8 September 2020

IMMEDIATE RELEASE

THE ALUMASC GROUP PLC

(“ALUMASC”)

FULL YEAR RESULTS ANNOUNCEMENT

RESILIENT PERFORMANCE DELIVERS RETURN TO DIVIDEND PAYMENTS

Alumasc (ALU.L), the premium sustainable building products, systems and solutions Group, announces results for the year ended 30 June 2020.

Commenting on the results reported today, Paul Hooper, Chief Executive, said:

“The Group responded quickly to the COVID-19 outbreak to protect the business, its employees and all our stakeholders. The result of this swift action led to the Group reporting a strong recovery from June onwards, with July 2020 being a record performance for the month and August 2020 performance also being very strong at both revenue and profits level. Management remains appropriately cautious given the limited visibility as to how the wider economic situation will evolve but is cautiously confident in its ability to deliver operationally in the uncertain macroeconomic climate.”

Financial Highlights: Strong cash generation

- Group revenues £76.0m (2018/19: £90.1m) reflecting the impact of COVID-19 on the final quarter
- Underlying* PBT £3.7m (2018/19: £5.6m), also reflecting the impact of COVID-19
- Group's underlying* operating margins reduced from 6.5% to 5.5% representing a creditable result against such a sharp decline in revenue
- Underlying* earnings per share 8.2p (2018/19:12.4p)
- Final dividend of 2 pence per share (2018/19: 4.4 pence) – return to dividend payments reflects the Group’s resilience, strong cash position and underlying strength
- Focus on cash management has resulted in a lower level of net bank debt of £4.3 million (30 June 2019: £5.1 million).

Operational Highlights: Well positioned post COVID-19

- Water management division delivered an exceptional performance with higher profits than the prior year as a result of a strong portfolio management and cost reductions
- Building envelope division successfully restructured Levolux taking significant cost out of the business, Roofing enters new financial year with a significant order book and strong sales
- Housebuilding products saw a strong performance including many product leaders in H1 until the well documented slow down as a result of COVID-19; business well positioned in current financial year due to latent housebuilding demand
- Total annualised cost savings of £2.4m achieved in the year versus a target of £2.0m with the move from ten properties to six and targeted cost reductions.

Outlook:

- Looking ahead the Board is cautiously optimistic given the strong start to the new financial year across the Group. The Board believes that Alumasc's strong strategic and market positions, which underpin its established track record over many years of outperforming the UK construction market, will enable the Group to deliver solid returns in the medium term.

*A summary of non-underlying items and a reconciliation to reported operating profit and profit before tax is provided in note 5

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Notes to Editors:

Alumasc is a UK-based supplier of premium sustainable building products, systems and solutions. Almost 80% of group sales are driven by building regulations and specifications (architects and structural engineers) because of the performance characteristics offered.

The Group has three business segments with strong positions and brands in their individual markets. The three segments are: Water Management; Building Envelope; and Housebuilding Products.

Strategic Report

Chairman's Statement

Build Back Better **Build Back Greener** **Build Back Faster**

These words, deployed by the Prime Minister on 30 June 2020 as a central theme to his New Deal for the Nation, might have been devised as a strapline for Alumasc.

Summary

The wide range of actions taken in recent years to reposition Alumasc as a supplier of sustainable building products from a tighter, service oriented operating base, was proceeding well in the first 8 months of the past financial year: the assimilation of Wade, the restructuring of operations, the cost reduction programme, product innovation, corporate simplification, relisting on AIM, were all making good progress when the unforeseen asteroid of COVID-19 struck us all in the Spring of this year.

The Construction Industry was affected as severely as most, with widespread closures in response to the Government's lockdown request in March and minimal activity on sites that were able to remain open despite the blanket call.

Fortunately, Alumasc was already well advanced in a well-publicised programme to reduce its cost base by £2 million per annum but responded swiftly to combat this unprecedented threat, temporarily closing several of its businesses and requiring the large majority of employees either to work from home or to furlough pending developments. Action to conserve cash included an intense focus on debt collection and working capital controls more generally, the deferral of VAT payments and the cancellation of the interim dividend that would otherwise have been paid in April 2020.

The result of this broad range of policy and mitigation actions has been outstanding: The loss of £14 million of revenues, mainly as a direct result of retrenchment by the industry in the face of COVID-19, resulted in a year on year fall of £1.4 million in trading profit, confirming the effectiveness of the reduction in the cost base and the squeeze on discretionary expenditure that followed; and the Group's net bank borrowings of £4.3 million at 30 June 2020, against total facilities of £24 million, were £0.8 million lower than at the previous year end.

While disappointing given our expectations after the first 8 months of the year, this is a highly creditable and reassuring outcome in the circumstances.

The encouraging news is that by May, there were signs that the industry was keen to resume activity within the health guidelines being applied and, by the end of June, all construction sites were again active and Alumasc operations fully operational.

While it is impossible for COVID-19 not to take centre stage in any report on the past 12 months, the long term redirecting of Alumasc towards the supply of premium, sustainable building products proceeds methodically and with considerable effect. We remain genuinely excited at the prospects for our Group and its positioning in the sustainable environment that continues to evolve.

The year under review

This year more than most, I refer you to the Chief Executive's report that follows for a detailed review of our activities.

I would like to highlight just three achievements which have relevance for the future: firstly, the significant reduction in our cost base which underpins future performance without diminishing opportunity. Secondly, the continuing drive towards sustainable operations and a sustainable, or "green", product range. Thirdly, the immediate and determined response by all our employees, for which I unhesitatingly offer the gratitude of all stakeholders, in the face of an existential threat.

Not only have we come through that test but we have done so in a manner that demonstrates our resilience and our strengths and enables the Board to recommend a return to dividend payments in respect of the full year. The Board is recommending a final dividend payment in respect of the Financial Year ending on 30 June 2020 of 2p per share (2019: 4.4p), making a total for the year of 2p per share (2019: 7.35p), payable to shareholders on the Register on 25 September 2020.

Strategic Developments

Fortunately as it turned out, the focus of the past year was always to be on the delivery of results from previous policy and actions. Hence, there were no major projects that might have diverted from the total commitment required to counter COVID-19.

It would be wrong, however, to downplay the progress towards outperformance and sustainability, our twin strategic goals, now solidly embedded in in our strategy, business model and year on year targets.

Corporate Actions

Following the high activity level of recent years, the only Corporate Action of significance in the year took place in April with the reset of the Group's capital base for the purpose of greater flexibility. Shareholders voted overwhelmingly in favour of this action, with 99.9% of votes cast in favour.

The Boardroom

The appointment of two Non-executive Directors earlier in 2019 was followed by the appointment of two Executives as Directors in September 2019 and we thank Gilbert Jackson and Michael Leaf for their contribution and support in a turbulent first year.

In February this year, Andrew Magson, our long-serving Finance Director, notified his intention to leave Alumasc to develop the next stage of his career outside the Group and the exercise to fill this vacancy is well advanced, with a shortlist established. When the imposition of COVID-19 controls inevitably interrupted this process, we swiftly moved to provide full and effective cover and support to the Finance team, in particular through the input of Vijay Thakrar, our Non-Executive Director with 33 years experience in major accounting firms, 22 years as a Partner. While this is no long term solution, we are fortunate to have been able to draw on Vijay's ideal experience and background to assist in these unusual circumstances.

Prospects

Managing the unpredicted and unpredictable effects of the COVID-19 pandemic has required a combination of very short term – daily almost – assessment of market conditions, up and down, with a firm eye on longer term and, hopefully, more permanent goals. While some things will undoubtedly change for ever, greater investment in many of the projects targeted by Alumasc – schools, hospitals, prisons, infrastructure - is seen both as part of the solution to the *"problem*" and as meriting much greater emphasis in their own right. This can only encourage the Board to believe that the changes of recent years have been right for Alumasc and will position it well in coming years.

John McCall
Chairman

Chief Executive's Review

Financial Highlights and Overview

	2019/20	2018/19	% change
Group performance:			
Revenue (£m) *	76.0	90.1	-16%
Underlying profit before tax (£m) *	3.7	5.6	-34%
Statutory profit before tax (£m)	2.7	3.9	-31%
Underlying earnings per share (pence) *	8.2	12.4	-34%
Basic earnings per share (pence)	6.3	10.1	-38%
Dividends per share (pence)	2.0	7.35	-73%

* Revenue and profit from continuing operations excludes the revenues and profits of Alumasc Facades prior to its disposal on 31 October 2018 and its classification as a discontinued operation and a non-underlying item. A reconciliation of underlying to statutory profit before tax is provided in note 5 to the Group financial statements.

In recent years, the Alumasc strategy has been to re-position the Group to become a dedicated supplier of premium building products to the UK construction industry, while actively seeking opportunities to grow internationally. Simultaneously, the Group has built on its strengths as a supplier of sustainable systems and products and has delivered substantial operational efficiencies. For instance, it achieved its stated objectives during the year to move from ten operating sites to six. Total annualised cost savings of £2.4 million were achieved in the year versus an original target of £2.0 million.

In line with other businesses Alumasc was affected by COVID-19, particularly in April and May during lockdown. Nevertheless, the Group is pleased to report a strong recovery from June onwards so far, with July 2020 being a record for the month and August 2020 trading also very strong. However, management remains appropriately cautious given the limited visibility as to how the wider economic situation will evolve and with the potential for a second wave of COVID-19.

Overview of performance

Alumasc's performance for the year was resilient against the difficult backdrop that included the run up to the December general election. Our second half year was severely impacted by the COVID-19 pandemic and subsequent lockdown from 23 March 2020, with immediate impact on all of our operations in some form. Further detail is provided in the separate COVID-19 section. While our newly formed Building Envelope division suffered a loss in the year when Levolux was significantly restructured, it is encouraging to report that, despite the impact of COVID-19, it returned to profit in the final two months.

The star performer in the year was the Water Management Division (AWMS), delivering a higher profit than the prior year even despite the lockdown. This is testament to several factors, including the strength of its brand and quality of its sustainable systems in the market place, and the excellent technical support given to customers. The business also took swift action to ensure that adequate pricing was achieved commensurate with the trading environment. Simultaneously, unprofitable products were withdrawn and significant cost savings were made which were further enhanced by ongoing synergies achieved from the integration of Wade, acquired in January 2018. Not only has the product range been enhanced but the spare capacity in AWMS Wade (Halstead) allowed for Slotdrain manufacturing to be moved from rented facilities in Dover to the Alumasc owned Halstead facility. The overall cost savings are estimated to be circa £0.9 million. In addition, other savings were made across the division. Throughout the lockdown, our specialist drainage and rainwater distributor, Rainclear, stayed operational, taking significant market share. Pleasingly, its online business grew by 64%.

Our Housebuilding Products division also performed at record levels up until the lockdown and succeeded in launching several new products into its industry leading service model.

Strategy and performance against strategic objectives

Alumasc's strategy is to:

1. Build leading positions in specialist markets to grow revenues faster than the UK construction market

The impact of COVID-19 makes any analysis of the most recent year unreliable when compared with the consistent outperformance of the previous years.

2. Augment UK revenue growth through the development of selected export markets

Compared to the prior year in which export revenues were 10% of Group revenues, during the year under review, export revenue accelerated to become 15% of Group revenue. Increased export investment in both Sales and Marketing for AWMS (Gatic and Wade) grew export sales for this business and the year-end export order book for AWMS stood at £4.8 million (versus £1.0 million in the prior year). Included in this was the win of this division's largest ever export order for Gatic at Hong Kong Chek Lap Kok's third runway.

Meanwhile, Levolux accelerated its export revenue by 14% and grew its year end export order book by 7% to £3.5 million. At the end of the final quarter, an experienced US Senior VP of Sales has been appointed in the USA. We anticipate good further growth in the USA from this development.

3. Grow profit at a faster rate than revenue by improving operating margins

The Group's underlying operating margins reduced from 6.5% to 5.5%, representing a creditable result against such a sharp decline in revenue. Prior to the lockdown on 23 March, the Group was close to achieving its stated objective to improve its operating margin by around 2 percentage points, having at that stage improved by 1.8 percentage points year to date at the end of February 2020. The targeted cost savings plans of £2.0 million announced a year ago were exceeded with circa £2.4 million cost savings actually delivered, underpinning the Group's performance prior and subsequent to lockdown.

Executing our priorities in FY2020

Management accelerated the pace of strategic development during its 2020 financial year:

1. Levolux business improvement plan

The objective of this plan was to return Levolux to sustainable profit. At the end of the prior year the Board announced a refocus of the business to those areas where it could clearly differentiate and add most value to customers and therefore shareholders. This included concentration on developing the more profitable areas of the business, simplifying operational delivery and reducing risk. The key elements have been:

• Integrated sales approach. Incorporate Levolux solar shading, screening and balconies as major constituents in a new “Alumasc Building Envelope” division, providing integrated solutions for developers and specifiers seeking high quality roofing and walling systems. A new, collaborative divisional sales approach increases Levolux’s existing market reach and leverages existing strong customer relationships.

This objective is being achieved and examples where the 'cross-sell' and single expert service has been welcomed by specifiers and clients are growing. This has been particularly apparent in the second half year as the new concept developed;

• Leverage core strengths. Focus on design and supply activities as is the case in the rest of the Alumasc Group. In-house installation will only be offered where this service is particularly valuable to customers and Levolux. The expectation over time is that this will improve margin mix and enhance profit margins.

This objective is being achieved, particularly in the second half of the year with the order book strengthening for supply only projects.

• Export opportunities. Invest in local technical sales resources to accelerate growth in the profitable Levolux business in North America. Current revenues in this market are circa £3.0 million per annum.

This objective was achieved with a US-based Senior VP appointed in the final quarter of the year.

• Reduce overhead. We announced a significant restructuring of the existing Levolux operational and overhead cost base, with fixed cost savings of £1.0 million targeted in the Group's 2019/20 financial year, and further significant annualised savings expected in 2020/21. This includes the relocation of sites.

The above was achieved with year on year savings of £1.8 million being achieved, significantly ahead of the target. In addition, Levolux moved out of its two leasehold facilities into the Alumasc freehold facility in St Helens. Alumasc continues to believe that Levolux, as part of the Building Envelope division, has a great future potential and continues to be one of the Group's strongest brands.

2. Develop further opportunities for specification cross selling

There remains a significant future opportunity for the Group from offering an integrated "Building Envelope" of exterior building products facilitating the integration of walling, roofing, balconies, solar shading and integrated aluminium detailing. This not only provides a full external envelope solution but also mitigates both client's and contractor's risks by ensuring that the horizontal and vertical planes are detailed to remove tolerance and interfacing detail issues. Closer working between divisions has led to cross-selling opportunities, for example the Water Management Division sale of 3 systems with the Building Envelope's Roofing refurbishment system at Nottingham Trent University. This will continue to be a focus going forward.

3. Implementation of a more cost-efficient operating structure

Following the move of the AWMS Gatic Slotdrain manufacturing from a leased facility in Dover to the freehold AWMS's Wade facility and the restructuring of Levolux described above, some £0.6 million per annum has been saved in leased property costs. The objective to move to six facilities from ten has also been achieved.

Following the prior year simplification of the pensions structure we will have saved around £100k per annum in pension scheme running costs.

Total annualised cost savings of £2.4 million were achieved in the year versus a target of £2.0 million.

4. Prioritising and focusing investment to drive profitable growth

Following two years in which combined capital expenditure exceeded depreciation by £2.7 million, an investment of £1.7 million in the year under review was around £0.3 million below depreciation following a deliberate moderation of spending when the impact of the COVID-19 pandemic became apparent.

Once again investment was focused on our businesses with the greatest manufacturing activity: our Water Management business and Timloc. Within this was an investment in tooling at strategic suppliers for the Water Management business which has improved manufacturing efficiencies and significantly lowered the carbon footprint of our suppliers along with ensuring continuity of supply. Investment continued at Timloc, to support new product launches. The benefit of the investments is evident in the relatively strong performances of these businesses. Investment in new people was directed into expanding the sales reach, notably in the Building Envelope division where previously weaker areas of the UK now have a stronger senior sales representation. Growing Levolux and Water Management divisional export sales have also been a focus.

5. Proactive management of our portfolio of businesses

The Group continues to seek to grow through bolt-on acquisitions and there are no plans to make divestments. Whilst recent focus has been on navigating the challenges associated with COVID-19, the acquisition strategy remains relevant.

6. Remaining closely aligned with the sustainability agenda

With the ever increasing low carbon and sustainable agenda Alumasc is in a perfect position to increase supply solutions to its customers that meet these criteria. Not only does it have strong positions in energy management through its presence in solar shading, which can reduce the energy consumption required to cool a building, but it also has innovative Roofing solutions, such as Olivine, which can actually reduce CO_2 in the environment. Within the Water Management division, the increasing scarcity of water can be managed very successfully. There are examples where both Divisions combine to provide a 'Blue Roof'. This, in effect, produces an equivalent to an attenuation tank on a flat roof allowing the controlled egress into the water effluent systems while saving clients the significant alternative cost of an attenuation tank installation. Our Housebuilding Products division has also significantly contributed to the energy management within housing with its sealed ventilation systems, cavity closer and radiator seals. It is constantly innovating and launching new products that deliver sustainable solutions for our clients.

All divisions are totally committed to, and insist on, the use of recycled material where appropriate. Alumasc is very proud to be able to state that 75% of the Group's products are sourced from recycled material.

The relentless pursuit of both innovative energy and water management solutions combined with the increasing use of recycled material will continue. Alumasc is already very well placed in this regard. Our bespoke approach to product and specification means customers will be able to meet more stringent environmental criteria in the years ahead.

Overview of performance

(a) Continuing Operations

Revenue analysis

With so many variables created by the COVID-19 impact we have decided to suspend our comparator to the UK construction market. In the year some revenue reduction took place from the review of profitability by product and the subsequent targeted product deletion and price adjustment actions particularly in The Water Management Division. During this time it is believed that market shares have been held and, in some cases, they have grown partly due to the availability of high quality products with professional service at a time when competitors were closed.

Gross margins

Until the lockdown in March (i.e. to February 2020) the Group's Gross Margin was running at 30.3%, 1.2% ahead of the prior year. Remarkably, despite the significant disruption of the lockdown, by the end of June the full year Gross Margin was 29.7%, just 0.1% behind the prior year, a great testament to the management action taken and to the strength of Alumasc's brands. This overall performance was assisted by price increases to recover rising costs and the action taken on cost reductions.

Net fixed and operating expenses

Net fixed and operating expenses reduced by £2.4 million (excluding any furlough benefit) during the year. However, there was a small percentage of sales increase in the cost areas despite the impact of lockdown on sales. This would have been much higher were it not for the swift action taken in March 2020.

Underlying operating profit

Underlying operating profit was £4.2 million compared with £5.9 million in the prior year. The reduction was brought about by the impact of COVID-19 and the resultant temporary shutdown of our Housebuilding division and two thirds of the Water Management division. Around 5 weeks of trading were lost following the shutdown by many builders merchants and the cessation of some site activity. Alumasc took swift action and initially had to furlough 293 (68%) employees while a further 83 (19%) moved to work from home. Site activity did not really return in any meaningful way until June when the effect was still a slowdown in activity with contractors having to abide by COVID-19 safety requirements. June was a strong month for the Group and by the end of June only 38 staff (9%) remained furloughed.

Bank interest

Bank interest of £0.3 million was similar to the prior year. This was assisted by swift actions to conserve cash during and beyond the lockdown period and is despite the decision taken by the Board in May to fully draw down the £20.0 million committed Revolving Credit Facility.

Underlying profit before tax

Underlying profit before tax was £3.7 million (2018/19: £5.6 million) reflecting the impact of COVID-19 and the subsequent lockdown on reduced revenue.

Non-underlying, non-recurring items

Non-underlying and non-recurring items (relating to continuing operations) amounted to a £1.3 million net cost in the period compared with a £4.6 million net cost in the prior year. In 2019/20, the larger items in this category were restructuring and relocation costs of £0.8 million, mainly associated with the continued cost reduction programme at Levolux. Further details are given in the Financial Review.

(b) Discontinued Operations and profit (after tax) for the year

The net gain from discontinued operations was £0.3 million, reflecting the deferred consideration sales proceeds received in the current financial year in accordance with the Alumasc Facades business sale agreement. The Group's resulting overall statutory profit (after tax) for the year was £2.3 million (2018/19: £3.6 million).

Divisional review

(a) Water Management

Revenue: £33.7 million (2018/19: £38.9 million)
Underlying operating profit*: £4.8 million (2018/19: £4.3 million)
Underlying operating margin*: 14.3% (2018/19: 10.9%)
Operating profit: £4.6 million (2018/19: £3.6 million)

* Prior to restructuring costs of £0.1 million in 2019/20 (£0.6 million in 2018/19) and brand amortisation charges of £0.1 million in both years

Despite the COVID-19/lockdown challenges in the final quarter this division actually produced a higher profit (£567k (13%)) than the year before.

The drivers of the improvement were not revenue related (which reduced by £5.2 million (13%)) but by selective price increases, product portfolio management, cost reductions (partly brought about by the move of Gatic Slotdrain manufacturing from Dover to Wade's freehold facility), and general efficiency improvement and tight cost control.

Water Management's operating profit return on sales increased to 14.3% from a prior year of 10.9%. This was a very encouraging performance and is indicative of improved margins.

(b) Building Envelope

Revenue: £33.2 million (2018/19: £39.8 million)
Underlying operating (loss) / profit*: £(0.9) million (2018/19: £0.6 million)
Underlying operating margin*: (2.8)% (2018/19: 1.4%)
Operating loss: £(1.4) million (2018/19: £(2.1) million)

* Prior to restructuring costs of £0.3 million in 2019/20 (£2.5 million in 2018/19) and brand amortisation charges of £0.2 million in both years

The division sells principally into the UK commercial new build construction market which, following the previous year, continued to experience falling demand through the year, accelerated inevitably in the final quarter.

As described above Levolux's turnaround was generally on track though affected in the first half year by below expected performance in a handful of construction contracts entered into prior to the restructuring of the business. Levolux's restructuring has taken significant cost out of the business and when combined with a more selective strategy for work that it will target with a focus on supply only, along with a stronger push into export markets, the benefits began to show through in the final quarter.

Alumasc Roofing's performance was resilient in the refurbishment sector. This was the most successful element of the division's performance and, while Roofing did not manage to match its prior year's performance, it enters the new financial year with a significant order book and with its strongest sales team ever. This bodes well for the new financial year.

(c) Housebuilding Products

Revenue: £9.1 million (2018/19: £11.4 million)
Operating profit: £1.2 million (2018/19: £1.7 million)
Operating margin: 13.7% (2018/19: 15.2%)

Timloc, our Housebuilding products business, continued to perform well up until the lockdown, with further operational improvements in turn benefitting margins. However, the impact of lockdown on this particular sector has been well documented.

New product development continues to be an important factor in Timloc's success and it launched a new product virtually in every month of the first half year including AdaptAir, the Ducting to Airbrick Adaptor, which not only has a cost saving benefit for housebuilders but also improves Health and Safety on site by taking out the requirement for core drilling.

Timloc receives very positive feedback from its customers on its excellent service and promotes this through its #TrustTimloc to deliver strapline.

With its constant focus on improving efficiencies, new product development and customer service Timloc is well positioned as housebuilders recommence work on site post lockdown and the housebuilding sector catches up with significant latent demand.

Outlook

In light of the COVID-19 impact on construction activity, the Board is taking a cautious view on 2020/21. However, the significant £2.4 million of cost savings taken in the last financial year should stand the Group in good stead for what could be uncertain times. Notwithstanding this the Group has had an excellent start to the new financial year.

The Board believes that Alumasc's strong strategic and market opportunities, which underpin its established track record over many years of outperforming the UK construction market, together with:

- the excellent Water Management division's performance which is really benefitting from both its UK and export re-focused strategy, as well as its extensive online offering;
- the formation of the Building Envelope division to drive specification cross-selling;
- the major restructuring of the Levolux business within the Building Envelope division;
- focused investments in new products, manufacturing capability and automation;
- investments in sales resources to grow the business both in the UK and internationally;
- lower fixed costs and actions taken to deliver operational efficiencies across the Group; and
- close alignment to the sustainability agenda

position Alumasc to grow organically in the current financial year and beyond.
As ever, the Board is confident in its ability to deliver operationally but cannot ignore the unknowns ahead with regards to the macroeconomic climate.

Financial Review

Reconciliation of underlying to statutory profit before tax

Underlying profit before tax for the 2019/20 financial year of £3.7 million exceeded statutory profit before tax of £2.7 million for the reasons shown in the table below:

	2019/20 **£m**	2018/19 £m
Underlying profit before tax	**3.7**	5.6
Brand amortisation	**(0.2)**	(0.2)
Net IAS 19 defined benefit pension scheme costs	**(0.3)**	(1.2)
Restructuring & relocation costs	**(0.8)**	(3.0)
AIM listing costs	**-**	(0.2)
Net gain from business disposals (pre-tax)	**0.3**	2.9
Statutory profit before tax	**2.7**	3.9

The reconciling items were:

- Amortisation of acquired brands of £0.2 million (2018/19: £0.2 million). This is a non-cash charge determined by management judgment in applying accounting standards. It does not affect the economic value of the Group.

- Net IAS 19 defined benefit pension scheme costs of £0.3 million (2018/19: £1.2 million) are also non-cash charges. These relate to the Group's legacy defined benefit pension scheme, which has been closed to future accrual for over ten years. The value of the charge is determined by actuarial assessment and the 2019/20 charge represents the non-cash notional financing cost of the Group's pension deficit due to the time value of money. In the 2018/19 financial year, the charge to the income statement was higher than usual, due to a one-off £1.1 million increase in liabilities relating to guaranteed minimum pension equalisation between men and women. This was partly offset by a one-off actuarial gain of £0.3 million arising from the merger of the Group's pension schemes during the prior year.

- One-off restructuring and relocation costs of £0.8 million (2018/19: £3.0 million) mainly associated with the continued cost reduction programme at Levolux, with costs incurred due to relocating certain functions and operations from two leased sites to our freehold property at St Helens and staff changes, see note 5. The cost in the prior year related to the redundancy and operational costs of relocating Gatic Slotdrain production from Dover to Wade's freehold factory in Essex and the aforementioned Levolux relocation. All of these actions helped to enable Alumasc to reduce fixed costs by circa £2.4 million in the 2019/20 financial year.

- The net gain from business disposals reflects the deferred consideration sales proceeds of £0.3 million received in the 2019/20 financial year in accordance with the Alumasc Facades business sale agreement. The prior year comparator represents the gain on sale of the Alumasc Facades business on 31 October 2018, together with its operating profit from the beginning of the 2018/19 financial year to the date of disposal.

Taxation

The Group's underlying effective tax rate was 20.3% (2018/19: 20.4%), slightly above the UK statutory rate of tax of 19% applicable to the Group's financial year due to certain costs that are disallowable for tax purposes. We expect the Group's underlying tax rate to be circa 20% in the 2020/21 financial year.

The Group's effective tax rate on statutory profit before tax was 16.4% (2018/19: 7.4%). Reconciliations from the actual to statutory rates of tax are provided in note 7. The reconciling items chiefly relate to the tax treatment of the one-off items in the Group's income statement described above.

Earnings per share

Underlying earnings per share for the year was 8.2 pence (2018/19: 12.4 pence). This reduction is consistent with the lower underlying profit before tax for the year for the reasons described in the operational review.

Basic earnings per share of 6.3 pence (2018/19: 10.1 pence) reflected the reduction in underlying profit before tax for the year, partially offset by the lower level of net one-off costs in 2019/20 relative to 2018/19 described above.

Dividends

The Board is recommending to shareholders a final dividend of 2 pence per share (2018/19: 4.4 pence), applicable to members on the share register on 25 September and to be paid on 30 October. The interim dividend for 2019/20, that was due to be paid on 7 April 2020 at a cash cost of £1.1 million, was cancelled as part of the Group's COVID-19 cash conservation programme, making a total dividend for the year of 2 pence per share (2018/19: 7.35p).

Investment in growth, cash flow and net debt

Summarised Cash Flow Statement

	2019/20 £m	2018/19 £m
EBITDA *	**6.2**	7.4
Change in working capital	**2.5**	(1.2)
Operating cash flow	**8.7**	6.2
Capital expenditure	**(1.7)**	(2.4)
Interest	**(0.3)**	(0.2)
Tax	**(0.1)**	(0.6)
Pension deficit funding	**(2.3)**	(3.2)
Finance lease payments	**(0.5)**	-
Dividend payments	**(1.6)**	(2.6)
Sub total	**2.2**	(2.8)
Facades / other	**(1.4)**	2.5
Net cash flow	**0.8**	(0.3)
Net bank debt at the year end	**4.3**	5.1

* EBITDA: Underlying operating profit from continuing operations before interest, tax, depreciation and amortisation

As per the Group's announcements on 27 March and 1 April 2020, the Group responded quickly to the COVID-19 outbreak to protect the business, its employees and all our stakeholders. At this time, the Group also acted promptly and decisively to conserve cash in light of uncertainties caused by the pandemic, including suspending dividends, defined benefit pension contributions (in agreement with the pension scheme trustees) and capital expenditure, imposing very tight controls over operating expenditure and accessing government support in the UK (such as the Job Retention Scheme and tax deferrals). Strong focus has been given to cash collections from debtors while creditors have continued to be paid on a timely/agreed basis to protect supplier relationships.

As a result of all of these actions, the Group recorded a net cash inflow for the year of £0.8 million and at 30 June 2020 the Group continued to have a modest level of net debt of £4.3 million (30 June 2019: £5.1 million).

The net cash inflow in the year was after capital investment of £1.7 million, which was £0.3 million below the depreciation charge for the year, and a working capital inflow of £2.5 million, both reflecting the cash conservation measures introduced in the last quarter of the financial year.

Statement of financial position and return on investment

The Group's net assets and shareholders' funds reduced from £25.4 million at the beginning of the financial year to £19.8 million at 30 June 2020, with the impact of pension scheme actuarial losses and the payment of the prior year's final dividend in October 2019 more than offsetting retained profit after tax for the year.

The Group defines its capital invested as the sum of shareholders' funds, excluding net bank debt, pension deficit (net of tax) and lease liabilities. Following the adoption of IFRS16, Leases, the Group's capital invested increased by £5.0 million, reflecting the Group's leased properties being brought onto the statement of financial position for the first time. Post tax return on investment, with property leases included as part of capital invested for the whole 12 month period, was 7.2% (2018/19: 10.2%, re-stated to include property leases), reflecting the lower underlying profit in the year.

Pensions

The Group's IAS 19 defined benefit pension scheme deficit for accounting purposes at 30 June 2020 was £19.3 million (30 June 2019: £13.0 million), with an increase in the valuation of gross pension liabilities due to reduced gilt yields partially offset by a good investment performance, including the benefit of interest rate hedging within the investment portfolio.

The formal triennial valuation of the merged Alumasc Group Pension Scheme at 31 March 2019 was finalised during the financial year. This showed a significantly improved deficit of £22.4 million compared with £33.0 million in 2016, reflecting cash contributions from Alumasc, above target investments returns, mortality experience and changes to future mortality expectations in the intervening period.

Banking facilities

Alumasc's banking facilities were renewed as a matter of routine during the year and comprise:

- An unsecured committed three-year revolving credit facility of £20.0 million, with an initial expiry date of April 2022 and two single year extension periods;
- Overdraft facilities, repayable on demand, of £4.0 million.

Going Concern and COVID-19

In assessing Going Concern to take account of the uncertainties caused by COVID-19, the Group has modelled a Base Case (BC) trading scenario on a "bottom up" basis. Given the continuing uncertainty regarding the impact of COVID-19 (including potential further waves of the pandemic) on the economy, customer behaviour and ultimately on the Group's performance, the Group has also modelled increasingly stressed scenarios compared to BC (which assume 10% ("Mid Case") and 20% ("Low Case") revenue reductions from BC, along with increasingly conservative assumptions in these scenarios regarding cash collections from debtors). Under the lowest point in these stress tested scenarios (which exists during April 2021), the Group retains headroom of at least £6.7 million against its total banking facilities for the next 13 months to September 2021.

The Group has been in regular dialogue with its main bankers, HSBC, as its scenario plans have developed and has pro-actively and transparently shared the aforementioned scenario models. While they show headroom of £6.7 million at the lowest point in the Low Case scenario for the next 13 months, they did indicate potential Bank covenant breaches at the two testing points in the period, December 2020 and June 2021, due to the impact of COVID-19 on revenues and profits in the Mid and Low case scenarios modelled. Although current trading levels would suggest that the sensitised scenarios are unlikely to materialise, given the uncertainties caused by the pandemic formal agreement was reached with HSBC to relax the relevant covenant testing for the tests arising in December 2020 and June 2021 to levels that the Board are satisfied can be met in light of the scenarios modelled and relevant cost saving measures that would be implemented in such scenarios.

Having taken into account all of the aforementioned comments, actions and factors in relation to going concern and the potential impact of COVID-19, and in light of the bank facility headroom under various scenarios, the Directors consider that the Group has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. See note 1 for the full Going Concern assessment.

Introduction of new accounting standards

The Group implemented IFRS 16 during the financial year and details of the impact are provided in note 12. In essence, the impact was to bring the Group's leased properties onto the statement of financial position for the first time. This increased both property, plant and equipment and lease liabilities each by £5.0 million on 1 July 2019 when the new accounting standard was adopted. Therefore, the Group's capital invested also increased by £5.0 million, with no change to shareholders' funds at the date of adoption. The full year impact on the Group's income statement was an increase in EBITDA by £0.5 million; increase in depreciation charge by £0.4 million and increased financing charges by £0.2 million, thereby reducing profit before tax by £0.1 million.

Paul Hooper
Chief Executive
8 September 2020

The contents of this announcement have been extracted from the annual report and accounts for the year ended 30 June 2020 which will be dispatched to shareholders on or around 23 September 2020 and will be available at www.alumasc.co.uk.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties	Mitigating actions taken
COVID-19 *Comment* *The Coronavirus pandemic initially impacted a number of our clients' business; some closed (but not all) or could not accept delivery, until our customers opened their businesses.* *Government guidelines: Although initially exempting the Construction Industry, some customers were concerned about social distancing and new ways of working, leading to some temporary closures/delay.* *New ways of working have been required under Government guidelines to protect employees and customers from COVID-19 and we continue to monitor this.*	• The company took swift action and closely monitored its working capital and introduced a number of prudent cost control measures to conserve cash. This included delaying capital expenditure and • temporarily freezing non-essential new hires. The business also utilised the UK Government job retention scheme, as needed. • The health and wellbeing of staff was a primary concern and additional communication channels were established. • Costs were saved through the elimination of travel and subsistence expenses to de-minimis amounts. • Where possible, staff switched to working from home without disruption. Three manufacturing sites were temporarily closed. Timloc re-opened on 14 April 2020 and AWMS (Burton Latimer and Halstead) on 27 April 2020 on a phased basis. • Contingency measures were implemented. Parts of our business (Gatic, Levolux, Rainclear and Roofing) traded throughout the UK lockdown and our manufacturing sites were closed for a few weeks (as our customers had closed their sites). • Supply chain remained resilient and pre-Brexit stocking of products ensured demand could be met. • Exports and internet sales continued during the UK lockdown period. • Some opportunities and mitigations used during the pandemic that improve the business are being implemented. Best practices and new ways of working have been put in place. • All Government guidelines on Health & Safety, including social distancing were implemented and continue to be followed on all sites. • Ongoing monitoring of the COVID-19 pandemic and external assurance provided to ensure compliance with Government regulations and best practice.
Economic, construction market and Brexit risks *Comment* *As a result of COVID-19 there is macroeconomic uncertainty on a global basis. In addition, markets could be volatile post Brexit, and this may have an impact on housebuilding/house-sales/ construction industry. Government spending on infrastructure projects needs to be maintained.*	• Strategic positioning in markets/sectors anticipated to grow faster than the UK construction market. • Development of export sales opportunities, especially for Levolux (particularly in North America) and Alumasc Water Management (particularly in Asia, the Middle and Far East). • Revenues are derived from a variety of end use construction markets. • Development of added value systems and solutions that are either required by legislation, building regulation and/or specified by architects and engineers. • Continuous development and introduction of innovative green products, systems, solutions and services that are market leading and differentiated against the competition. • The Group has exposure to currency risk, particularly the Euro and US Dollar. These exposures are for the most part hedged, with hedging percentages increased in 2019 to manage potential FX volatility associated with Brexit. • Brexit developments being monitored closely, strong relationships monitored and regular dialogue with key European suppliers. Contingency planning for key residual risk areas, including increased inventory of materials/products imported from the EU.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Risks and uncertainties	Mitigating actions taken
Health and safety risks *Comment* *The Group has a strong overall track record of health and safety performance, with the number of lost time accidents significantly reduced.*	• Health and safety is the number one priority of management and the first Board agenda item. • Risk assessments are carried out and safe systems of work documented and communicated. • All safety incidents and significant near misses are reported at Board level monthly. Appropriate remedial action is taken. • Group health and safety best practice days are held twice a year, chaired by the Chief Executive. • Annual audits of health and safety are conducted in all Group businesses by independent consultants. • Specific focus on improving safety of higher risk operations, with external consultancy support as needed.
Staff retention and recruitment risks *Comment* *Including recruitment, retention, succession and people development. Risk of loss of skills, ability to innovate and improve.*	• Increasing focus of Board and Executive Committee on staff retention and reward, supported by HR and head-hunter advice. • Market competitive remuneration/incentive arrangements. • Employee numbers and changes monitored in monthly subsidiary Board meetings. • Key, high performing and high potential employees identified and monitored. • Training and development programmes. • The Remuneration Committee considers retention and motivation when considering the Remuneration framework. • Succession planning.
Product/service differentiation relative to competition not developed or maintained *Comment* *Innovation and an entrepreneurial spirit are encouraged in all Group companies. Over 15% of Group revenues relate to products launched in the last three years.*	• A devolved operating model with both Group and local management responsible for developing a deep knowledge of our specialist markets and identifying opportunities and emerging market trends. • Innovation best practice days held annually at Group level and more regularly in each business. • Annual Group strategy meetings encourage innovation and “blue sky” thinking. • New product introduction/development KPI used to monitor progress. • Monitoring the market for potentially new and/or disruptive technologies, increased use of IT and manufacturing machinery. • Customer feedback used to trigger the design and /or supply of additional products and services. • Development of low carbon products.
Loss of key customers. *Comment* *Generally the Group has a good track record of customer retention and has a diversified customer base.*	• Develop and maintain strong customer relationships. • Product, system and service differentiation and reliability. • Project tracking and enquiry/quote conversion rate KPI. • Increasing use of, and investment in, customer relationship management (CRM) software. • Organisational and business agility to adapt to changing and emerging customer needs. • Customer satisfaction process.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Risks and uncertainties	Mitigating actions taken
Legacy defined pension obligations *Comment* *Alumasc's pension obligations are material relative to its market capitalisation and shareholders' funds.*	• Continue to grow the business so the relative affordability of pension deficit contributions is improved over time. The pension deficit increased during the year due to market performance. • Maintain constructive relationship with Pension Trustees. • Meet agreed pension funding commitments. • Regular review at Group Board level. • Use of specialist advisors. • Investment performance and risk/return balance overseen by an Investment Committee. • Monitor and seek opportunities to reduce gross pension liabilities. The Alumasc Group Pension Scheme as part of its investment strategy uses derivatives to partly mitigate inflation and interest rate risk.
Supply chain risks *Comment* *International supply chain risks could increase through local lockdowns due to the COVID-19 pandemic, increased tariffs/duties, Brexit risks in Europe and political/global volatility.*	• Annual strategic reviews, including supplier, quality, reliability and sustainability. • Regular key supplier visits, good relationships maintained including quality control reviews and training. • Regular supplier quality, value for money and risk reviews. • Avoidance of strategic dependence on single sources of supply. • Contingency plans to manage Brexit risks. • Continuing to monitor China sourcing risks. • Supply questionnaires and export checks are completed to ensure compliance. • Training is scheduled to be provided on customs duties, particularly on managing new arrangements post Brexit.
Cyber security and Business Interruption *Comment* *Cyber security risks and Business Interruption risks are increasing globally and have increased during the COVID-19 pandemic.*	• IT disaster recovery plans are in place, with close to real time back up arrangements. • Business continuity plans in place or being evolved where we are relocating operations. • Awareness training and management briefings held on cyber security risks and actions taken on preventative measures. • Regular reviews of cyber security, including external penetration testing and reviews with external IT professionals. • Energy supply and contingency arrangements reviewed periodically. • Critical plant and equipment are identified, with associated breakdown/recovery plans, including assessment of engineering spares held on site. • Business interruption insurance to cover residual risks. • Review of Cyber security with an external party to ensure we have the appropriate protections in place.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Risks and uncertainties	**Mitigating actions taken**
Product warranty/recall risks *Comment* *The Group does not have a history of significant warranty claims or product recall.*	• Robust internal quality systems, compliance with relevant legislation, building regulations and industry standards (e.g. ISO, BBA, etc.), and product testing, as appropriate. • Group insurance programme to cover larger potential risks. • Back to back warranties obtained from suppliers where possible. • Specific local risk management procedures in Group brands that also install (as well as supply) building products (i.e. Levolux and Blackdown).
Credit risk *Comment* *The Group has good recent record in managing credit risks and the contribution the UK Government Export Credit Scheme for overseas opportunities.*	• Most credit risks are insured, including all contracting credit risk. • Large export contracts are backed by letters of credit, performance bonds, guarantees or similar. • Any risks taken above insured limits are subject to strict delegated authority limits. • Credit checks when accepting new customers/new work. • The Group employs experienced credit controllers and aged debt reports are reviewed in monthly Board meetings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

		Year to 30 June 2020			Year to 30 June 2019		
Continuing operations:	**Notes**	**Underlying £'000**	**Non-underlying £'000**	**Total £'000**	Underlying £'000	Non-underlying £'000	Total £'000
Revenue	**4**	**75,992**	**-**	**75,992**	90,104	-	90,104
Cost of sales		**(53,413)**	**-**	**(53,413)**	(63,255)	-	(63,255)
Gross profit		**22,579**	**-**	**22,579**	26,849	-	26,849
Net operating expenses							
Net operating expenses before non-underlying items		**(19,386)**	**-**	**(19,386)**	(20,984)	-	(20,984)
Other operating income	**5**	**968**	**-**	**968**	-	-	-
IAS 19 past service pension cost & settlement gain	**5**	**-**	**-**	**-**	-	(787)	(787)
Other non-underlying items	**5**	**-**	**(1,045)**	**(1,045)**	-	(3,439)	(3,439)
Net operating expenses		**(18,418)**	**(1,045)**	**(19,463)**	(20,984)	(4,226)	(25,210)
Operating profit	**4, 5**	**4,161**	**(1,045)**	**3,116**	5,865	(4,226)	1,639
Finance expenses		**(496)**	**(261)**	**(757)**	(281)	(373)	(654)
Profit before taxation		**3,665**	**(1,306)**	**2,359**	5,584	(4,599)	985
Tax expense	**7**	**(744)**	**302**	**(442)**	(1,139)	883	(256)
Profit for the period from continuing operations		**2,921**	**(1,004)**	**1,917**	4,445	(3,716)	729
Discontinued operations:							
Profit after taxation for the period from discontinued operations		**-**	**339**	**339**	-	2,912	2,912
Profit for the period		**2,921**	**(665)**	**2,256**	4,445	(804)	3,641
Other comprehensive income:							
Items that will not be recycled to profit or loss:							
Actuarial (loss)/gain on defined benefit pensions, net of tax				**(6,473)**			123
Items that are or may be recycled subsequently to profit or loss:							
Effective portion of changes in fair value of cash flow hedges, net of tax				**176**			263
Exchange differences on retranslation of foreign operations				**11**			4
				187			267
Other comprehensive (loss)/gain for the period, net of tax				**(6,286)**			390
Total comprehensive (loss)/profit for the period, net of tax				**(4,030)**			4,031
Earnings per share				**Pence**			Pence
Basic earnings per share							
- Continuing operations				**5.4**			2.0
- Discontinued operations				**0.9**			8.1
	9			**6.3**			10.1
Diluted earnings per share							
- Continuing operations				**5.4**			2.0
- Discontinued operations				**0.9**			8.1
	9			**6.3**			10.1
Alternative Performance Measures:							
Underlying earnings per share (pence)				**8.2**			12.4

Reconciliations of underlying to statutory profit and earnings per share are provided in notes 5 and 9 respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	Notes	2020 £'000	2020 £'000	As restated* 2019 £'000	As restated* 2019 £'000
Assets					
Non-current assets					
Property, plant and equipment – owned assets		**11,089**		11,693	
Property, plant and equipment – right-of-use assets		**5,856**		-	
Goodwill	**6**	**18,705**		18,705	
Other intangible assets		**3,352**		3,416	
Deferred tax assets	**7**	**3,661**		2,202	
			42,663		36,016
Current assets					
Inventories		**8,596**		10,488	
Trade and other receivables		**16,270**		21,384	
Corporation tax receivable		**325**		283	
Derivative financial assets		**207**		-	
Cash at bank		**16,143**		7,999	
			41,541		40,154
Total assets			**84,204**		76,170
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings		**(19,909)**		(7,857)	
Lease liability	**12**	**(5,244)**		-	
Employee benefits payable		**(19,269)**		(12,951)	
Provisions		**(1,182)**		(1,272)	
Deferred tax liabilities	**7**	**(1,007)**		(954)	
			(46,611)		(23,034)
Current liabilities					
Trade and other payables		**(15,311)**		(20,111)	
Lease liability	**12**	**(680)**		-	
Provisions		**(1,194)**		(2,333)	
Derivative financial liabilities		**-**		(10)	
Bank overdraft		**(567)**		(5,237)	
			(17,752)		(27,691)
Total liabilities			**(64,363)**		(50,725)
Net assets			**19,841**		25,445
Equity					
Called up share capital		**4,517**		4,517	
Share premium	**10**	**445**		445	
Capital reserve – own shares	**10**	**(416)**		(416)	
Hedging reserve	**10**	**168**		(8)	
Foreign currency reserve	**10**	**101**		90	
Profit and loss account reserve		**15,026**		20,817	
Total equity			**19,841**		25,445

*See note 1 for details of restatement

The financial statements were approved by the Board of Directors and authorised for issue on 8 September 2020

Paul Hooper
Director
8 September 2020
Company number 1767387

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Notes	**Year to 30 June 2020 £'000**	Year to 30 June 2019 £'000
Operating activities			
Operating profit		**3,116**	1,639
Adjustments for:			
Depreciation		**1,851**	1,335
Amortisation		**313**	514
Impairment of assets		**300**	-
Loss/(gain) on disposal of property, plant and equipment		**4**	(17)
IAS 19 past service pension cost	**5**	**-**	1,111
IAS 19 settlement gain on merger of pension schemes	**5**	**-**	(324)
Decrease/(increase) in inventories		**1,892**	(1,722)
Decrease/(increase) in receivables		**5,114**	(48)
(Decrease)/increase in trade and other payables		**(4,564)**	1,229
Movement in provisions		**(1,229)**	1,637
Cash contributions to retirement benefit schemes		**(2,254)**	(3,202)
Share based payments		**-**	(65)
Cash generated by operating activities of continuing operations		**4,543**	2,087
Operating profit from discontinued operation		**-**	163
Depreciation and amortisation		**-**	60
Movement in working capital from discontinued operation		**-**	(396)
Cash generated by operating activities of discontinued operation		**-**	(173)
Tax paid		**(93)**	(634)
Net cash inflow from operating activities		**4,450**	1,280
Investing activities			
Purchase of property, plant and equipment – continuing operations		**(1,342)**	(2,296)
Purchase of property, plant and equipment – discontinued operations		**-**	(15)
Payments to acquire intangible fixed assets		**(417)**	(115)
Proceeds from sales of property, plant and equipment		**143**	116
Net proceeds from sale of business activity		**339**	3,886
Net cash (outflow)/inflow from investing activities		**(1,277)**	1,576
Financing activities			
Bank interest paid		**(297)**	(232)
Equity dividends paid		**(1,574)**	(2,628)
Draw down/(repayment) of amounts borrowed		**12,000**	(1,500)
Principal paid on lease liabilities		**(346)**	-
Interest paid on lease liabilities		**(153)**	-
Refinancing costs		**-**	(156)
Purchase of own shares		**-**	(238)
Net cash inflow/(outflow) from financing activities		**9,630**	(4,754)
Net increase/(decrease) in cash at bank and bank overdraft		**12,803**	(1,898)
Net cash at bank and bank overdraft brought forward		**2,762**	4,656
Net increase/(decrease) in cash at bank and bank overdraft		**12,803**	(1,898)
Effect of foreign exchange rate changes		**11**	4
Net cash at bank and bank overdraft carried forward		**15,576**	2,762

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Notes	Share capital	Share premium	Capital reserve - own shares	Hedging reserve	Foreign currency reserve	Profit and loss account reserve	Total equity
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2018		4,517	445	(241)	(271)	86	19,809	24,345
Profit for the period		-	-	-	-	-	3,641	3,641
Exchange differences on retranslation of foreign operations		-	-	-	-	4	-	4
Net gain on cash flow hedges		-	-	-	317	-	-	317
Tax on derivative financial liability		-	-	-	(54)	-	-	(54)
Actuarial gain on defined benefit pensions, net of tax		-	-	-	-	-	123	123
Dividends	**8**	-	-	-	-	-	(2,628)	(2,628)
Share based payments		-	-	-	-	-	(65)	(65)
Own shares used to satisfy exercise of share awards		-	-	63	-	-	-	63
Acquisition of own shares		-	-	(238)	-	-	-	(238)
Exercise of share based incentives		-	-	-	-	-	(63)	(63)
At 1 July 2019		4,517	445	(416)	(8)	90	20,817	25,445
Profit for the period		**-**	**-**	**-**	**-**	**-**	**2,256**	**2,256**
Exchange differences on retranslation of foreign operations		**-**	**-**	**-**	**-**	**11**	**-**	**11**
Net gain on cash flow hedges		**-**	**-**	**-**	**217**	**-**	**-**	**217**
Tax on derivative financial asset		**-**	**-**	**-**	**(41)**	**-**	**-**	**(41)**
Actuarial loss on defined benefit pensions, net of tax		**-**	**-**	**-**	**-**	**-**	**(6,473)**	**(6,473)**
Dividends	**8**	**-**	**-**	**-**	**-**	**-**	**(1,574)**	**(1,574)**
Exercise of share based incentives		**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2020		**4,517**	**445**	**(416)**	**168**	**101**	**15,026**	**19,841**

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 Alternative Investment Market ("AIM").

The financial information included within this announcement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 30 June 2020 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. The statutory accounts for the year ended 30 June 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the going concern basis and adopting the historical cost convention. The Group's accounting policies remain consistent with the previous financial year with the exception of the adoption of IFRS 16. The impact on the financial statements of the adoption of IFRS 16 is set out in note 12.

Following a review performed in the year, cash at bank and bank overdraft balances have been restated to be correctly presented on a gross basis in accordance with IAS 32. There is no change in net assets or reported profits.

Going concern and COVID-19
As per the Group's announcements on 27 March and 1 April 2020, the Group responded quickly to the COVID-19 outbreak to protect the business, its employees and other stakeholders and temporarily closed the Timloc manufacturing facility, part of the Housebuilding Products division, and the AWMS and Wade manufacturing facilities, part of the Water Management division. The remaining parts of the Group continued to trade, serving customers from existing inventories and supplies from overseas and, in accordance with Government guidelines, all facilities were re-opened by 27 April 2020. The majority of the Group's employees are now back at work (including working from home where possible) and the Group's performance during May and June 2020 was stronger than expected when UK Lockdown was implemented, as set out in the Group's trading update of 23 July 2020. The Group's revenues during July and August 2020 have exceeded Management's forecasts put together as part of the Group's scenario planning.

At 30 June 2020 the Group had cash and cash equivalents of £15.7m and a fully drawn down committed £20m revolving credit facility, which runs initially to April 2022 and has two annual extension periods to April 2024. This provided total headroom of some £15.7m against committed facilities and, together with £4m overdraft facilities which last to August 2021, there is headroom of some £19.7m against total facilities at 30 June 2020.

As also announced on 27 March and 1 April 2020, the Group acted promptly and decisively to conserve cash in light of uncertainties caused by the pandemic, including suspending dividends, defined benefit pension contributions (in agreement with the pension scheme trustees) and capital expenditure, imposing very tight controls over operating expenditure and accessing government support in the UK (such as the Job Retention Scheme and tax deferrals). Strong focus has been given to cash collections from debtors while creditors have continued to be paid on a timely/agreed basis to protect supplier relationships. As a result, on 8 September 2020 the Group had headroom of c.£15m against its committed banking facilities and c£19m against its total banking facilities. The Group continues to manage its cash flows very closely going forward, with cash re-forecasts continuing to be performed on a weekly basis.

In assessing going concern to take account of the uncertainties caused by Covid-19, the Group has modelled a Base Case (BC) trading scenario on a "bottom up" basis. Given the continuing uncertainty regarding the impact of COVID-19 (including potential further waves of the pandemic) on the economy, customer behaviour and ultimately on the Group's performance, the Group has also modelled increasingly stressed scenarios compared to BC (which assume 10% ("Mid Case") and 20% ("Low Case") revenue reductions from BC, along with increasingly conservative assumptions in these scenarios regarding cash collections from debtors). Under the lowest point in these stress tested scenarios (which exists during April 2021), the Group retains headroom of at least £6.7m against its total banking facilities for the next 13 months to September 2021.

The Group has been in regular dialogue with its main bankers, HSBC, as its scenario plans have developed and has pro-actively and transparently shared the aforementioned scenario models. While they show headroom of £6.7m at the lowest point in the Low Case scenario for the next 13 months, they did indicate potential Bank covenant

1 BASIS OF PREPARATION (CONTINUED)

breaches at the two testing points in the period, December 2020 and June 2021, due to the impact of COVID-19 on revenues and profits in the Mid and Low case scenarios modelled. Although current trading levels would suggest that the sensitised scenarios are unlikely to materialise, given the uncertainties caused by the pandemic formal agreement was reached with HSBC to relax the relevant covenant testing for the tests arising in December 2020 and June 2021 to levels that the Board are satisfied can be met in light of the scenarios modelled and relevant cost saving measures that would be implemented in such scenarios.

The Group has modelled an additional scenario (a reverse stress test) that would lead to a breach of its banking covenants which assumes no cost saving measures are implemented in the Low Case. It is considered that the risk of such a scenario arising is remote. Management has also identified a number of mitigating actions that the Group would take to stay within its banking facilities throughout the period.

In addition to the above scenarios, the Group has also modelled the impact of a second wave of the pandemic on the BC forecast occurring at various points through the assessment period, October 2020, January 2021 or April 2021. The model assumes a similar impact as the first wave on revenue, profitability and working capital cycles along with a similar recovery period. In all these modelled scenarios the Group continues to operate within its banking facilities and complies with bank covenant tests.

Given the unprecedented nature of the COVID-19 events, it is difficult to predict future trading and cashflows with certainty. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled. In the event that the actual position is worse than modelled in the BC, the Directors consider that the headroom in the Group's banking facilities and the further mitigation actions available would enable the Group to respond to such downside. Having taken into account all of the aforementioned comments, actions and factors in relation to going concern and the potential impact of COVID-19, and in light of the bank facility headroom under various scenarios, the Directors consider that the Group has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2 JUDGMENTS AND ESTIMATES

The main source of estimation uncertainty that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities at 30 June 2020 within the next financial year are the valuation of defined benefit pension obligations, the valuation of the Group's acquired goodwill, the recognition of revenues and profit on contracts with customers where revenue is recognised over time.

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

Goodwill is tested at least annually for impairment, with appropriate assumptions and estimates built into the value in use calculations to determine if an impairment of the carrying value is required. See note 6 for further disclosure of the assumptions and estimates applied.

Revenue and associated margin recognised over time on contracts with customers is recognised using the input method under the new standard and therefore progressively as costs are incurred, having regard to latest estimates of cost to complete and expected project margins. Contract revenue includes an assessment of contract variations when their recovery is considered highly probable. Judgment is therefore required in the application of the Group's policy regarding revenue and profit recognition relating to estimates of costs to complete contracts, the final profit margin on those contracts and the inclusion of potential contract variations prior to these being fully agreed.

In the application of the new leasing standard, IFRS 16, a right-of-use asset and lease liability have been recognised based on the discounted payments required under the lease, taking into account the lease term. The lease term is based on the non-cancellable period of the lease together with periods covered by an option to extend the lease where it is considered reasonably certain that options to extend will be exercised. Judgement is required in determining whether options to extend or terminate the lease will be exercised. Lease liabilities are measured at amortised cost using the effective interest rate method. Management in the adoption of IFRS 16 at 1 July 2019 also applied judgement related to the assessment of the incremental borrowing rate (IBR) used to discount future lease rentals to present value. The IBR has been considered on a lease by lease basis and the weighted average rate applied by the Group at transition was 3.1%.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the previous financial year.

Changes in accounting policy
The following new standards, amendments and interpretations are effective for the period beginning on or after 1 July 2019 and have been adopted for the Group financial statements:

IFRIC 23 Uncertainty over Income Tax Treatments
The Group has applied IFRIC 23, which is effective for periods beginning on or after 1 January 2019, from 1 July 2019 with no impact on the disclosures made by the Group.

IFRS 16 Leases
The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of adopting the standard on 1 July 2019 was, in broad terms, to bring the Group's property leases on to the consolidated statement of financial position. Previously these were treated as operating leases and were 'off balance sheet'. More specifically the impact of adoption was:

- The recognition of a right of use asset and lease liability of £5,027,000 on the date of adoption with no impact on reserves at that stage;
- The total annual charge to the income statement increased by £68,000, reducing profit for the period by this figure in the current financial year to 30 June 2020;
- The operating profit cashflow increased by £499,000 with the cashflow generated by financing activities decreasing by the same value;
- EBITDA increased by £570,000 as the former lease expense was re-classified as a depreciation charge and interest cost in the year; and
- Given the Group's definition of capital invested which is used to calculate return on investment ("ROI") and the exclusion of net bank debt and other long term liabilities such as pension liabilities and lease liabilities from the same, the asset base by which the underlying operating profit after underlying tax is divided by to calculate ROI has increased by £5,027,000. This has had the impact of reducing underlying return on capital invested from 11.4% (on the old basis) to 7.2% in the current year.

The Group has applied the practical expedients whereby a single discount rate can be used across a portfolio of leases with reasonably similar characteristics and applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the lease term remaining as of the date of initial application.

4 SEGMENTAL ANALYSIS

In accordance with IFRS 8 "Operating Segments", the segmental analysis below follows the Group's internal management reporting structure.

The Chief Executive reviews internal management reports on a monthly basis, with performance being measured based on the segmental operating result as disclosed below. Performance is measured on this basis as management believes this information is the most relevant when evaluating the impact of strategic decisions because of similarities between the nature of products and services, routes to market and supply chains in each segment. Inter-segment transactions are entered into applying normal commercial terms that would be available to third parties. Segment results, assets and liabilities include those items directly attributable to a segment. Unallocated assets comprise cash and cash equivalents, deferred tax assets, income tax recoverable and corporate assets that cannot be allocated on a reasonable basis to a reportable segment. Unallocated liabilities comprise borrowings, employee benefit obligations, deferred tax liabilities, income tax payable and corporate liabilities that cannot be allocated on a reasonable basis to a reportable segment.

Revenues and operating results from this business have been excluded from the segmental analysis below. This business was formerly part of the Group's Roofing & Walling operating segment in prior years. Due to changes to internal management reporting responsibilities to the Chief Operating Decision Maker in respect of the Roofing and Levolux businesses, these businesses are now included within the Building Envelope segment. The Group sold the Alumasc Facades business on 31 October 2018. This has been treated as a discontinued operation.

4 SEGMENTAL ANALYSIS (CONTINUED)

Full Year to 30 June 2020	**Revenue £'000**	**Segmental operating result £'000**
Water Management	33,715	4,824
Building Envelope	33,209	(939)
Housebuilding Products	9,068	1,243
Trading	**75,992**	**5,128**
Unallocated costs		(967)
Total from continuing operations	**75,992**	**4,161**

	£'000
Segmental operating result	4,161
Brand amortisation	(238)
Restructuring & relocation costs (see note 5)	(807)
Total operating profit from continuing operations	**3,116**

			Capital expenditure			
	Segment Assets £'000	**Segment Liabilities £'000**	**Property, Plant & Equipment £'000**	**Other Intangible Assets £'000**	**Deprecia-tion £'000**	**Amortisa-tion £'000**
Water Management	26,645	(7,244)	1,813	264	785	100
Building Envelope	22,267	(8,346)	162	17	175	173
Housebuilding Products	13,051	(5,687)	361	29	798	39
Trading	**61,963**	**(21,277)**	**2,336**	**310**	**1,758**	**312**
Unallocated/discontinued	22,241	(43,086)	19	131	93	1
Total	**84,204**	**(64,363)**	**2,355**	**441**	**1,851**	**313**

Full Year to 30 June 2019	**Revenue £'000**	**Segmental operating result £'000**
Water Management	38,902	4,257
Building Envelope	39,804	554
Housebuilding Products	11,398	1,732
Trading	**90,104**	**6,543**
Unallocated costs		(678)
Total from continuing operations	**90,104**	**5,865**

4 SEGMENTAL ANALYSIS (CONTINUED)

	£'000
Segmental operating result	5,865
Brand amortisation	(238)
Past service cost in respect of GMP equalisation (see note 5)	(1,111)
Settlement gain on merger of pension schemes (see note 5)	324
Restructuring & relocation costs (see note 5)	(3,021)
AIM re-listing costs (see note 5)	(180)
Total operating profit from continuing operations	**1,639**

			Capital expenditure			
	Segment Assets £'000	**Segment Liabilities £'000**	**Property, Plant & Equipment £'000**	**Other Intangible Assets £'000**	**Deprecia-tion £'000**	**Amortisa-tion £'000**
Water Management	26,945	(7,171)	1,279	49	650	188
Building Envelope	27,355	(12,853)	211	55	221	290
Housebuilding Products	10,003	(3,191)	1,041	11	399	36
Trading	**64,303**	**(23,215)**	**2,531**	**115**	**1,270**	**514**
Unallocated & discontinued	6,630	(22,273)	78	-	125	-
Total	**70,933**	**(45,488)**	**2,609**	**115**	**1,395**	**514**

Analysis by geographical segment 2019/20

	United Kingdom £'000	**Europe £'000**	**North America £'000**	**Middle East £'000**	**Far East £'000**	**Rest of World £'000**	**Total £'000**
Sales to external customers	**64,816**	**4,147**	**3,184**	**1,485**	**1,587**	**773**	**75,992**
Segment non-current assets	**38,996**	**-**	**-**	**-**	**6**	**-**	**39,002**

Analysis by geographical segment 2018/19

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	80,677	2,695	3,149	972	2,392	219	90,104
Segment non-current assets	33,814	-	-	-	-	-	33,814

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 and exclude discontinued operations.

5 UNDERLYING TO STATUTORY PROFIT BEFORE TAX RECONCILIATION

	2019/20		2018/19	
	Operating profit £'000	**Profit before tax £'000**	Operating profit £'000	Profit before tax £'000
Underlying operating profit/profit before tax	**4,161**	**3,665**	5,865	5,584
Brand amortisation	**(238)**	**(238)**	(238)	(238)
IAS 19 net pension scheme finance costs	**-**	**(261)**	-	(373)
IAS 19 Past service cost in respect of GMP equalisation	**-**	**-**	(1,111)	(1,111)
IAS 19 Settlement gain on merger of pension schemes	**-**	**-**	324	324
Restructuring & relocation costs	**(807)**	**(807)**	(3,021)	(3,021)
AIM re-listing costs	**-**	**-**	(180)	(180)
Continuing operations	**3,116**	**2,359**	1,639	985
Profits/gains relating to discontinued operations	**-**	**339**	163	2,945
Statutory operating profit/profit before tax	**3,116**	**2,698**	1,802	3,930

In the presentation of underlying profits, management treats the amortisation of acquired brands and IAS 19 pension costs consistently as non-underlying items because they are material non-cash and non-trading items that typically would be excluded in assessing the value of the business.

In addition, management has presented the following specific items that arose in 2019/20 and 2018/19 financial years as non-underlying as they are non-recurring items that are judged to be significant enough to affect the understanding of the year-on-year evolution of the underlying trading performance of the business:

- One-off costs of material restructuring and relocation of separate businesses within the Group in both 2019/20 and 2018/19, including costs associated with the departure and recruitment of a Group Finance Director during the current financial year;
- The one off prior year IAS 19 past service pension cost relating to Guaranteed Minimum Pension (“GMP”) equalisation between men and women, following a High Court decision on 26 October 2018;
- The one off prior year settlement gain arising from the merger of the Group’s pension schemes on 5 March 2019; and
- The one-off prior year professional fees incurred in connection with the re-listing of Alumasc’s shares from the main market to the Alternative Investment Market (“AIM”) on 25 June 2019.

Included within underlying operating profit for the current financial year is other operating income of £968k in relation to Coronavirus Job Retention Scheme government support.

6 GOODWILL

	2020 £'000	2019 £'000
Cost:		
At 1 July and 30 June	**19,428**	19,428
Impairment:		
At 1 July and 30 June	**723**	723
Net book value at 30 June	**18,705**	18,705

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

6 GOODWILL (CONTINUED)

	2020 £'000	2019 £'000
Alumasc Roofing	**3,820**	3,820
Timloc	**2,264**	2,264
Levolux	**10,179**	10,179
Rainclear	**225**	225
Wade	**2,217**	2,217
At 30 June	**18,705**	18,705

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

For the purpose of impairment testing, the recoverable amount of CGUs is based on value in use calculations. The value in use is derived from discounted management cash flow forecasts for the businesses, based on budgets and plans covering a five year period. The growth rate used to extrapolate the cash flows beyond this period was 1% (2019: 1%) for each CGU.

Key assumptions included in the recoverable amount calculation are the discount rate applied and the cash flows generated by:

(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, including COVID-19, 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 11% and 12% (2019: between 11% and 12%). These rates were based on the Group's estimated weighted average cost of capital (W.A.C.C.), which was risk-adjusted for each CGU taking into account both external and internal risks. The Group's W.A.C.C. in 2020 was similar to the rate used in 2019.

The surplus headroom above the carrying value of goodwill at 30 June 2020 was significant in the case of Timloc, Rainclear, Wade and Alumasc Roofing, 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.

The surplus headroom above the carrying value of goodwill at 30 June 2020 for Levolux was not significant and the following change to each of the key assumptions would lead to an impairment:

- a 4% increase in the discount rate;
- a growth rate of -1% used to extrapolate the cash flows;
- a 40% reduction in the cash flow generated in the terminal year.

7 TAX EXPENSE

(a.) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income

	2019/20	2018/19
	£'000	£'000
Current tax:		
UK corporation tax – continuing operations	**22**	(69)
– discontinued operations	**-**	33
Overseas tax	**48**	3
Amounts over provided in previous years	**(19)**	(21)
Total current tax	**51**	(54)
Deferred tax:		
Origination and reversal of temporary differences	**450**	406
Amounts over provided in previous years	**(157)**	(20)
Rate change adjustment	**98**	(43)
Total deferred tax	**391**	343
Total tax expense	**442**	289
Tax charge on continuing operations	**442**	256
Tax charge on discontinued operations	**-**	33
Total tax expense	**442**	289
Tax recognised in other comprehensive income		
Deferred tax:		
Actuarial (losses)/gains on pension schemes	**(1,838)**	24
Cash flow hedge	**41**	54
Tax (credited)/charged to other comprehensive income	**(1,797)**	78
Total tax (credit)/charge in the statement of comprehensive income	**(1,355)**	367

(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 16.4% is lower than (2018/19: 7.4% was lower than) the standard rate of corporation tax in the UK of 19% (2018/19: 19.0%).

The differences are reconciled below:

	2019/20	2018/19
	£'000	£'000
Profit before tax from continuing operations	**2,359**	985
Profit before tax from discontinued operations	**339**	2,945
Accounting profit before tax	**2,698**	3,930
Current tax at the UK standard rate of 19.0% (2018/19: 19.0%)	**513**	747
Expenses not deductible for tax purposes	**71**	265
Use of capital losses	**(64)**	(639)
Rate change adjustment	**98**	(43)
Tax over provided in previous years – current tax	**(19)**	(21)
Tax over provided in previous years – deferred tax	**(157)**	(20)
	442	289

7 TAX EXPENSE (CONTINUED)

(c.) Unrecognised tax losses

The Group has agreed tax capital losses in the UK amounting to £16.3 million (2019: £16.6 million) that relate to prior years. Under current legislation these losses are available for offset against future chargeable gains. The capital losses are able to be carried forward indefinitely. Revaluation gains on land and buildings amount to £1 million (2019: £1 million). These have been offset in the prior year against the capital losses detailed above. A deferred tax asset has not been recognised in respect of the net capital losses carried forward of £15.3 million (2019: £15.6 million) as they do not meet the criteria for recognition.

(d.) Deferred tax

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

	Accelerated capital allowances £'000	Short term temporary differences £'000	Brands £'000	Hedging £'000	Total deferred tax liability £'000	Pension deferred tax asset £'000
At 1 July 2018	435	(30)	556	(56)	905	(2,574)
Charged/(credited) to the statement of comprehensive income – current year	125	(36)	(74)	-	15	348
Credited to the statement of comprehensive income – prior year	(20)	-	-	-	(20)	-
Charged to equity	-	-	-	54	54	24
At 30 June 2019	540	(66)	482	(2)	954	(2,202)
Charged to the statement of comprehensive income – current year	**170**	**(12)**	**11**	**-**	**169**	**379**
Credited to the statement of comprehensive income – prior year	**(160)**	**3**	**-**	**-**	**(157)**	**-**
Charged/(credited) to equity	**-**	**-**	**-**	**41**	**41**	**(1,838)**
At 30 June 2020	**550**	**(75)**	**493**	**39**	**1,007**	**(3,661)**

Deferred tax assets and liabilities are presented as non-current in the consolidated statement of financial position.

Deferred tax assets have been recognised where it is probable that they will be recovered. Deferred tax assets of £3.1 million (2019: £2.7 million) have not been recognised in respect of net capital losses of £16.3 million (2019: £16.6 million), see note 7 (c).

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

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 30 June 2020 has been calculated at 19% (2019: 17%).

8 DIVIDENDS

	2019/20	2018/19
	£'000	£'000
Final dividend for 2019 of 4.4p paid on 31 October 2019	**1,574**	-
Interim dividend for 2019 of 2.95p paid on 8 April 2019	**-**	1,045
Final dividend for 2018 of 4.4p paid on 31 October 2018	**-**	1,583
	1,574	2,628

A final dividend of 2.0 pence per equity share, at a cash cost of £715,000, has been proposed for the year ended 30 June 2020, payable on 30 October 2020. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements. The interim dividend for 2020, that was due to be paid on 7 April 2020 at a cash cost of £1,055,000, was cancelled as part of the Group's COVID-19 cash conservation programme.

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:

	2019/20	2018/19
	£'000	£'000
Net profit attributable to equity holders of the parent – continuing operations	**1,917**	729
Net profit attributable to equity holders of the parent – discontinued operations	**339**	2,912
	2,256	3,641
	000s	000s
Weighted average number of shares	**35,764**	35,956
Dilutive potential ordinary shares – employee share options	**55**	153
	35,819	36,109

<u>Basic earnings per share:</u>	**Pence**	Pence
Continuing operations	**5.4**	2.0
Discontinued operations	**0.9**	8.1
	6.3	10.1

<u>Diluted earnings per share:</u>	**2019/20**	2018/19
	Pence	Pence
Continuing operations	**5.4**	2.0
Discontinued operations	**0.9**	8.1
	6.3	10.1

9 EARNINGS PER SHARE (CONTINUED)

Calculation of underlying earnings per share:

	2019/20 £'000	2018/19 £'000
Reported profit before taxation from continuing operations	**2,359**	985
Brand amortisation	**238**	238
IAS 19 net pension scheme finance costs	**261**	373
Pension GMP equalisation	**-**	1,111
Winding up lump sums	**-**	(324)
Restructuring & relocation costs	**807**	3,021
AIM re-listing costs	**-**	180
Underlying profit before taxation from continuing operations	**3,665**	5,584
Tax at underlying Group tax rate of 20.3% (2018/19: 20.4%)	**(744)**	(1,139)
Underlying earnings from continuing operations	**2,921**	4,445
Weighted average number of shares	**35,764**	35,956
Underlying earnings per share from continuing operations	**8.2p**	12.4p

10 MOVEMENTS IN EQUITY

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

Capital reserve – own shares
The capital reserve – own shares relates to 369,245 (2019: 369,245) ordinary own shares held by the Company. The market value of shares at 30 June 2020 was £265,856 (2019: £348,936). These are held to help satisfy the exercise of awards under the Company's Long Term Incentive Plans. During the prior year 42,166 shares with a cost of £63,000 were used to satisfy the exercise of awards and 250,000 shares with a cost of £238,000 were purchased by the Trust. No shares were exercised in the current financial period. A Trust holds the shares in its name and shares are awarded to employees on request by the Group. The Group bears the expenses of the Trust.

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

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

11 RELATED PARTY DISCLOSURE

The Group's principal actively trading subsidiaries at 30 June 2020 are listed below:

Principal subsidiaries	**Principal activity**	**Country of incorporation**	**% of equity interest and votes held**	
			2020	2019
Alumasc Building Products Limited	Building products	England	**100**	100
Levolux Limited	Building products	England	**100**	100

11 RELATED PARTY DISCLOSURE (CONTINUED)

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.

12 IFRS 16 IMPACT OF TRANSITION

Transition
The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019.

Impact on year to 30 June 2020
On transition to IFRS 16, the Group recognised an additional £5.0 million of right-of-use assets and lease liabilities with no net amount required to be recognised in retained earnings. In summary, the impact on the statement of financial position at 30 June 2020 is set out below. The impact on the statement of comprehensive income is to reduce the reported profit for the period by £68,000, being an improvement in operating profit of £85,000, offset by an increase in interest expense of £153,000. The net impact on the Group's cash flows is £nil, however cash flows from operating activities have improved by £499,000 with cash flows from financing activities reducing by the same amount.

As at 30 June 2020:	As would have been reported £'000	Effect £'000	As reported under IFRS 16 £'000
Property, plant & equipment	11,089	5,856	16,945
Lease liabilities	-	(5,924)	(5,924)
Other net assets	8,820	-	8,820
Net Assets	19,909	(68)	19,841

When measuring lease liabilities, the group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.1%.
The following reconciles the operating lease commitment disclosed at 30 June 2019 with the amount recognised on the balance sheet at 1 July 2019:

	1 July 2019 £'000
Operating lease commitment at 30 June 2019 as disclosed in the groups consolidated financial statements	**9,055**
Lease commitment adjustment*	**(1,589)**
Discounted using the incremental borrowing rate at 1 July 2019	**(1,629)**
Recognition exemption for:	
- Short term leases	**(438)**
- Leases of low-value assets	**(372)**
Lease liabilities recognised at 1 July 2019	**5,027**

*On adoption of IFRS 16, the Directors conducted a review of lease commitments and identified an overstatement of lease commitments of £1,589,000 which has been adjusted in the reconciliation above.

Financial Summary	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Income Statement Summary							
Continuing operations:							
Revenue	**63,028**	**69,950**	**73,005**	**88,368**	**87,048**	**90,104**	**75,992**
Underlying operating profit	**5,099**	**6,341**	**7,010**	**8,703**	**6,224**	**5,865**	**4,161**
Underlying operating margin	*8.1%*	*9.1%*	*9.6%*	*9.8%*	*7.2%*	*6.5%*	*5.5%*
Net interest cost on borrowings	(521)	(592)	(215)	(132)	(212)	(281)	(343)
Interest on lease liabilities	-	-	-	-	-	-	(153)
Underlying profit before tax	**4,578**	**5,749**	**6,795**	**8,571**	**6,012**	**5,584**	**3,665**
Non-underlying items*	(1,168)	(1,434)	(1,502)	(888)	(1,082)	(4,599)	(1,306)
Profit before taxation	**3,410**	**4,315**	**5,293**	**7,683**	**4,930**	**985**	**2,359**
Taxation	(706)	(1,120)	(1,319)	(1,492)	(967)	(256)	(442)
Profit for the year from continuing operations	**2,704**	**3,195**	**3,974**	**6,191**	**3,963**	**729**	**1,917**
Discontinued operations - (Loss)/profit after tax	1,337	1,181	2,510	349	354	2,912	339
Profit for the year	**4,041**	**4,376**	**6,484**	**6,540**	**4,317**	**3,641**	**2,256**
Underlying earnings per share from continuing operations (pence)	**9.7**	**12.6**	**15.1**	**19.1**	**13.4**	**12.4**	**8.2**
Basic earnings per share (pence)	**11.3**	**12.3**	**18.2**	**18.3**	**12.0**	**10.1**	**6.3**
Dividends per share (pence)	**5.0**	**6.0**	**6.5**	**7.15**	**7.35**	**7.35**	**2.0**
Balance Sheet Summary at 30 June							
Shareholders' funds	17,042	15,929	16,580	20,437	24,421	25,445	19,841
Net debt/(cash)	7,666	(914)	(8,632)	(6,076)	4,812	5,095	4,333
Lease liabilities	-	-	-	-	-	-	5,924
Pension deficit (net of tax)	14,338	16,748	18,588	17,095	12,566	10,749	15,608
Discontinued operations	(11,769)	(3,708)	(479)	(334)	(714)	359	-
Capital Invested - continuing operations	27,277	28,055	26,057	31,122	41,085	41,648	45,706
Underlying return on capital invested (post-tax)**	14.8%	17.9%	20.5%	24.2%	13.8%	10.2%	7.2%
Underlying tax rate	24.2%	22.0%	20.8%	20.6%	20.2%	20.4%	20.3%

Notes

* Non-underlying items comprise brand amortisation and IAS 19 pension costs in all years. Further details of the 2018/19 and 2019/20 non underlying items can be found in note 5 of the Report and Accounts 2020.

** Underlying operating profit after tax from continuing operations calculated using the underlying tax rate, as a percentage of average capital invested from continuing operations. (2018/19 re-stated to include lease liabilities)