The Alumasc Group plc
Interim Report 2011

alumasc

Premium
building and
engineering products
for a sustainable world

Alumasc at a glance

Alumasc is a UK based supplier of premium building and precision engineering products. In recent years, an increasing majority of the business has been focused in the area of sustainable building products which enable customers to manage energy and water use in the built environment. We believe growth rates in these businesses through the construction cycle will exceed UK industry averages.

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

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

Half year financial highlights

Half year to 31 December	**2010**	2009	Change
Order book at 31 December (£m)	**42.1**	26.5	+59%
Revenue (£m)	**52.0**	44.5	+17%
Underlying profit before tax[1] (£m)	**2.1**	1.9	+12%
Underlying earnings per share[1] (pence)	**4.1**	3.6	+14%
Profit before tax (£m)	**1.8**	1.6	+13%
Basic earnings per share (pence)	**3.5**	3.1	+13%
Dividends per share (pence)	**3.25**	3.25	
Period end net debt[2] (£m)	**11.9**	9.2	

[1] Underlying profit before tax and underlying earnings per share are stated prior to the deduction of restructuring costs and amortisation of brands. A reconciliation of reported profit before tax to underlying profit before tax and underlying earnings per share is given in note 9 of this report.

[2] Net debt represents cash and cash equivalents less interest bearing loans, borrowings and bank overdrafts.

Review of Interim Results

Performance Overview
Alumasc's interim results reflect an improving overall performance, moderated by one of the coldest ever starts to winter in the UK.

The group entered the second half year with order books of £42.1 million, almost 60% ahead of the low point at 31 December 2009, mainly driven by Alumasc Precision, the group's principal engineering products business.

Alumasc Precision has continued to benefit from a rapid recovery in global demand following the recession. This was boosted by a significant new export contract win in October for a complex suite of engine transmission components.

Whilst recovery in the UK construction market is still awaited and was disrupted by the extreme early winter weather, Alumasc has continued to invest in the development of UK and export markets for its sustainable building products.

Overall, first half group revenues advanced by 17% to £52.0 million, driven mainly by improved demand at Alumasc Precision where momentum has continued into the second half of the year. Group operating margins were affected by business mix, with demand for higher margin sustainable building products still relatively low following the recession. These two factors produced a 12% improvement in half year underlying[1] group profit before tax to £2.1 million. After charging restructuring and brand amortisation costs, which were similar to the same period last year, reported profit before tax advanced by 13% to £1.8 million.

Encouragingly, underlying profit growth was in line with revenue growth prior to the extreme weather.

Underlying[1] earnings per share were 4.1 pence (2009: 3.6 pence) and basic earnings per share improved to 3.5 pence (2009: 3.1 pence).

The Board has decided to declare an unchanged interim dividend of 3.25 pence per share, which will be paid on 8 April to shareholders on the register at the close of business on 11 March 2011.

Building Products Division
Divisional revenues for the period were £33.8 million, an increase of 2% compared with the first half of last year. Underlying[1] operating profit was 39% down at £2.1 million, in the main reflecting lower levels of activity in the commercial new build market, where margins in the first quarter of the prior year had been strong as large projects, funded prior to the credit crunch, completed. In addition, divisional overhead costs were a little higher than one year ago due to investment in sales and marketing resources to develop export sales to North America, the Middle East and Europe.

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, described further below, continued during the period and the improvement in the order book seen at the beginning of this financial year, including a major project at Chiswick Park in London, should benefit performance in the second half. Although work on large external shading projects for new commercial buildings was at a lower level than in the same period last year, refurbishment project sales for internal blinds were more resilient.

Roofing sales benefited from a handful of larger projects on industrial buildings when compared to a year ago, although these were at keen margins in a very competitive marketplace. Exterior wall insulation activities experienced a slower first half as the result of delays to a number of projects , including the next phase of a major social housing project in Glasgow and others within the M62 corridor. This work is now commencing and should benefit the second half.

Demand for products that assist in managing the use of water in the built environment continued to be relatively resilient, benefiting from sales into the infrastructure and refurbishment market sectors, whilst demand for house building products continued to show steady improvement. Encouragingly, a higher proportion of construction product sales were to international markets, particularly the Middle East and Europe.

Engineering Products Division
Alumasc Precision continued to build strongly on the recovery from recession which began in the second half of last year. UK and international demand across all end user markets rebounded strongly, reflecting improved underlying demand, greater use of light-weight, recyclable aluminium engine components for new generation diesel engines, market share gains and re-stocking. In addition, Alumasc Precision is successfully leveraging its long-standing expertise in low pressure die-casting and machining in order to win new work for larger engine transmission systems, so far adding around £2 million to annualised sales.

[1] Underlying profits and earnings per share are calculated prior to deducting restructuring costs of £0.1 million and brand amortisation charges of £0.2 million in each of the half years to 31 December 2009 and 2010.

[2] Interest cover is calculated by dividing underlying operating profit by the net finance expense relating to bank borrowings.

Alumasc's interim results reflect an improving overall performance, moderated by one of the coldest ever starts to winter in the UK. First half revenues advanced by 17% to £52.0 million, driven mainly by improved demand at Alumasc Precision and underlying profit before tax for the half year was 12% ahead at £2.1 million.

Paul Hooper Chief Executive

Alumasc Precision's first-half revenues improved by almost 80% to £16.4 million, enabling a strong turn-around from a small operating loss reported in the first six months of last year to a profit of £1.3 million this half year.

Alumasc Dispense continued to experience difficult trading conditions, albeit improved on a year ago, and reported a small operating loss in the six months to December 2010.

Cash flow, pensions and balance sheet
In line with expectations, the group experienced a net outflow of cash of £2.6 million in the first half year, reflecting higher working capital requirements in line with the increase in revenues, and the payment of the prior year's final dividend of £2.4 million at the end of October. Consequently, group net debt increased from £9.3 million at 30 June to £11.9 million at 31 December 2010, utilising 60% of committed borrowing facilities. Group interest cover[2] improved from 7.7 times twelve months ago to 9.0 times, reflecting improved operating profits and a lower net finance expense.

Working capital and capital expenditure requirements continue to be closely controlled, with average trade working capital as a percentage of annual sales decreasing from 18% to 15% in the twelve months to December 2010.

As anticipated, following a substantial reduction in the pension deficit over the last three years, agreement was reached with the Pension Trustees to reduce cash contributions from £3.4 million per annum to an average of £2.3 million per annum, effective from September 2010. Measured on an IAS19 basis there was a further significant improvement in the pre-tax pension deficit from £11.6 million at 30 June to £5.4 million at 31 December 2010, arising mainly from company contributions and a good investment performance, which increased scheme assets.

Capital expenditure was £0.8 million in the six month period, some £0.5 million below depreciation and non-brand amortisation costs.

Other than working capital, group borrowings and pensions, described above, there were no significant changes to the group's balance sheet at 31 December 2010 compared to the prior year end. The reduced pension deficit enabled shareholders' equity to grow from £27.7 million at 30 June to £30.1 million at 31 December 2010. Gearing at the half year end was 40%.

Business Development
The group continues to develop international markets for certain of its brands with particular focus on growing export sales of Levolux's solar shading systems in North America and the Middle East, Gatic Slotdrain in the USA, and Alumasc Precision's products in the USA, Europe and the Far East. Levolux has extended its network of sales representatives and further strengthened relationships with major architects, specifiers and installers in recent months. Specifications for projects in North America have almost doubled in value over the last six months to around US$5 million, and orders of US$300,000 were won in January alone. This is expected to benefit future financial years. Importantly, Gatic recently won its first order to supply an airport in the USA, a key market segment being targeted. Alumasc Precision is starting to see significant UK and international opportunities with the potential for further sustainable sales growth over the medium term.

Over the last six months, the management of the group's roofing, walling, rainwater and drainage businesses has been restructured with a greater emphasis on driving sales growth, marketing and innovation. As a result, management teams are now in place to optimise the strong market positions and branding that characterise each of our business segments.

Outlook
The Board expects that financial performance in the second half of the year will benefit from the continuing resurgence at Alumasc Precision, improved revenues from solar shading activities supported by the large Chiswick Park contract, and the normal seasonal bias in favour of the second half.

Whilst the Board remains cautious about short term prospects for the UK construction market, it has increasing confidence that the exciting new product and export market development initiatives in both the Building Products division and at Alumasc Precision, together with the group's strong balance sheet and strategic positioning in sustainable building product niches, will enable Alumasc to leverage the steady anticipated economic recovery beyond the current financial year.

Paul Hooper
Chief Executive
3 February 2011

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year to 31 December 2010

	Notes	Half year to 31 December 2010			Half year to 31 December 2009			Year to 30 June 2010
		Before non-recurring items and brand amortisation (Unaudited) £000	**Non-recurring items and brand amortisation (Unaudited) £000**	**Total (Unaudited) £000**	Before non-recurring items and brand amortisation (Unaudited) £000	Non-recurring items and brand amortisation (Unaudited) £000	Total (Unaudited) £000	Total (Audited) £000
Revenue	4	**51,974**	**–**	**51,974**	44,463	–	44,463	92,972
Cost of sales		**(37,626)**	**–**	**(37,626)**	(30,473)	–	(30,473)	(62,573)
Gross profit		**14,348**	**–**	**14,348**	13,990	–	13,990	30,399
Net operating expenses								
Net operating expenses before non-recurring items and brand amortisation		**(11,536)**	**–**	**(11,536)**	(11,254)	–	(11,254)	(24,754)
Brand amortisation	5	**–**	**(160)**	**(160)**	–	(156)	(156)	(315)
Restructuring costs	5	**–**	**(104)**	**(104)**	–	(102)	(102)	(368)
Operating profit	4	**2,812**	**(264)**	**2,548**	2,736	(258)	2,478	4,962
Finance income		**1,958**	**–**	**1,958**	1,985	–	1,985	3,926
Finance expenses		**(2,667)**	**–**	**(2,667)**	(2,838)	–	(2,838)	(5,510)
Profit before taxation		**2,103**	**(264)**	**1,839**	1,883	(258)	1,625	3,378
Tax expense	6	**(639)**	**36**	**(603)**	(571)	72	(499)	(1,138)
Profit for the period		**1,464**	**(228)**	**1,236**	1,312	(186)	1,126	2,240
Other comprehensive income								
Gains/(losses) recognised directly in equity:								
Actuarial gain/(loss) on defined benefit pensions				**4,812**			3,051	(2,058)
Effective portion of changes in fair value of cash flow hedges				**143**			(8)	(79)
Exchange differences on retranslation of foreign operations				**(6)**			(3)	12
Tax on items taken directly to or transferred from equity				**(1,432)**			(854)	598
Other comprehensive income for the period, net of tax				**3,517**			2,186	(1,527)
Total comprehensive income for the period, net of tax				**4,753**			3,312	713
Total comprehensive income for the period attributable to:								
Equity holders of the parent				**4,753**			3,312	703
Non-controlling interest				**–**			–	10
				4,753			3,312	713
				Pence			Pence	Pence
Earnings per share								
– Basic	9			**3.5**			3.1	6.2
– Diluted	9			**3.4**			3.1	6.2

Condensed Consolidated Interim Statement of Financial Position

At 31 December 2010

	31 December 2010 (Unaudited) £000	31 December 2009 (Unaudited) £000	30 June 2010 (Audited) £000
Assets			
Non-current assets			
Property, plant and equipment	**14,900**	15,776	15,131
Goodwill	**16,888**	16,888	16,888
Other intangible assets	**3,705**	4,281	4,003
Financial asset investments	**17**	17	17
Deferred tax assets	**1,447**	2,206	3,255
	36,957	39,168	39,294
Current assets			
Inventories	**13,670**	12,454	11,649
Biological assets	**468**	450	372
Trade and other receivables	**20,231**	16,448	21,280
Cash and cash equivalents	**4,887**	5,700	5,622
Income tax receivable	**–**	–	35
Derivative financial assets	**1**	17	1
	39,257	35,069	38,959
Total assets	**76,214**	74,237	78,253
Liabilities			
Non-current liabilities			
Bank overdraft	**(1,850)**	–	–
Interest bearing loans and borrowings	**(14,955)**	(14,923)	(14,939)
Employee benefits payable	**(5,359)**	(7,878)	(11,626)
Provisions	**(361)**	(564)	(339)
Deferred tax liabilities	**(1,638)**	(1,638)	(1,853)
	(24,163)	(25,003)	(28,757)
Current liabilities			
Interest bearing loans and borrowings	**–**	(3)	–
Trade and other payables	**(21,098)**	(16,608)	(20,967)
Provisions	**(159)**	(96)	(213)
Income tax payable	**(311)**	(324)	–
Derivative financial liabilities	**(397)**	(468)	(540)
	(21,965)	(17,499)	(21,720)
Total liabilities	**(46,128)**	(42,502)	(50,477)
Net assets	**30,086**	31,735	27,776
Equity			
Called up share capital	**4,517**	4,517	4,517
Share premium	**445**	452	445
Capital reserve – own shares	**(369)**	(178)	(369)
Hedging reserve	**(290)**	(340)	(389)
Foreign currency reserve	**39**	34	45
Profit and loss account reserve	**25,744**	27,217	23,494
Equity attributable to equity holders of the parent	**30,086**	31,702	27,743
Non-controlling interest	**–**	33	33
Total equity	**30,086**	31,735	27,776

Condensed Consolidated Interim Statement of Cash Flows

For the half year to 31 December 2010

	Half year to 31 December 2010 (Unaudited) £000	Half year to 31 December 2009 (Unaudited) £000	Year to 30 June 2010 (Audited) £000
Operating activities			
Operating profit	**2,548**	2,478	4,962
Adjustments for:			
Depreciation	**1,079**	1,282	2,402
Amortisation	**392**	357	729
(Gain)/loss on disposal of property, plant and equipment	**(19)**	(5)	3
(Increase)/decrease in inventories	**(2,021)**	70	876
Increase in biological assets	**(96)**	(109)	(31)
Decrease/(increase) in receivables	**1,049**	3,026	(1,805)
(Decrease)/increase in trade and other payables	**(39)**	(1,049)	3,323
Movement in provisions	**(33)**	161	53
Movement in retirement benefit obligations	**(1,849)**	(2,079)	(3,844)
Share based payments	**22**	24	44
Cash generated from operations	**1,033**	4,156	6,712
Tax (paid)/repaid	**(96)**	165	(219)
Net cash inflow from operating activities	**937**	4,321	6,493
Investing activities			
Purchase of property, plant and equipment	**(584)**	(377)	(707)
Payments to acquire intangible fixed assets	**(148)**	(100)	(139)
Proceeds from sales of property, plant and equipment	**19**	28	36
Acquisition of subsidiary undertakings	**(99)**	–	(200)
Interest received	**12**	17	22
Net cash outflow from investing activities	**(800)**	(432)	(988)
Financing activities			
Interest paid	**(300)**	(348)	(663)
Equity dividends paid	**(2,416)**	(2,430)	(3,602)
Equity dividends paid to non-controlling interests	**–**	–	(10)
Draw down of borrowings	**–**	4,997	4,994
Purchase of own shares	**–**	–	(191)
Repayment of refund of share issue costs	**–**	–	(7)
Net cash (outflow)/inflow from financing activities	**(2,716)**	2,219	521
Net (decrease)/increase in cash and cash equivalents	**(2,579)**	6,108	6,026
Cash and cash equivalents at beginning of period	**5,622**	(405)	(405)
Net (decrease)/increase in cash and cash equivalents	**(2,579)**	6,108	6,026
Effect of foreign exchange rate changes	**(6)**	(3)	1
Cash and cash equivalents at end of period	**3,037**	5,700	5,622
Cash and cash equivalents comprise:			
Cash and short term deposits	**4,887**	5,700	5,622
Bank overdrafts	**(1,850)**	–	–
	3,037	5,700	5,622

Consolidated Statement of Changes in Equity

For the half year to 31 December 2010

	Share capital £000	Share premium £000	Capital reserve – own shares £000	Hedging reserve £000	Foreign currency reserve £000	Profit and loss account reserve £000	Total £000	Non-controlling interest £000	Total equity £000
At 1 July 2010	**4,517**	**445**	**(369)**	**(389)**	**45**	**23,494**	**27,743**	**33**	**27,776**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,236**	**1,236**	**–**	**1,236**
Exchange differences on retranslation of foreign operations	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**	**–**	**(6)**
Net gain on cash flow hedges	**–**	**–**	**–**	**143**	**–**	**–**	**143**	**–**	**143**
Tax on derivative financial liability	**–**	**–**	**–**	**(44)**	**–**	**–**	**(44)**	**–**	**(44)**
Actuarial gain on defined benefit pensions, net of tax	**–**	**–**	**–**	**–**	**–**	**3,424**	**3,424**	**–**	**3,424**
Acquisition of minority interest	**–**	**–**	**–**	**–**	**–**	**(16)**	**(16)**	**(33)**	**(49)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(2,416)**	**(2,416)**	**–**	**(2,416)**
Share based payments	**–**	**–**	**–**	**–**	**–**	**22**	**22**	**–**	**22**
At 31 December 2010	**4,517**	**445**	**(369)**	**(290)**	**39**	**25,744**	**30,086**	**–**	**30,086**

	Share capital £000	Share premium £000	Capital reserve – own shares £000	Hedging reserve £000	Foreign currency reserve £000	Profit and loss account reserve £000	Total £000	Non-controlling interest £000	Total equity £000
At 1 July 2009	4,517	452	(178)	(332)	37	26,300	30,796	33	30,829
Profit for the period	–	–	–	–	–	1,126	1,126	–	1,126
Exchange differences on retranslation of foreign operations	–	–	–	–	(3)	–	(3)	–	(3)
Net loss on cash flow hedges	–	–	–	(8)	–	–	(8)	–	(8)
Actuarial gain on defined benefit pensions, net of tax	–	–	–	–	–	2,197	2,197	–	2,197
Dividends	–	–	–	–	–	(2,430)	(2,430)	–	(2,430)
Share based payments	–	–	–	–	–	24	24	–	24
At 31 December 2009	4,517	452	(178)	(340)	34	27,217	31,702	33	31,735

Notes to the Condensed Consolidated Interim Financial Statements

For the half year to 31 December 2010

1 Basis of preparation

The condensed consolidated interim financial statements of The Alumasc Group plc and its subsidiaries have been prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the European Union, that are effective at 31 December 2010.

The condensed consolidated interim financial statements have been prepared using the accounting policies set out in the statutory accounts for the financial year to 30 June 2010 and in accordance with IAS 34 "Interim Financial Reporting".

The consolidated financial statements of the group as at and for the year ended 30 June 2010 are available on request from the company's registered office at Burton Latimer, Kettering, Northants, NN15 5JP or at the website www.alumasc.co.uk.

The comparative figures for the financial year ended 30 June 2010 are not the company's statutory accounts for that financial year but have been extracted from these accounts. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the half year ended 31 December 2010 are not statutory accounts and have been neither audited nor reviewed by the group's auditors. They do not contain all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 30 June 2010.

These condensed consolidated interim financial statements were approved by the Board of Directors on 3 February 2011.

2 Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2010.

During the six months ended 31 December 2010, management reassessed and updated its estimates in respect of retirement benefit obligations based on market data available at 31 December 2010 and also taking into account the government's decision to move from RPI to CPI as an inflationary measure for determining the minimum pension increases to be applied to the statutory index-linked features of retirement benefits. When combined, all these factors resulted in a £4.8 million pre-tax actuarial gain in the six month period to 31 December 2010.

3 Risks and uncertainties

A summary of the group's principal risks and uncertainties was provided on pages 25 and 26 of Alumasc's Report and Accounts 2010. The Board considers these risks and uncertainties remain relevant to the current financial year.

4 Segmental analysis

Half year to 31 December 2010 (Unaudited)

	Revenue External £000	Revenue Inter-segment £000	Revenue Total £000	Segmental Operating Result £000
Solar Shading	7,784	–	7,784	198
Roofing & Walling	9,791	–	9,791	148
Energy Management	**17,575**	**–**	**17,575**	**346**
Construction Products	6,132	–	6,132	864
Rainwater, Drainage & Other	10,056	43	10,099	928
Water Management & Other	**16,188**	**43**	**16,231**	**1,792**
Building Products	**33,763**	**43**	**33,806**	**2,138**
Alumasc Precision	15,858	584	16,442	1,312
Alumasc Dispense	2,353	–	2,353	(57)
Engineering Products	**18,211**	**584**	**18,795**	**1,255**
Elimination/Unallocated costs	–	(627)	(627)	(581)
Total	**51,974**	**–**	**51,974**	**2,812**

	£000
Segmental result	2,812
Brand amortisation	(160)
Restructuring costs	(104)
Total operating profit	**2,548**

Half year to 31 December 2009 (Unaudited)

	Revenue External £000	Revenue Inter-segment £000	Revenue Total £000	Segmental Operating Result £000
Solar Shading	9,197	–	9,197	1,280
Roofing & Walling	8,394	35	8,429	285
Energy Management	**17,591**	**35**	**17,626**	**1,565**
Construction Products	6,085	–	6,085	1,267
Rainwater, Drainage & Other	9,582	–	9,582	681
Water Management & Other	**15,667**	**–**	**15,667**	**1,948**
Building Products	**33,258**	**35**	**33,293**	**3,513**
Alumasc Precision	8,692	473	9,165	(87)
Alumasc Dispense	2,513	–	2,513	(174)
Engineering Products	**11,205**	**473**	**11,678**	**(261)**
Elimination/Unallocated costs	–	(508)	(508)	(516)
Total	**44,463**	**–**	**44,463**	**2,736**

	£000
Segmental result	2,736
Brand amortisation	(156)
Restructuring costs	(102)
Total operating profit	**2,478**

Notes to the Condensed Consolidated Interim Financial Statements

For the half year to 31 December 2010

4 Segmental analysis (continued)

Full year to 30 June 2010 (Audited)

	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
Alumasc Dispense	5,484	–	5,484	(50)
Engineering Products	**28,533**	**905**	**29,438**	**1,261**
Elimination/Unallocated costs	–	(994)	(994)	(967)
Total	**92,972**	**–**	**92,972**	**5,645**

	£000
Segmental result	5,645
Brand amortisation	(315)
Restructuring costs	(368)
Total operating profit	**4,962**

5 Non-recurring items and amortisation

	Half year to 31 December 2010 (Unaudited) £000	Half year to 31 December 2009 (Unaudited) £000	Year to 30 June 2010 (Audited) £000
Brand amortisation	**160**	156	315
Restructuring costs	**104**	102	368
	264	258	683

Restructuring costs relate to restructuring and redundancy costs in all periods, including costs associated with the closure of the Alumasc Group Pension Scheme during 2009/10.

6 Tax expense

	Half year to 31 December 2010 (Unaudited) £000	Half year to 31 December 2009 (Unaudited) £000	Year to 30 June 2010 (Audited) £000
Current tax:			
UK corporation tax	**404**	320	399
Amounts under/(over) provided in previous years	**37**	–	(53)
Total current tax	**441**	320	346
Deferred tax:			
Origination and reversal of timing differences	**162**	179	645
Tax underprovided in previous years	**–**	–	147
Total deferred tax	**162**	179	792
Total tax expense	**603**	499	1,138
Tax recognised in other comprehensive income:			
Deferred tax:			
Actuarial gains/(losses) on pension schemes	**1,388**	854	(576)
Cash flow hedge	**44**	–	(22)
Tax charged/(credited) to other comprehensive income	**1,432**	854	(598)
Total tax charge in the statement of comprehensive income	**2,035**	1,353	540

7 Dividends

The directors have approved an interim dividend per share of 3.25p (2009: 3.25p) which will be paid on 8 April 2011 to shareholders on the register at the close of business on 11 March 2011. The cash cost of the dividend is expected to be £1.2 million. In accordance with IFRS accounting requirements, as the dividend was approved after the balance sheet date, it has not been accrued in the interim consolidated financial statements. A final dividend per share of 6.75p in respect of the 2009/10 financial year was paid at a cash cost of £2.4 million during the period.

8 Share based payments

During the period, the group awarded 140,000 (2009: 140,000) options under the Executive Share Option Plan ("ESOP"). These options have an exercise price of £1.15 and require certain criteria to be fulfilled before vesting. 28,000 (2009: 18,000) existing ESOP options lapsed during the period.

Total awards granted under the group's Long Term Incentive Plans ("LTIP") amounted to 342,391 (2009: 316,781). These awards have no exercise price but are dependent on certain vesting criteria being met. 105,217 (2009: 126,757) existing LTIP awards lapsed during the period.

Notes to the Condensed Consolidated Interim Financial Statements

For the half year to 31 December 2010

9 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

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

	Half year to 31 December 2010 (Unaudited) £000	Half year to 31 December 2009 (Unaudited) £000	Year to 30 June 2010 (Audited) £000
Profit for the period attributable to equity holders of the parent	**1,236**	1,126	2,234

	Half year to 31 December 2010 (Unaudited) £000	Half year to 31 December 2009 (Unaudited) £000	Year to 30 June 2010 (Audited) £000
Basic weighted average number of shares	**35,798**	35,998	35,918
Dilutive potential ordinary shares	**306**	–	95
Diluted weighted average number of shares	**36,104**	35,998	36,013

Reconciliation of reported profit before taxation to underlying profit before taxation and underlying earnings per share:

	Half year to 31 December 2010 (Unaudited) £000	Half year to 31 December 2009 (Unaudited) £000	Year to 30 June 2010 (Audited) £000
Reported profit before taxation	**1,839**	1,625	3,378
Add: brand amortisation	**160**	156	315
Add: restructuring costs	**104**	102	368
Underlying profit before taxation	**2,103**	1,883	4,061
Tax at underlying group tax rate of 30.4% (2009: 30.3%; 2009/10: 30.4%)	**(639)**	(571)	(1,235)
Underlying earnings	**1,464**	1,312	2,826
Underlying earnings per share	**4.1p**	3.6p	7.9p

For the year to 30 June 2010, £6,000 of the £2,240,000 profit for the year was attributable to non-controlling interests. For the same period, an exchange gain of £4,000 arose on the non-controlling interest element of the retranslation of foreign operations, generating a total comprehensive income attributable to non-controlling interests for the year of £10,000.

10 Related party disclosure

The group has a related party relationship with its directors and with the UK pension schemes. There has been no material change in the nature of the related party transactions described in the Report and Accounts 2010. Related party information is disclosed in note 30 of that document.

Responsibility Statement

The Directors confirm that, to the best of their knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU; and

b) The interim management report includes a fair review of the information required by:
- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

G P Hooper	**A Magson**
Chief Executive	Group Finance Director

The Alumasc Group – Major Brands and Operating Locations

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Energy Management

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Combe St. Nicholas
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Water Management & Other

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