Consolidated and Separate Financial Statements" – the amendment requires accounting for changes in the ownership interest in a subsidiary, while maintaining control, to be recognised as an equity transaction. This amendment has been adopted in accounting for the acquisition of the 30% minority interest in Elkington China Limited for £49,000.

IAS7 "Statement of Cash Flows" was amended to state explicitly that only expenditure that results initially in the recognition of an asset may be classified as a cash flow from investing activities. There has been no significant impact resulting from adoption of this amendment.

Amendment to IFRS5 "Non-current Assets Held for Sale and Discontinued Operations" – the amendment to the standard specifies the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations. The group has applied the required disclosures in reporting on discontinued operations.

Amendment to IFRS8 "Operating Segments" – the amendment states that segment information for total assets is only required if such information is regularly reported to the chief operating decision-maker. The amendment has had no material impact on disclosures made by the group.

Amendment to IAS36 "Impairment of Assets" – IAS36 has been amended to state that the largest unit to which goodwill is allocated is operating segment level as defined in IFRS8, before applying aggregation criteria of IFRS8. This has no material impact on the impairment reviews performed by the group in respect of goodwill held.

Amendment to IAS39 "Financial Instruments: Recognition and Measurement – Cash flow hedge accounting" – IAS39 has been amended to state that gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The amendment has had no material impact on disclosures made by the group.

### 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.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not owned by the group and is presented separately within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

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## 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 IAS37 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 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 2011

## 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.

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## 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 on 31 March 2010, with neither closure resulting in a curtailment gain or loss. Up until these dates, 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 2011

## 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.

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## 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

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## 3 Revenue

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

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Revenue arising from : | | |
| Sales of goods | **85,562** | 66,352 |
| Sales of tooling | **2,475** | 3,098 |
| Recognised on construction contracts | **18,768** | 18,038 |
| Revenue (per statement of comprehensive income) | **106,805** | 87,488 |
| Rental income | **89** | 60 |
| Finance revenue (note 9) | **3,879** | 3,926 |
| **Total revenue** | **110,773** | 91,474 |

## 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 2010/11**

| | **Revenue** | | | |
|---|---|---|---|---|
| | **External £000** | **Inter-segment £000** | **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** |

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## 4 Segmental analysis (continued)

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

| | Segment Assets £000 | Segment Liabilities £000 | Capital and acquisition expenditure: Property, Plant & Equipment £000 | Capital and acquisition 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 reportable segment 2009/10

| | Revenue: External £000 | Revenue: Inter-segment £000 | Revenue: Total £000 | Segmental Operating Result £000 |
|---|---|---|---|---|
| Solar Shading | 16,517 | – | 16,517 | 1,729 |
| Roofing & Walling | 17,119 | – | 17,119 | 209 |
| **Energy Management** | **33,636** | **–** | **33,636** | **1,938** |
| Construction Products | 11,473 | – | 11,473 | 2,171 |
| Rainwater, Drainage & Other | 19,330 | 89 | 19,419 | 1,242 |
| **Water Management & Other** | **30,803** | **89** | **30,892** | **3,413** |
| **Building Products** | **64,439** | **89** | **64,528** | **5,351** |
| Alumasc Precision | 23,049 | 905 | 23,954 | 1,311 |
| **Engineering Products** | **23,049** | **905** | **23,954** | **1,311** |
| Elimination / Unallocated costs | – | (994) | (994) | (967) |
| **Total** | **87,488** | **–** | **87,488** | **5,695** |

| | £000 |
|---|---|
| Segmental operating result | 5,695 |
| Brand amortisation | (315) |
| Restructuring costs | (320) |
| **Total operating profit from continuing operations** | **5,060** |

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## 4 Segmental analysis (continued)

**Analysis by reportable segment 2009/10 (continued)**

| | Segment Assets £000 | Segment Liabilities £000 | Capital and acquisition expenditure: Property, Plant & Equipment £000 | Capital and acquisition expenditure: Other Intangible Assets £000 | Depreciation £000 | Amortisation £000 |
|---|---|---|---|---|---|---|
| Solar Shading | 17,546 | (3,434) | 135 | – | 94 | 173 |
| Roofing & Walling | 11,774 | (4,026) | 275 | 10 | 178 | 129 |
| **Energy Management** | **29,320** | **(7,460)** | **410** | **10** | **272** | **302** |
| Construction Products | 5,692 | (1,573) | 149 | 3 | 173 | 5 |
| Rainwater, Drainage & Other | 12,815 | (4,275) | 205 | 26 | 678 | 274 |
| **Water Management & Other** | **18,507** | **(5,848)** | **354** | **29** | **851** | **279** |
| **Building Products** | **47,827** | **(13,308)** | **764** | **39** | **1,123** | **581** |
| Alumasc Precision | 18,083 | (6,198) | 103 | 100 | 1,107 | 132 |
| **Engineering Products** | **18,083** | **(6,198)** | **103** | **100** | **1,107** | **132** |
| Unallocated | 9,788 | (29,796) | 1 | 55 | 36 | 2 |
| Discontinued operations | 2,555 | (1,175) | – | – | 136 | 14 |
| **Total** | **78,253** | **(50,477)** | **868** | **194** | **2,402** | **729** |

**Analysis by geographical segment 2010/11**

| | United Kingdom £000 | Europe £000 | USA £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** |

**Analysis by geographical segment 2009/10**

| | United Kingdom £000 | Europe £000 | USA £000 | Middle East £000 | Far East £000 | Rest of World £000 | Total Continuing £000 |
|---|---|---|---|---|---|---|---|
| Sales to external customers | 73,822 | 6,997 | 4,812 | 546 | 902 | 409 | 87,488 |
| Segment non-current assets | 35,611 | – | – | – | 1 | – | 35,612 |

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 Non-recurring items and brand amortisation

| | 2010/11 £000 | 2009/10 £000 |
|---|---|---|
| Impairment charge reversal | **1,220** | – |
| Profit on disposal of property | **759** | – |
| Re-financing costs | **(307)** | – |
| Brand amortisation | **(320)** | (315) |
| Restructuring costs | **(241)** | (320) |
| | **1,111** | (635) |

The impairment charge reversal relates to the strong recovery in trading and future prospects at Alumasc Precision Components. Further detail is given in note 13.

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

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

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## 6 Discontinued operation

The discontinued operation 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.

Further detail on the sale of Alumasc Dispense is given in the Business Review on page 19.

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

| | **Period to 11 April 2011 £000** | Year to 30 June 2010 £000 |
|---|---|---|
| Revenue | **3,467** | 5,484 |
| Cost of sales | **(2,882)** | (4,634) |
| **Gross profit** | **585** | 850 |
| Net operating expenses | **(828)** | (948) |
| **Operating loss** | **(243)** | (98) |
| Net loss on disposal | **(26)** | – |
| **Loss before taxation** | **(269)** | (98) |
| Tax credit | **82** | 28 |
| **Loss after taxation** | **(187)** | (70) |

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

| | **Period to 11 April 2011 £000** | Year to 30 June 2010 £000 |
|---|---|---|
| Operating cash flows | **(66)** | 590 |
| Investing cash flows | **1,173** | – |
| **Net cash inflow** | **1,107** | 590 |

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)** |

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## 7 Expenses by nature

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

| | 2010/11 | | | 2009/10 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations £000** | **Discontinued operations £000** | **Total £000** | Continuing operations £000 | Discontinued operations £000 | Total £000 |
| Raw materials and consumables | **51,488** | **2,183** | **53,671** | 38,361 | 3,536 | 41,897 |
| (Increase)/decrease in stocks of finished goods and WIP | **(2,365)** | **(50)** | **(2,415)** | (501) | 60 | (441) |
| Depreciation of property, plant and equipment | **2,074** | **89** | **2,163** | 2,266 | 136 | 2,402 |
| Intangible assets amortisation | **357** | **10** | **367** | 400 | 14 | 414 |
| Brand amortisation | **320** | **–** | **320** | 315 | – | 315 |
| Impairment reversal | **(1,220)** | **–** | **(1,220)** | – | – | – |
| (Gain)/loss on disposal of property, plant and equipment | **(774)** | **–** | **(774)** | 3 | – | 3 |
| Foreign exchange losses/(gains) | **33** | **(4)** | **29** | (36) | (12) | (48) |
| Employee benefit expense | **24,856** | **673** | **25,529** | 23,095 | 870 | 23,965 |
| Operating lease payments – plant | **835** | **5** | **840** | 783 | 5 | 788 |
| Income from property operating leases | **(89)** | **–** | **(89)** | (60) | – | (60) |
| Research and development | **221** | **–** | **221** | 226 | – | 226 |
| Auditors' remuneration: | | | | | | |
| Audit of these financial statements | **48** | **–** | **48** | 48 | – | 48 |
| Audit of financial statements of subsidiaries pursuant to legislation | **97** | **–** | **97** | 70 | 7 | 77 |
| Other operating charges | **23,827** | **830** | **24,657** | 17,458 | 966 | 18,424 |
| | **99,708** | **3,736** | **103,444** | 82,428 | 5,582 | 88,010 |

## 8 Employee costs and numbers

| | 2010/11 | | | 2009/10 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations £000** | **Discontinued operations £000** | **Total £000** | Continuing operations £000 | Discontinued operations £000 | Total £000 |
| Employee benefit expense: | | | | | | |
| Wages and salaries | **22,012** | **569** | **22,581** | 20,466 | 742 | 21,208 |
| Social security | **2,297** | **63** | **2,360** | 1,990 | 68 | 2,058 |
| Pension costs (note 24) | | | | | | |
| – defined contribution plans | **547** | **41** | **588** | 373 | 36 | 409 |
| – defined benefit plans | **745** | **–** | **745** | 1,174 | 24 | 1,198 |
| | **25,601** | **673** | **26,274** | 24,003 | 870 | 24,873 |

Pension costs – defined benefit plans includes net pension finance costs of £745,000 (2009/10: £908,000).

| | **2010/11 Number** | 2009/10 Number |
|---|---|---|
| Average number of employees: | | |
| Building products | **468** | 473 |
| Engineering products | **273** | 259 |
| Continuing operations | **741** | 732 |
| Discontinued operations | **22** | 26 |
| | **763** | 758 |

Included in wages and salaries is a total charge for share based payments of £16,000 (2009/10: £44,000) arising from transactions accounted for as equity settled share based payment transactions.

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## 9 Net finance costs

| | | 2010/11 £000 | 2009/10 £000 |
|---|---|---|---|
| Finance revenue | – Bank interest | **(18)** | (22) |
| | – Expected return on pension scheme plan assets | **(3,861)** | (3,904) |
| | | **(3,879)** | (3,926) |
| Finance costs | – Bank loans and overdrafts | **183** | 180 |
| | – Revolving credit facility | **497** | 494 |
| | – Derivative financial instruments | **–** | 24 |
| | – Re-financing costs | **307** | – |
| | | **987** | 698 |
| | – Pension scheme liability interest | **4,606** | 4,812 |
| | | **5,593** | 5,510 |

## 10 Tax expense

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

Tax charged in the statement of comprehensive income

| | 2010/11 £000 | 2009/10 £000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax – continuing operations | **441** | 427 |
| – discontinued operations | **(82)** | (28) |
| UK corporation tax | **359** | 399 |
| Amounts under/(over) provided in previous years | **150** | (53) |
| **Total current tax** | **509** | 346 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **1,078** | 645 |
| Tax (over)/under provided in previous years | **(43)** | 147 |
| Rate change adjustment | **(75)** | – |
| Total deferred tax | **960** | 792 |
| **Total tax expense** | **1,469** | 1,138 |
| The tax charge in the statement of comprehensive income is disclosed as follows: | | |
| Tax expense on continuing activities | **1,551** | 1,166 |
| Tax credit on discontinued activities | **(82)** | (28) |
| | **1,469** | 1,138 |
| Tax recognised in other comprehensive income | | |
| Deferred tax: | | |
| Actuarial gains/(losses) on pension schemes | **1,601** | (576) |
| Cash flow hedge | **111** | (22) |
| Tax charged/(credited) to other comprehensive income | **1,712** | (598) |
| **Total tax charge in the statement of comprehensive income** | **3,181** | 540 |

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## 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 28.7% is higher than (2009/10: 33.7% was higher than) the standard rate of corporation tax in the UK of 27.5% (2009/10: 28%). The differences are reconciled below:

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Profit before tax from continuing operations | **5,383** | 3,476 |
| Loss before tax from discontinued operations | **(269)** | (98) |
| Accounting profit before taxation | **5,114** | 3,378 |
| Current tax at the UK standard rate of 27.5% (2009/10: 28%) | **1,406** | 946 |
| Expenses not deductible for tax purposes | **244** | 98 |
| Income not taxable | **(213)** | – |
| Rate change adjustment | **(75)** | – |
| Tax under/(over) provided in previous years – corporation tax | **150** | (53) |
| Tax (over)/under provided in previous years – deferred tax | **(43)** | 147 |
| | **1,469** | 1,138 |

### (c) Unrecognised tax losses

The group has agreed tax capital losses in the UK amounting to £21 million (2010: £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 (2010: £1 million). These may be offset against the capital losses detailed above, therefore net capital losses carried forward amount to £20 million (2010: £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 2009 | 1,209 | 24 | 930 | (129) | (129) | 1,905 | (3,501) |
| (Credited)/charged to the statement of comprehensive income – current year | (180) | 4 | (67) | 66 | – | (177) | 822 |
| Charged to the statement of comprehensive income – prior year | 84 | – | – | 63 | – | 147 | – |
| Credited to equity | – | – | – | – | (22) | (22) | (576) |
| 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 30 June 2011** | **1,335** | **(22)** | **739** | **–** | **(40)** | **2,012** | **(742)** |

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 £5.2 million (2010: £5.6 million) have not been recognised in respect of net capital losses of £20 million (2010: £20 million).

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## 11 Dividends

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| 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** | – |
| Interim dividend for 2010 of 3.25p paid on 1 April 2010 | **–** | 1,170 |
| Final dividend for 2009 of 6.75p paid on 30 October 2009 | **–** | 2,432 |
| | **3,580** | 3,602 |

A final dividend of £2,406,000, 6.75p per equity share, has been proposed for the year ended 30 June 2011, payable on 31 October 2011. 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:

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Profit attributable to equity holders of the parent – continuing operations | **3,832** | 2,304 |
| Loss attributable to equity holders of the parent – discontinued operations | **(187)** | (70) |
| Net profit attributable to equity holders of the parent | **3,645** | 2,234 |

| | **000s** | 000s |
|---|---|---|
| Basic weighted average number of shares | **35,780** | 35,918 |
| Dilutive potential ordinary shares – employee share options | **465** | 95 |
| | **36,245** | 36,013 |

Calculation of underlying earnings per share from continuing operations:

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Continuing operations: | | |
| Profit before taxation | **5,383** | 3,476 |
| Add back brand amortisation | **320** | 315 |
| Deduct profit on disposal of property | **(759)** | – |
| Add back restructuring costs | **241** | 320 |
| Add back re-financing costs | **307** | – |
| Deduct impairment charge reversal | **(1,220)** | – |
| Underlying profit before taxation | **4,272** | 4,111 |
| Tax at underlying group tax rate of 30.3% (2009/10: 30.4%) | **(1,294)** | (1,250) |
| Underlying earnings | **2,978** | 2,861 |
| Basic weighted average number of shares | **35,780** | 35,918 |
| Underlying earnings per share | **8.3p** | 8.0p |

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## 13 Property, plant and equipment

| | Freehold land and buildings £000 | Long leasehold property £000 | Short leasehold improvements £000 | Plant, equipment and motor vehicles | | Total £000 |
|---|---|---|---|---|---|---|
| | | | | Owned £000 | Leased £000 | |
| Cost: | | | | | | |
| At 1 July 2009 | 11,101 | 235 | 381 | 44,331 | 24 | 56,072 |
| Additions | 33 | – | 20 | 815 | – | 868 |
| Reclassification | – | – | – | 24 | (24) | – |
| Disposals | – | – | – | (5,737) | – | (5,737) |
| 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 30 June 2011** | **10,606** | **235** | **420** | **35,082** | **–** | **46,343** |
| Accumulated depreciation and impairment losses: | | | | | | |
| At 1 July 2009 | 3,899 | 132 | 157 | 35,165 | 15 | 39,368 |
| Depreciation charge for year | 331 | 7 | 37 | 2,022 | 5 | 2,402 |
| Reclassification | – | – | – | 20 | (20) | – |
| On disposals | – | – | – | (5,698) | – | (5,698) |
| 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 30 June 2011** | **4,343** | **146** | **323** | **26,926** | **–** | **31,738** |
| **Net book value at 30 June 2011** | **6,263** | **89** | **97** | **8,156** | **–** | **14,605** |
| Net book value at 30 June 2010 | 6,904 | 96 | 207 | 7,924 | – | 15,131 |
| Net book value at 1 July 2009 | 7,202 | 103 | 224 | 9,166 | 9 | 16,704 |

During the current financial year, an impairment review was performed at Alumasc Precision Components as the business experienced a significant improvement in revenues, profits and future prospects during the year. The result of the review led to a full reversal of the impairment charge originally booked in 2009 (when the business was being impacted by the recession) to the extent that this had not already been reversed due to lower depreciation charges in the financial years since. The amount of the reversal was £1,220,000 (2009/10: £nil). Further details are given within the Business Review on page 14.

For the purpose of the impairment testing, the recoverable amount of the cash generating unit was based on value in use calculations. The value in use was derived from discounted management cash flow forecasts for the business, based on budgets and strategic plans covering a four year period. A pre-tax discount rate of 11.5% was used. The surplus headroom above the carrying value of assets at 30 June 2011 was significant to such an extent that either increasing the discount rate by 2%, or using a growth rate of -1% to extrapolate the cash flows beyond the strategic plan period or reducing cash flows generated in the terminal year by 25% would make no impact on the resulting impairment reversal.

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## 14 Goodwill

| | **2011 £000** | 2010 £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:

| | **2011 £000** | 2010 £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 CGU's 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 cash generating units 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% (2010: 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 9.5% and 10.5% (2010: 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 2011 was similar to that used in 2010 as the lower cost of debt finance was offset by a greater proportion of the (relatively higher) cost of equity used in the calculation due to the increase in the group's share price. The surplus headroom above the carrying value of goodwill at 30 June 2011 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. In the case of Blackdown, the value in use calculation incorporates a strategic plan that reflects anticipated future growth in the UK green roof market.

During the year, the final £50,000 (2009/10: £200,000) deferred consideration payable on the acquisition of Blackdown Horticultural Consultants Limited was paid.

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## 15 Other intangible assets

| | Brands £000 | Development expenditure £000 | Computer software £000 | Total £000 |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 July 2009 | 4,015 | 166 | 2,954 | 7,135 |
| Additions | – | – | 194 | 194 |
| Disposals | – | – | (46) | (46) |
| 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 30 June 2011** | **4,015** | **166** | **2,040** | **6,221** |
| Accumulated amortisation: | | | | |
| At 1 July 2009 | 480 | 52 | 2,065 | 2,597 |
| Amortisation for the year | 315 | 25 | 389 | 729 |
| On disposals | – | – | (46) | (46) |
| 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 30 June 2011** | **1,115** | **102** | **1,448** | **2,665** |
| **Net book value at 30 June 2011** | **2,900** | **64** | **592** | **3,556** |
| Net book value at 30 June 2010 | 3,220 | 89 | 694 | 4,003 |
| Net book value at 1 July 2009 | 3,535 | 114 | 889 | 4,538 |

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 is being amortised over a life of 3 years from May 2009.

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## 16 Financial asset investments

| | £000 |
|---|---|
| Cost: | |
| **At 1 July 2010 and 30 June 2011** | **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

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Raw materials | **2,628** | 4,249 |
| Work in progress | **4,876** | 3,667 |
| Finished goods | **4,939** | 3,733 |
| | **12,443** | 11,649 |

During the year the group's inventory provision for continuing operations decreased by £52,000 (2010: increased by £82,000). At 30 June 2011 the group's inventory provision for continuing operations was £1,020,000 (2010: £1,072,000).

## 18 Biological assets

| | **2011 £000** | 2010 £000 |
|---|---|---|
| At 1 July | **372** | 341 |
| Increases from purchases | **200** | 246 |
| Decreases from sales | **(264)** | (382) |
| Gain from change in fair value less costs to sell | **68** | 167 |
| Decrease due to natural damage | **(6)** | – |
| **At 30 June** | **370** | 372 |

## 19 Trade and other receivables

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Trade receivables | **17,343** | 15,241 |
| Construction contracts | **4,170** | 3,384 |
| Other receivables | **453** | 621 |
| Prepayments and accrued income | **1,882** | 2,034 |
| | **23,848** | 21,280 |

Trade receivables are non-interest bearing, are generally on 30-90 days' terms and are shown net of a provision for impairment. As at 30 June 2011, trade receivables at nominal value of £490,000 (2010: £417,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

| | **2011 £000** | 2010 £000 |
|---|---|---|
| At 1 July | **417** | 593 |
| Charge for the year | **817** | 90 |
| Amounts written off | **(744)** | (266) |
| **At 30 June** | **490** | 417 |

Included within the total provision for impairment is £146,000 (2010: £150,000) in relation to provisions against construction contracts.

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## 20 Trade and other payables

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Trade payables | **18,823** | 15,162 |
| Other taxation and social security | **1,221** | 1,563 |
| Other payables | **1,145** | 1,239 |
| Construction deposits received on account | **59** | 79 |
| Accruals and deferred income | **2,859** | 2,924 |
| | **24,107** | 20,967 |

## 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 2011, the amount of contract costs incurred plus recognised profits less recognised losses to date was £6,312,000 (2010: £4,734,000). These contracts were on average 64% complete at 30 June 2011 (2010: 55%).

## 22 Borrowings

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Current liabilities: | | |
| Bank overdraft | **1,045** | – |
| Non-current liabilities: | | |
| Non-current instalments due on bank loan | **14,724** | 14,939 |

The bank loan outstanding at 30 June 2011 is an unsecured committed £20 million revolving credit facility drawn down against three 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. 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.

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## 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, with the exception of a legacy interest rate swap which had been used to hedge the group's previous committed financing facility. This swap expires in May 2012. 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 2011** | | 30 June 2010 | |
|---|---|---|---|---|
| | **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 | **5,038** | **5,038** | 5,622 | 5,622 |
| Trade receivables | **17,343** | **17,343** | 15,241 | 15,241 |
| Construction contracts | **4,170** | **4,170** | 3,384 | 3,384 |
| Other receivables | **453** | **453** | 621 | 621 |
| Derivative financial assets | **98** | **98** | 1 | 1 |
| | **27,119** | **27,119** | 24,886 | 24,886 |
| Financial liabilities: | | | | |
| Bank overdraft | **1,045** | **1,045** | – | – |
| Bank loans | **14,724** | **14,724** | 14,939 | 14,939 |
| Trade and other payables | **22,827** | **22,827** | 19,325 | 19,325 |
| Derivative financial liabilities | **250** | **250** | 540 | 540 |
| | **38,846** | **38,846** | 34,804 | 34,804 |

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 values of fixed rate secured borrowings in the prior year were determined by discounting their cash flows at prevailing interest rates. The fair value of interest rate swap and 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 2011 and 2010 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 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** |

| Year ended 30 June 2010 | 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 | – | 117 | 351 | 15,429 | 15,897 |
| Trade and other payables | 3,846 | 13,378 | 2,048 | 53 | 19,325 |
| | 3,846 | 13,495 | 2,399 | 15,482 | 35,222 |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## 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. Following a routine re-financing of the group in June 2011, at the year end date of 30 June, the group had £26 million (2010: £26 million) of banking facilities. The facilities comprise a committed five year £20 million revolving credit facility (2010: £15 million), and unsecured overdraft facilities of £6 million (2010: £6 million). In the prior year the group also had a committed overdraft facility of £5 million. The group's new £20 million committed debt 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 2011 was £10.7 million (2010: £9.3 million), equivalent to 54% (2010: 47%) of committed debt facilities, and 41% (2010: 36%) of total debt facilities.

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

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

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Fixed rate interest bearing financial liabilities: | | |
| In one to two years | **–** | 5,000 |
| | **–** | 5,000 |
| Floating rate interest bearing financial liabilities: | | |
| In one to two years | **–** | 9,939 |
| In two to five years | **14,724** | – |
| | **14,724** | 9,939 |

In conjunction with the group's routine re-financing in June, the group restructured its interest rate hedging portfolio, and entered into a five year £7.5 million interest rate cap, with the objective of ensuring that the majority of the group's net indebtedness at any time is protected against LIBOR interest rates rising above 5%.

The group continues to hold a £5 million interest rate swap and £5 million interest rate cap that originally hedged the group's previous committed financing facility, which both expire in May 2012. Since the related financing facility is no longer in place, these instruments have been deemed as ineffective and hedge accounting no longer applies. As a result, the associated hedging reserve balance of £250,000 has been written off to the consolidated statement of comprehensive income as a non-recurring item – see note 5.

The group's overall pre-tax cost of debt finance at interest rates in place at 30 June 2011 is approximately 4.8% (2010: 5.0%).

The interest rate risk profile of the group's financial liabilities is as follows:

| | | |
|---|---|---|
| Fixed rate financial liabilities: | | |
| Weighted average interest rate – % | **–** | 6.5 |
| Weighted average period for which interest rate is fixed – years | **–** | 1.9 |

The floating rate financial liabilities comprise a revolving credit facility that bears interest based on LIBOR, an interest rate cap that bears a floating rate of interest up to LIBOR of 5%, and above that becomes fixed, and bank overdrafts that bear interest based on 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 |
|---|---|---|---|
| **2011** | **Increase** | **+300** | **(352)** |
| | **Decrease** | **–50** | **59** |
| 2010 | Increase | +300 | (129) |
| | Decrease | –50 | 22 |

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

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## 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 16% of group sales in the 2010/11 financial year. The maximum credit risk exposure relating to financial assets is represented by its carrying value 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. However, the group did suffer a net £0.5 million bad debt in its Facades business during the 2010/11 financial year, see page 21 of the Business Review for further detail. 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.

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 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** |

| | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| Year ended 30 June 2010 | Total £000 | Not past due £000 | < 30 days £000 | 30-60 days £000 | 60-90 days £000 | > 90 days £000 |
| Trade receivables | 15,241 | 10,367 | 3,630 | 922 | 268 | 54 |
| Construction contracts | 3,384 | 2,963 | 322 | 48 | 2 | 49 |
| Other receivables | 621 | 621 | – | – | – | – |
| | 19,246 | 13,951 | 3,952 | 970 | 270 | 103 |

### 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 2011 or 30 June 2010 related to derivative trading activity. Where cashflow 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:

| | | | **2011** | | | 2010 |
|---|---|---|---|---|---|---|
| | **Receivable 000** | **Payable 000** | **Cash 000** | Receivable 000 | Payable 000 | Cash 000 |
| Euros | **915** | **(840)** | **537** | 609 | (822) | 392 |
| US Dollars | **934** | **(1,200)** | **721** | 597 | (1,002) | 508 |
| Hong Kong Dollars | **1,329** | **(11)** | **1,735** | 94 | (38) | 2,767 |

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For the year ended 30 June 2011

## 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 |
| **2011** | **Increase** | **+10%** | **(26)** | **(50)** | **(22)** |
| | **Decrease** | **–10%** | **31** | **61** | **27** |
| 2010 | Increase | +10% | (6) | (13) | (22) |
| | Decrease | –10% | 8 | 16 | 27 |

### Hedging activities

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

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Cash flow hedges £000** | **Total £000** | Cash flow hedges £000 | Total £000 |
| Interest rate cap instruments | **94** | **94** | 1 | 1 |
| Interest rate swap instrument | **(250)** | **(250)** | (472) | (472) |
| Forward foreign exchange contracts | **4** | **4** | (68) | (68) |
| | **(152)** | **(152)** | (539) | (539) |

Cash flow hedges

At 30 June 2011 the group had an interest rate cap with a notional principal amount of £7.5 million and a maturity date of 23 June 2016. The cash flows associated with the interest rate cap hedge are expected to occur in the next five years, and this instrument is deemed an effective hedge.

The group also held an interest rate swap and an interest rate cap, each with a notional principal amount of £5.0 million and a maturity date of 22 May 2012. Both instruments originally hedged the group's previous committed financing facility and are no longer deemed effective hedges.

At 30 June 2011 the group had forward foreign exchange contracts with principal amounts equivalent to £447,000 (2010: £2,604,000). 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 quoted prices (unadjusted) in active markets for identical assets and liabilities and therefore they are all considered to have been valued at Level 1, as described in the amendments to IFRS7.

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## 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, £588,000 (2010: £409,000) was in respect of defined contribution schemes. At 30 June 2011 there was an accrual of £68,000 payable in respect of defined contribution schemes, (2010: £73,000).

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 2011/12 financial year.

### (b) IAS19

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.

In calculating the value of the Schemes' liabilities, the Government's decision to use the Consumer Price Index rather than the Retail Price Index for statutory increases in pension scheme benefits was taken into consideration. A reduction in liabilities of £2,833,000 was recognised within the overall valuation and accounted for within Actuarial gains.

| | **The Alumasc Group Scheme 2011 %** | **The Benjamin Priest Group Scheme 2011 %** | The Alumasc Group Scheme 2010 % | The Benjamin Priest Group Scheme 2010 % |
|---|---|---|---|---|
| Discount rate | **5.5** | **5.5** | 5.4 | 5.4 |
| Expected rate of deferred pension increases | **2.7** | **2.7** | 3.6 | 4.4 |
| Future pension increases | **1.9 – 3.8** | **1.9 – 3.8** | 3.0 | 2.2 |
| Retail Price Index inflation rate | **3.5** | **3.5** | 3.2 | 3.2 |
| Consumer Price Index inflation rate | **2.7** | **2.7** | n/a | n/a |
| Expected return on plan assets: | | | | |
| Equities | **6.7** | **6.7** | 7.1 | 7.1 |
| Gilts | **4.2** | **4.2** | 4.1 | 4.1 |
| Bonds | **5.4** | **5.4** | 5.2 | 5.2 |
| Absolute return | **6.5** | **6.5** | 6.2 | 6.2 |
| | **Years** | **Years** | Years | Years |
| Post retirement mortality | | | | |
| Current pensioners at 65 – male | **21.9** | **21.1** | 21.1 | 20.2 |
| Current pensioners at 65 – female | **23.6** | **22.7** | 23.1 | 22.2 |
| Future pensioners at 65 in 2031 – male | **24.4** | **23.5** | 22.6 | 21.7 |
| Future pensioners at 65 in 2031 – female | **25.0** | **24.1** | 24.1 | 23.1 |

A discount rate of 5.5% has been used in calculating the present value of liabilities of the pension schemes at 30 June 2011. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £1,270,000 before tax.

A Retail Price Index inflation rate of 3.5% and a Consumer Price Index inflation rate of 2.7% has been used in calculating the present value of liabilities of the pension schemes at 30 June 2011. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £394,000 before tax.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## 24 Retirement benefit obligations (continued)

In valuing the liabilities of the pension schemes at 30 June 2011, 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 2011 would have increased by approximately £2,977,000 before tax.

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

| | **2011 £000** | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 |
|---|---|---|---|---|---|
| Scheme assets at fair value: | | | | | |
| Equities | **37,422** | 30,098 | 36,716 | 34,649 | 40,525 |
| Government bonds | **10,836** | 10,185 | 16,863 | 18,688 | 17,416 |
| Corporate bonds and insured annuities | **8,889** | 8,437 | 4,708 | 12,205 | 11,420 |
| Absolute return fund | **24,215** | 22,650 | – | – | – |
| Property | **1,185** | 1,140 | 1,145 | 1,351 | – |
| Cash | **2,117** | 3,496 | 4,200 | 676 | – |
| | **84,664** | 76,006 | 63,632 | 67,569 | 69,361 |
| Present value of scheme liabilities | **(87,517)** | (87,632) | (76,136) | (87,387) | (86,922) |
| Defined benefit pension deficit | **(2,853)** | (11,626) | (12,504) | (19,818) | (17,561) |

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:

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Included within operating profit: | | |
| Current service cost | **–** | (290) |
| Included in net finance cost: | | |
| Expected return on plan assets | **3,861** | 3,904 |
| Interest cost | **(4,606)** | (4,812) |
| | **(745)** | (908) |
| Included in other comprehensive income: | | |
| Actuarial gain on plan assets | **5,449** | 8,765 |
| Actuarial gain/(loss) on retirement benefit obligations | **141** | (10,823) |
| | **5,590** | (2,058) |
| Total recognised in the statement of comprehensive income | **4,845** | (3,256) |

The actual return on plan assets for 2010/11 was a gain of £9,310,000 (2009/10: £12,669,000).

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

| | **2011 £000** | 2010 £000 | 2009 £000 |
|---|---|---|---|
| At 1 July | **(87,632)** | (76,136) | (87,387) |
| Current service cost | **–** | (290) | (500) |
| Past service cost | **–** | – | (27) |
| Interest cost | **(4,606)** | (4,812) | (5,150) |
| Benefits paid | **4,580** | 4,562 | 4,293 |
| Actuarial gain/(loss) | **141** | (10,823) | 12,850 |
| Contributions by plan participants | **–** | (133) | (215) |
| At 30 June | **(87,517)** | (87,632) | (76,136) |

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## 24 Retirement benefit obligations (continued)

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

| | **2011 £000** | 2010 £000 | 2009 £000 |
|---|---|---|---|
| At 1 July | **76,006** | 63,632 | 67,569 |
| Expected return on plan assets | **3,861** | 3,904 | 4,250 |
| Actuarial gain/(loss) | **5,449** | 8,765 | (8,912) |
| Contributions by plan participants | **–** | 133 | 215 |
| Contributions by employer | **3,928** | 4,134 | 4,803 |
| Defined benefit actual benefit payments | **(4,580)** | (4,562) | (4,293) |
| At 30 June | **84,664** | 76,006 | 63,632 |

| | **2010/11** | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
|---|---|---|---|---|---|
| Experience adjustments on scheme liabilities: | | | | | |
| Amount (£000) | **662** | (3,391) | 115 | 1,317 | 2,880 |
| Percentage of scheme liabilities (%) | **0.76** | (3.87) | 0.15 | 1.51 | 3.31 |
| Experience adjustments on scheme assets: | | | | | |
| Amount (£000) | **5,449** | 8,765 | (8,912) | (7,874) | 1,796 |
| Percentage of scheme assets (%) | **6.44** | 11.53 | (14.01) | (11.65) | 2.59 |

During the year ended 30 June 2011 £2,366,000 of contributions to the scheme deficit were paid into the defined benefit plans (2010: £3,400,000) to eliminate the past service shortfall over ten years. Further contributions of £562,000 (2010: £444,000) were made by the company to fund the administration expenses and the Pension Protection Fund Levies on the schemes. In addition, special one-off contributions of £1,000,000 were made in connection with asset sales realised by the group during the year.

The cumulative amount of actuarial gains recognised since 1 July 2004 in the group statement of comprehensive income is £10,334,000 (2009/10: £4,744,000).

Since the year end, the group's pension funding position, in common with many other corporate pension schemes, has suffered from the losses recorded in global financial markets. However, this does not change the trend towards much improved pension funding levels achieved in Alumasc over the last few years.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## 25 Provisions

| | Dilapidations £000 Note (i) | Warranty £000 Note (ii) | Total £000 |
|---|---|---|---|
| At 1 July 2009 | 249 | 250 | 499 |
| Charge for the year | 54 | 107 | 161 |
| Utilised | – | (108) | (108) |
| At 1 July 2010 | 303 | 249 | 552 |
| Charge for the year | **187** | **75** | **262** |
| Utilised | **–** | **(221)** | **(221)** |
| **At 30 June 2011** | **490** | **103** | **593** |
| **At 30 June 2011** | | | |
| Current liabilities | **40** | **103** | **143** |
| Non-current liabilities | **450** | **–** | **450** |
| | **490** | **103** | **593** |
| At 30 June 2010 | | | |
| Current liabilities | – | 213 | 213 |
| Non-current liabilities | 303 | 36 | 339 |
| | 303 | 249 | 552 |
| At 30 June 2009 | | | |
| Current liabilities | – | – | – |
| Non-current liabilities | 249 | 250 | 499 |
| | 249 | 250 | 499 |

(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.

## 26 Called up share capital

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Authorised: | | |
| 54,800,000 (2010: 54,800,000) ordinary shares of 12.5p each | **6,850** | 6,850 |
| Allotted, called up and fully paid: | | |
| 36,133,558 (2010: 36,133,558) ordinary shares of 12.5p each | **4,517** | 4,517 |

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## 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 (2010: 335,171) ordinary own shares held by the company. The market value of shares at 30 June 2011 was £834,494 (2010: £350,253). 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 36 to 38.

| | As at 31 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 |

| | As at 31 July 2009 | 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 31 June 2010 | Weighted average exercise price (pence) |
|---|---|---|---|---|---|---|---|---|---|---|
| LTIP (i) | 610,220 | n/a | 343,290 | n/a | – | n/a | (139,188) | n/a | 814,322 | n/a |
| ESOS (ii) | 182,878 | 168.2 | 140,000 | 1.04 | – | – | (18,000) | 1.73 | 304,878 | 1.38 |

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

### ESOS

For the share options outstanding at 30 June 2011 the weighted average remaining contractual life is 6.8 years (30 June 2010: 6.50 years). The exercise price of the options outstanding ranges between 104p and 180p. 107,000 share options are exercisable at 30 June 2011 (30 June 2010: 125,000) with a weighted average option price of 166p (2010: 167p).

Included within the balance outstanding at 30 June 2011 are options over 24,000 shares (30 June 2010: 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 on the next page. 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 2011

## 28 Share based payments (continued)

| | ESOS | | LTIP | |
|---|---|---|---|---|
| | **Black Scholes 2011** | Black Scholes 2010 | **Black Scholes & Binomial 2011** | Black Scholes & Binomial 2010 |
| Share price at grant date | **117.5p** | 101p | **117.5p** | 116.5p |
| Exercise price | **115p** | 104p | **nil** | nil |
| Expected volatility | **45%** | 40% | **45%** | 40% |
| Expected life (years) | **3** | 5 | **3** | 3 |
| Risk free rate | **1.25%** | 2.0% | **1.25%** | 2.0% |
| Dividend yield | **7.5%** | 10% | **7.5%** | 10% |
| Fair value per option | **22p** | 13p | **103p** | 86p |

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 charge recognised for share based payments in respect of employee services rendered during the year to 30 June 2011 was £16,000 (2009/10: £44,000).

## 29 Movement in net borrowings

| | **Cash and bank overdrafts £000** | **Bank loans £000** | **Finance leases £000** | **Net borrowings £000** |
|---|---|---|---|---|
| At 1 July 2009 | (405) | (9,907) | (6) | (10,318) |
| Cash flow movements | 6,026 | (5,000) | 6 | 1,032 |
| Non-cash movements | – | (32) | – | (32) |
| Effect of foreign exchange rates | 1 | – | – | 1 |
| 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 30 June 2011** | **3,993** | **(14,724)** | **–** | **(10,731)** |

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## 30 Financial commitments

### (i) Capital commitments

At 30 June 2011, £32,000 (2010: £76,000) of capital expenditure had been authorised and £22,000 (2010: £71,000) 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 2010/11 £000** | **Plant and vehicles 2010/11 £000** | Property 2009/10 £000 | Plant and vehicles 2009/10 £000 |
|---|---|---|---|---|
| Less than one year | **930** | **505** | 592 | 309 |
| Between one and five years | **2,189** | **733** | 2,028 | 959 |
| After five years | **1,487** | **–** | 1,702 | – |
| | **4,606** | **1,238** | 4,322 | 1,268 |

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

| | **Property 2010/11 £000** | Property 2009/10 £000 |
|---|---|---|
| Less than one year | **147** | 32 |
| Between one and five years | **159** | 37 |
| | **306** | 69 |

## 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 | |
|---|---|---|---|---|
| | | | **2011** | 2010 |
| 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** | 70 |

### 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 £nil (2010: £110,000) in relation to outstanding Performance Bonds and £nil (2010: £252,000) in relation to outstanding Letters of Credit.

# Company Balance Sheet

At 30 June 2011

| | Notes | 2011 £000 | 2010 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 4 | **2,740** | 2,824 |
| Investments in subsidiary undertakings | 5 | **74,942** | 74,893 |
| | | **77,682** | 77,717 |
| **Current assets** | | | |
| Debtors | 6 | **586** | 721 |
| Financial assets | 7 | **94** | – |
| Cash | | **1,788** | 281 |
| | | **2,468** | 1,002 |
| **Creditors:** amounts falling due within one year | 8 | **(15,575)** | (12,357) |
| Net current liabilities | | **(13,107)** | (11,355) |
| Total assets less current liabilities | | **64,575** | 66,362 |
| **Creditors:** amounts falling due in more than one year | 9 | **(21,524)** | (21,739) |
| Deferred tax liabilities | 10 | **(32)** | (36) |
| Pension liability | 11 | **(112)** | (348) |
| **Net assets** | | **42,907** | 44,239 |
| **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)** | (369) |
| Profit and loss account reserve | 13 | **25,692** | 26,775 |
| **Shareholders' funds** | | **42,907** | 44,239 |

**G P Hooper**
Director

**A Magson**
Director

6 September 2011

Company number 1767387

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# Notes to the Company Financial Statements

For the year ended 30 June 2011

## 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 £26.0 million of banking facilities, of which £20.0 million is committed until June 2016. At 30 June 2011 the group's net indebtedness was £10.7 million (2010: £9.3 million).

On the basis of the group's financing facilities and current financial plans and serenity 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 two principal defined benefit pension schemes, which are each constituted as separately administered funds and both of which are closed to future accrual. Deficit reduction contributions are agreed with the pension trustees on the basis of actuarial advice to fund these schemes. 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 Schemes' 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 2011

## 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:

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Auditors' remuneration – audit of the financial statements of the company | **15** | 15 |
| Depreciation of tangible fixed assets | **101** | 90 |
| Hire of plant and machinery | **1** | 1 |

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## 3 Dividends

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| 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** | – |
| Interim dividend for 2010 of 3.25p paid on 1 April 2010 | **–** | 1,170 |
| Final dividend for 2009 of 6.75p paid on 30 October 2009 | **–** | 2,432 |
| | **3,580** | 3,602 |

A final dividend of £2,406,000, 6.75p per equity share, has been proposed for the year ended 30 June 2011, payable on 31 October 2011. 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 2010 | 3,775 | 235 | 318 | 4,328 |
| Additions | – | – | 17 | 17 |
| **At 30 June 2011** | **3,775** | **235** | **335** | **4,345** |
| Depreciation: | | | | |
| At 1 July 2010 | 1,108 | 139 | 257 | 1,504 |
| Charge for the year | 77 | 8 | 16 | 101 |
| **At 30 June 2011** | **1,185** | **147** | **273** | **1,605** |
| Net book value: | | | | |
| **At 30 June 2011** | **2,590** | **88** | **62** | **2,740** |
| At 1 July 2010 | 2,667 | 96 | 61 | 2,824 |

Included within freehold land and buildings is land of £1,909,000 (2010: £1,909,000) which is not depreciated.

## 5 Investments in subsidiary undertakings

| | £000 |
|---|---|
| Cost or valuation: | |
| At 1 July 2010 | 74,893 |
| Additions – acquisition of minority interest | 49 |
| **At 30 June 2011** | **74,942** |
| Provisions: | |
| At 1 July 2010 and 30 June 2011 | – |
| Net book value: | |
| **At 30 June 2011** | **74,942** |
| At 30 June 2010 | 74,893 |

# Notes to the Company Financial Statements

For the year ended 30 June 2011

## 5 Investments in subsidiary undertakings (continued)

At 30 June 2011 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).

During the year, the 30% minority interest in Elkington China Limited was acquired for £49,000.

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.

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

## 6 Debtors

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Other debtors | **40** | 96 |
| Prepayments and accrued income | **546** | 498 |
| Corporation tax debtor | **–** | 127 |
| | **586** | 721 |

## 7 Financial assets

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Interest rate cap instrument | **94** | – |

During the year the company entered into an interest rate cap with a notional principal amount of £7.5 million and a maturity date of 23 June 2016. The interest rate cap bears 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 cap are expected to occur in the next five years.

## 8 Creditors: amounts falling due within one year

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Bank overdraft | **7,905** | 4,834 |
| Other creditors | **920** | 1,043 |
| Accruals | **365** | 192 |
| Amounts due to subsidiary undertakings | **6,385** | 6,288 |
| | **15,575** | 12,357 |

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

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Bank loan | **14,724** | 14,939 |
| Amounts due to subsidiary undertakings | **6,800** | 6,800 |
| | **21,524** | 21,739 |

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## 10 Deferred tax liabilities

| | £000 |
|---|---|
| At 1 July 2010 | (36) |
| Deferred tax charge – current year | (1) |
| Deferred tax credit – prior year | 2 |
| Rate change adjustment | 3 |
| **At 30 June 2011** | **(32)** |

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

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Accelerated capital allowances | **(33)** | (36) |
| Short term timing differences | **1** | – |
| | **(32)** | (36) |

## 11 Employee benefit expense

### Defined benefit schemes

The company participates in the two principal defined benefit schemes, The Alumasc Group Pension Scheme and The Benjamin Priest Group Pension Scheme. The defined benefit schemes have been closed to future accrual since 2010.

The defined benefit schemes maintained by the company are multi-employer schemes. For the purpose of allocating the total assets and liabilities of the schemes 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 schemes are currently not expected to exceed £90,000 in aggregate in the next financial year.

The latest actuarial valuations were performed on 31 March 2010 and 5 April 2010. The principal assumptions used by the actuary in valuing the assets and liabilities of the Schemes for FRS17 purposes were:

| | **The Alumasc Group 2011 %** | **The Benjamin Priest Group 2011 %** | The Alumasc Group 2010 % | The Benjamin Priest Group 2010 % |
|---|---|---|---|---|
| Discount rate | **5.5** | **5.5** | 5.4 | 5.4 |
| Expected rate of deferred pension increases | **2.7** | **2.7** | 3.6 | 4.4 |
| Future pension increases | **1.9 – 3.8** | **1.9 – 3.8** | 3.0 | 2.2 |
| Retail Price Index inflation rate | **3.5** | **3.5** | 3.2 | 3.2 |
| Consumer Price Index inflation rate | **2.7** | **2.7** | n/a | n/a |
| Expected return on plan assets: | | | | |
| Equities | **6.7** | **6.7** | 7.1 | 7.1 |
| Gilts | **4.2** | **4.2** | 4.1 | 4.1 |
| Bonds | **5.4** | **5.4** | 5.2 | 5.2 |
| Absolute return | **6.5** | **6.5** | 6.2 | 6.2 |
| | **Years** | **Years** | Years | Years |
| Post retirement mortality: | | | | |
| Current pensioners at 65 – male | **21.9** | **21.1** | 21.1 | 20.2 |
| Current pensioners at 65 – female | **23.6** | **22.7** | 23.1 | 22.2 |
| Future pensioners at 65 in 2031 – male | **24.4** | **23.5** | 22.6 | 21.7 |
| Future pensioners at 65 in 2031 – female | **25.0** | **24.1** | 24.1 | 23.1 |

# Notes to the Company Financial Statements

For the year ended 30 June 2011

## 11 Employee benefit expense (continued)

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

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

| | **2011 £000** | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 |
|---|---|---|---|---|---|
| Equities | **1,596** | 1,296 | 1,505 | 1,465 | 1,687 |
| Gilts | **462** | 438 | 691 | 672 | 633 |
| Bonds | **379** | 363 | 139 | 536 | 394 |
| Absolute return fund | **1,033** | 975 | – | – | – |
| Property and cash | **141** | 200 | 274 | – | – |
| Total market value of assets | **3,611** | 3,272 | 2,609 | 2,673 | 2,714 |
| Actuarial value of liability | **(3,762)** | (3,756) | (3,081) | (3,623) | (3,555) |
| Pension liability before taxation | **(151)** | (484) | (472) | (950) | (841) |
| Related deferred tax asset | **39** | 136 | 132 | 268 | 252 |
| Net pension liability | **(112)** | (348) | (340) | (682) | (589) |

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

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Amounts charged to operating profit: | | |
| Current service cost | **–** | (32) |
| Amounts charged to other finance costs: | | |
| Expected return on pension scheme assets | **168** | 165 |
| Interest on pension liabilities | **(197)** | (194) |
| Net interest cost | **(29)** | (29) |
| Total profit and loss charge before taxation | **(29)** | (61) |

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

| | **2010/11 £000** | 2009/10 £000 |
|---|---|---|
| Actual return less expected return on assets | **185** | 459 |
| Experience gains/(losses) | **33** | (203) |
| Changes in assumptions | **(36)** | (446) |
| Actuarial gain/(loss) to be recognised in statement of total recognised gains and losses | **182** | (190) |

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

| | **2011 £000** | 2010 £000 |
|---|---|---|
| At 1 July | **(3,756)** | (3,081) |
| Current service cost | **–** | (32) |
| Interest cost | **(197)** | (194) |
| Benefits paid | **194** | 211 |
| Actuarial loss | **(3)** | (649) |
| Contributions paid by plan participants | **–** | (11) |
| At 30 June | **(3,762)** | (3,756) |

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## 11 Employee benefit expense (continued)

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

| | **2011 £000** | 2010 £000 |
|---|---|---|
| At 1 July | **3,272** | 2,609 |
| Expected return on plan assets | **168** | 165 |
| Actuarial gain | **185** | 459 |
| Contributions paid by plan participants | **–** | 11 |
| Contributions by employer | **180** | 239 |
| Defined benefit actual benefit payments | **(194)** | (211) |
| At 30 June | **3,611** | 3,272 |

History of experience gains and losses:

| | **2010/11** | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | |
| – Amount (£000) | **185** | 459 | (331) | (325) | 88 |
| – Percentage of company's allocation of scheme assets (%) | **5** | 14 | (12) | (12) | 3 |
| Experience gains and losses on scheme liabilities: | | | | | |
| – Amount (£000) | **33** | (203) | 5 | – | – |
| – Percentage of company's allocation of scheme liabilities (%) | **0.9** | (5) | 0.2 | – | – |
| Total amount recognised in statement of total recognised gains and losses | | | | | |
| – Amount (£000) | **182** | (190) | 193 | (289) | 196 |
| – Percentage of company's allocation of scheme liabilities (%) | **5** | (5) | 6 | (8) | 5 |

### Defined contribution schemes

During the year £84,000 was charged to the profit and loss account in respect of such schemes (2009/10: £71,000). At 30 June 2011 contributions of £5,000 were outstanding in relation to the month of June 2011 (2009/10: £6,000 in relation to the month of June 2010).

## 12 Called up share capital

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Authorised: | | |
| 54,800,000 (2010: 54,800,000) ordinary shares of 12.5p each | **6,850** | 6,850 |
| Allotted, called up and fully paid: | | |
| 36,133,558 (2010: 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 2011

## 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 2010 | 4,517 | 445 | 2,265 | 10,606 | (369) | 26,775 | 44,239 |
| Retained profit for the year | – | – | – | – | – | 2,352 | 2,352 |
| Dividends | – | – | – | – | – | (3,580) | (3,580) |
| Share based payments | – | – | – | – | – | 16 | 16 |
| Acquisition of own shares | – | – | – | – | (249) | – | (249) |
| Actuarial gain on defined benefit pensions net of tax | – | – | – | – | – | 129 | 129 |
| **At 30 June 2011** | **4,517** | **445** | **2,265** | **10,606** | **(618)** | **25,692** | **42,907** |

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 profit for the year after tax was £2,352,000 (2010: loss £95,000).

### Capital reserve – own shares

The capital reserve – own shares relates to 485,171 (2010: 335,171) ordinary own shares held by the company. The market value of shares at 30 June 2011 was £834,494 (2010: £350,253). 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 gains relating to defined benefit pension Schemes of £53,000 within the profit and loss account reserve are non-distributable.

## 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 36 to 38.

| | As at 31 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 |

| | As at 31 July 2009 | 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 31 June 2010 | Weighted average exercise price (pence) |
|---|---|---|---|---|---|---|---|---|---|---|
| LTIP (i) | 394,173 | n/a | 215,163 | n/a | – | n/a | (77,443) | n/a | 531,893 | n/a |
| ESOS (ii) | 47,878 | 169.9 | 20,000 | 1.04 | – | – | (8,000) | 1.64 | 59,878 | 1.49 |

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

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## 14 Share based payments (continued)

ESOS

For the share options outstanding at 30 June 2011 the weighted average remaining contractual life is 6.1 years (30 June 2010: 6.9 years). The exercise price of the options outstanding ranges between 104p and 171.2p. No share options are exercisable at 30 June 2011 (30 June 2010: 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 2011** | Black Scholes 2010 | **Black Scholes & Binomial 2011** | Black Scholes & Binomial 2010 |
| Share price at grant date | **117.5p** | 101p | **129.5p** | 116.5p |
| Exercise price | **115p** | 104p | **nil** | nil |
| Expected volatility | **45%** | 40% | **45%** | 40% |
| Expected life (years) | **3** | 5 | **3** | 3 |
| Risk free rate | **1.25%** | 2.0% | **1.25%** | 2.0% |
| Dividend yield | **7.5%** | 10% | **7.5%** | 10% |
| Fair value per option | **22p** | 13p | **103p** | 86p |

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 charge recognised for share based payments in respect of employee services rendered during the year to 30 June 2011 is £16,000 (2009/10: £25,000).

## 15 Financial Commitments

The company had no financial commitments at the year end (2010: £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 (2010: 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 none (2010: £167,000) of the group's overdraft facilities.

# Five Year Summary

| | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 | 2007/08 £000 | 2006/07 £000 |
|---|---|---|---|---|---|
| **Income Statement Summary** | | | | | |
| Revenue (continuing operations) | | | | | |
| Building products | 71,219 | 64,528 | 78,518 | 83,799 | 59,679 |
| Engineering products | 36,744 | 23,954 | 24,127 | 32,363 | 33,863 |
| Less intercompany | (1,158) | (994) | (1,133) | (2,308) | (1,643) |
| **Total revenue (continuing operations)** | **106,805** | **87,488** | **101,512** | **113,854** | **91,899** |
| Underlying operating profit (continuing operations) | | | | | |
| Building products | 3,914 | 5,351 | 9,210 | 10,720 | 6,960 |
| Engineering products | 2,978 | 1,311 | (1,503) | 1,002 | 1,330 |
| Unallocated costs | (1,213) | (967) | (1,063) | (1,151) | (1,075) |
| **Underlying operating profit (continuing operations)** | **5,679** | **5,695** | **6,644** | **10,571** | **7,215** |
| Net interest cost (on borrowings) | (662) | (676) | (626) | (1,090) | (811) |
| Net pension interest | (745) | (908) | (900) | (501) | (400) |
| **Underlying profit before tax (continuing operations)** | **4,272** | **4,111** | **5,118** | **8,980** | **6,004** |
| Net exceptional gains/(losses) | 1,111 | (635) | (3,361) | (493) | 267 |
| Profit before tax (continuing operations) | 5,383 | 3,476 | 1,757 | 8,487 | 6,271 |
| Profit/(loss) before tax (discontinued operations) | (269) | (98) | 47 | 1,502 | 2,681 |
| **Profit before taxation** | **5,114** | **3,378** | **1,804** | **9,989** | **8,952** |
| Taxation | (1,469) | (1,138) | (744) | (2,656) | (2,686) |
| Profit on ordinary activities after taxation | 3,645 | 2,240 | 1,060 | 7,333 | 6,266 |
| Non-controlling interest | – | (6) | (8) | (18) | (35) |
| **Profit for the financial year attributable to equity holders of the parent** | **3,645** | **2,234** | **1,052** | **7,315** | **6,231** |
| Return on sales (underlying) | | | | | |
| Building products | 5.5% | 8.3% | 11.7% | 12.8% | 11.7% |
| Engineering products | 8.1% | 5.5% | (6.2)% | 3.1% | 3.9% |
| Group | 5.3% | 6.5% | 6.5% | 9.3% | 7.9% |
| Underlying tax rate | 30.3% | 30.4% | 30.4% | 31.4% | 32.7% |
| Underlying earnings per share (continuing operations) (note a) | 8.3 | 8.0 | 9.9 | 17.1 | 11.4 |

**Notes**

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

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| | | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 | 2007/08 £000 | 2006/07 £000 |
|---|---|---|---|---|---|---|
| **Balance Sheet Summary** | | | | | | |
| Shareholders' funds | | 31,965 | 27,743 | 30,796 | 30,887 | 31,392 |
| Non-controlling interests | | – | 33 | 33 | 22 | 38 |
| Net debt | | 10,731 | 9,317 | 10,318 | 9,367 | 12,908 |
| Pension deficit (net of associated deferred tax asset) | | 2,111 | 8,371 | 9,003 | 14,269 | 12,644 |
| Capital invested | | 44,807 | 45,464 | 50,150 | 54,545 | 56,982 |
| Return on capital invested (post-tax) | (note a) | 8.8% | 8.3% | 8.8% | 13.0% | 9.6% |
| Return on shareholders' funds (post-tax) | (note b) | 10.0% | 9.8% | 11.5% | 19.7% | 14.4% |
| Gearing | (note c) | 33.6% | 33.5% | 33.5% | 30.3% | 41.1% |
| Group interest cover | (note d) | 12.3 | 12.4 | 15.6 | 12.6 | 12.6 |
| **Other Statistics** | | | | | | |
| Earnings per share (on continuing operations) (pence) | | 10.7 | 6.4 | 2.8 | 16.1 | 12.3 |
| Total earnings per share (pence) | | 10.2 | 6.2 | 2.9 | 20.3 | 17.6 |
| Dividends per share (pence) | | 10.0 | 10.0 | 10.0 | 10.0 | 9.7 |
| Order Book at 30 June (continuing operations) | | | | | | |
| Building products | | 13,624 | 15,920 | 15,001 | 21,467 | 19,025 |
| Engineering products | | 30,481 | 18,078 | 11,210 | 18,675 | 15,196 |
| Group | | 44,105 | 33,998 | 26,211 | 40,142 | 34,221 |

**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 27 October 2011 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 2011

2 To receive the report of the Remuneration Committee for the year ended 30 June 2011

3 To declare a final dividend of 6.75p per share

4 To re-elect Jon Pither as a Director[123]

5 To re-elect Phillip Gwyn as a Director[123]

6 To re-elect Richard Saville as a Director[123]

7 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 8 shall be proposed as an Ordinary Resolution and Resolutions 9 and 10, shall be proposed as Special Resolutions.

8 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.

9 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 8 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 8 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 by Resolution 8 above" shall be deemed to be omitted from the power conferred by this Resolution.

10 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 5 September 2011;

(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;

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(iv) the authority hereby conferred shall expire on 26 October 2012, 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 28 October 2010.

By order of the Board

**A Magson**
Company Secretary

6 September 2011

**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 5 September 2011, 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, 9, and 10 to be proposed at the Annual General Meeting**

(1) Resolution 4 and 5 – Re-election of Jon Pither and Philip Gwyn

Your Board recommends that Jon Pither and Philip Gwyn 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.

(2) Resolution 6 – Re-election of Richard Saville

Your Board recommends that Richard Saville be re-elected as a Director of the company.

The Board has concluded that the retiring three 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 2011.

(3) Resolution 8 – 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 8 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 5 September 2011). 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 8.

(4) Resolution 9 – 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 9 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 5 September 2011).

(5) Resolution 10 – 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 10 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 5 September 2011). The Directors will only exercise the authority granted by Resolution 10 (if passed) if to do so would result in an increase in earnings per share and is in the best interests of shareholders generally.

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# 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: acp@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: acp@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
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Fax: +44 (0) 1744 648401
Email: info@alumasc-exteriors.co.uk
Web: www.alumascdrainage.co.uk

**Housebuilding Products**
Timloc
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
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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**
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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.ckdcorp.co.uk

**Print**
www.thecolourhouse.com

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