Tuesday 8 February 2022

# The Alumasc Group plc
# Interim results
# On track to deliver Full Year expectations

Alumasc (ALU.L) the sustainable building products, systems and solutions Group today announces results for the six months ended 31 December 2021.

Commenting on the interim results, Paul Hooper, Chief Executive of Alumasc said:

"*The Alumasc Group reported a solid performance during the first half and is on track to deliver its expectations for the full year. Although there were some headwinds experienced due to Covid-19 driven contract delays and cost inflation across the industry during the period, the business performed well and has good momentum going into the second half.*

*Alumasc is at the forefront of providing high-quality, low carbon, sustainable products, systems and solutions, the majority of which manage the scarce resources of water and energy and improve quality of life for the owner/occupier in the built environment. Our commitment to sustainable business is evidenced by Timloc, our housebuilding products business, becoming the first building products manufacturer in the UK to be carbon neutral across its operations.*

*I am therefore delighted that Alumasc's green credentials have been recognised by the award of the London Stock Exchange Green Economy Mark in November 2021 and that we are well on the way to becoming a market leader in the provision of sustainable building products."*

## Financial Overview: Solid underlying performance

| Half year to 31 December | **2021** | 2020 |
|---|---|---|
| Revenue (£m) | **46.3** | 45.6 |
| Underlying profit before tax (£m) | **5.3** | 6.0 |
| Underlying operating margin (%) (1) | **11.9** | 13.6 |
| Underlying earnings per share (pence) | **11.8** | 13.4 |
| EBITDA (£m) (2) | **6.8** | 7.4 |
| Statutory profit before tax (£m) | **5.1** | 5.5 |
| Basic earnings per share (pence) | **11.2** | 12.2 |
| Dividends per share (pence) | **3.35** | 3.25 |
| Net bank debt at 31 December (£m) | **4.1** | 0.2 |

A reconciliation of underlying to statutory profit is provided in note 4 to the interim financial statements.
(1) Underlying operating margin: Underlying operating profit as a percentage of revenue.
(2) EBITDA: Underlying operating profit before interest, tax, depreciation and amortisation.

- Group revenues of £46.3m, were 1.6% (£0.7m) ahead of H1 FY21 (£45.6m, which benefited from some £2.5m of business delayed from FY20 by Covid-19). Excluding this, sales growth was 7.5%.
- Export sales grew by 41% to £8.7 million and represented 19% of total Group revenue (H1 FY21: 13%).
- The strength of our brand positioning and customer relationships allowed the successful pass-through of input cost inflation. As a result, gross margin was only slightly diluted at 34.6% (H1 FY21: 36.7%).
- Underlying operating margin remained strong at 11.9% (H1 FY21: 13.6%), with statutory operating margin of 11.7% (H1 FY21: 12.9%), after absorbing the lower gross margin as well as the resumption of business development costs which had been curtailed by the Covid-19 restrictions. Structural cost savings of £3.1m p.a., achieved over the previous two years, remain.
- The Group is selectively investing in opportunities to accelerate growth.

- Underlying profit before tax was £5.3m (H1 FY21: £6.0m); with statutory profit before tax of £5.1m (H1 FY21: £5.5m).
- Net bank debt at 31 December was £4.1m (31 December 2020: £0.2m net bank debt). During the period the Group repaid £0.8m of VAT and pension liabilities deferred from FY20 under the Group's Covid-19 cash conservation measures. In addition, the Group actively increased its stock holdings to maintain customer service and mitigate price increases, in response to the global supply chain challenges and raw material cost inflation.
- The defined benefit pension scheme deficit was further reduced during the first half to £2.5m (30 June 2021: £4.6m), mainly as a result of deficit reduction payments and asset performance.
- The Board plans to pay an interim dividend of 3.35p per share in April 2022. This represents an increase of 3.1% on the previous interim dividend, and reflects the encouraging first half performance and Board's confidence in the strength of the Group's strategy and its future prospects.

## Divisional Overview

- Water Management Division made a record profit of £4.1m, 17.6% ahead of H1 FY21. Revenues were 18.9% ahead, with strong export and online sales growth. Operating margins remained in line with the prior period at 18%, driven by volume growth and cost savings.
- The Building Envelope Division reported a reduced revenue and delivered a profit of £0.9m (5% operating margin), £1.6m below H1 FY21. Alumasc Roofing performed well against a prior half year which included significant business delayed from FY20. Levolux's performance was affected by Covid-19 in its core UK and USA markets, resulting in delays in orders, and it reported a loss for H1 FY22 of £1.0m (H1 FY21: £0.2m profit). With its restructured cost base and improved capability, Levolux is well placed to recover as commercial market activity resumes.
- Housebuilding Products Division grew its revenue by 6.4%, representing a very commendable performance given a challenging environment of inflationary pressures and supply-side constraints holding back site activity. Housebuilding Products continued to deliver the highest return on sales in the Group, with a 19% operating margin (H1 FY21: 22%).

## Outlook

- Good momentum across the majority of the Group's businesses, and a growing pipeline of opportunities at Levolux.
- A strong balance sheet and cash position allows investment to accelerate future growth.
- The business is on track to deliver against its full year expectations and looks forward to the future with confidence.

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## REVIEW OF INTERIM RESULTS

### Chief Executive's Statement

The first half of the 2021/22 financial year saw strong sales momentum across most markets and the effective management of ongoing, industry-wide, supply chain and inflationary pressures.

In our Annual Report and Accounts 2021 we indicated that we estimated that circa £2.5m sales had been carried forward from the lockdown affected prior year, most of this helping to boost the prior year first half performance. Excluding this from the comparator, underlying sales growth in H1 FY22 was £3.2m (7.5%). Price rises and surcharges, necessary to pass through the sustained increase in cost prices, were responsible for £1.9m (4.4%) of this. The remaining 3.1% increase in revenue includes reduced volumes at Levolux; revenue growth in the other businesses was closer to 10%.

In particular, our Water Management Division had an excellent first half year, increasing its revenue by 19% (£3.6m) to £22.8m, a great effort and assisted by increased export sales and, in particular, the start of the shipments to Hong Kong's Chek Lap Kok Airport, illustrating the global reputation of our water management products. Our Roofing business did very well to almost fully offset the delayed revenues from lockdown and a significant contract which both benefited H1 FY21. In addition, our Housebuilding Products Division's revenue grew by 6% and was assisted once again by new product launches.

Group export sales grew by 41% to £8.7 million and represented 19% of total revenue (H1 FY21: 13%).

Levolux's performance was affected by Covid-19 (in the UK and USA) resulting in delays in orders. It reported a loss for H1 FY22 of £1.0m (H1 FY21: £0.2m profit). However Levolux, with its restructured cost base and improved capability, is well placed to recover as commercial market activity resumes. Enquiry levels are increasing and we anticipate an improved order intake in the second half.

### Operational Review

#### Water Management

| | H1 FY22 | H1 FY21 |
|---|---|---|
| Revenue | £22.8m | £19.2m |
| Underlying operating profit | £4.1m | £3.5m |
| Underlying operating margin | 18.1% | 18.3% |
| Operating profit | £4.1m | £3.5m |

Alumasc Water Management Division delivered another strong and record performance in the first half year, significantly increasing underlying operating profit. The drivers of the 18% improvement in operating profit to £4.1 million (18.1% operating margin) were the continued control of operating costs while accompanied by a significant revenue increase of £3.6m (19%) which saw market share growth, particularly within the civil drainage and roofline markets.

Within this the E-Commerce business, Rainclear, returned another significant revenue increase, this time of 18%, following new product launches. Gatic Slotdrain performed very strongly in H1 FY22, and was successful in winning several new larger car parks work and new Amazon facilities, including one in Valencia, Spain. A Slotdrain project was completed for a highway in Costa Rica. Although activity was quiet at airports in the UK, the first shipments to Chek Lap Kok's Airport Runway 3 were made in the second quarter.

Alumasc Water Management Solutions performed very well, with successful market and sales initiatives benefiting in particular sales of its Alumasc Rainwater and Skyline brands.

#### Building Envelope

| | H1 FY22 | H1 FY21 |
|---|---|---|
| Revenue | £17.8m | £21.1m |
| Underlying operating profit | £0.9m | £2.5m |
| Underlying operating margin | 4.9% | 12.0% |
| Operating profit | £0.8m | £2.4m |

The Building Envelope Division had a reduced revenue in both parts of its division and produced a profit of £0.9m (5% operating margin), £1.6m below H1 FY21, largely reflecting the result at Levolux, discussed below.

The Roofing business performed ahead of internal expectations in both its newbuild and refurbishment markets, against a comparative that included a large one-off contract as well as significant sales delayed from the prior year. It has benefited significantly from the recruitment of high quality sales people who have improved sales in regions that had been weaker in the past. The Covid-19 impact also meant that there was more external work carried out on roofing than on internal refurbishment for Academies. The Roofing business continues to focus on high end specification offers supported by the highest standards, with a customer focused service level which delivers low carbon systems combined with safety in installation; all supported by long-term warranties. This has allowed the business to increase market share in its core sectors.

Covid-19 also played a part in slowing down newbuild commercial market projects, which particularly affected Levolux. This depressed the order intake in the first half to a position significantly lower than was anticipated, and led to a £1.0m loss at the half year, compared to a £0.2m profit in H1 FY21. However, levels of customer enquiries are increasing and the business is actively pursuing several significant opportunities. With its streamlined operating structure and improved capability, Levolux is well positioned to benefit as market activity resumes.

Specification sales opportunities are growing from the new integrated Building Envelope sales approach with an increasing number of combined project wins taking place.

### Housebuilding Products

| | H1 FY22 | H1 FY21 |
|---|---|---|
| Revenue | £5.7m | £5.3m |
| Underlying operating profit | £1.1m | £1.2m |
| Underlying operating margin | 19.3% | 22.2% |
| Operating profit | £1.1m | £1.1m |

Timloc, our Housebuilding Products business, continued to perform well. Its industry leading next day delivery service and continued introduction of new products underpins this performance.

This Division, representing 12% of Group's revenues, grew its revenue by £0.4m (6.4%). This was a very commendable performance in a challenging environment in which housebuilding activity on sites was frequently interrupted by commodity product and labour shortages and inflationary pressures. Despite these, Housebuilding Products maintained its strong returns with a 19% (H1 FY21: 22%) operating margin. New product introductions, outstanding service and rigorous cost controls contributed significantly to this performance. The achievement of 100% On Time In Full ('OTIF') delivery performance was, once again, appreciated by its customers.

New products such as meter boxes, fire rated stop socks, non-combustible InvisiWeep, and the relaunch of the Cavity Closer range all had a positive impact on the business. Ongoing investment in new equipment with much improved energy efficiency, delivering excellent pay-backs, has made a significant contribution in the reduction of the Group's carbon footprint. Timloc became the first building products manufacturer in the UK to source all its energy from renewable sources. In addition, it has become the first building products manufacturer in the UK to become carbon neutral across its operations.

## Strategic Overview

The significant improvement in the Group's performance across the last two years emanate from the execution of the Group's strategy which includes the stated objectives of:

Short-term:

- Continuing to simplify, streamline and reduce fixed costs across the Group.
- Recovery of Levolux's financial performance.

Long-term:
- Drive organic growth across the Group.
- Continual efficiency improvements.
- Geographical expansion within selected territories.
- New product development focused on environmental and sustainable solutions.
- Bolt-on M&A to expand products and markets.
- Use of sustainable materials with recycled and fully recyclable materials.

We have managed to streamline the business and have removed £3.1m p.a. of structural costs in the last two years, with no reduction in capacity or capability. Of this, £2.5m of costs were removed from Levolux, to ensure the business' cost base is efficient and provides a good platform for profitable growth as the order book pipeline and future opportunities are executed.

The Group has continued to progress its long-term strategy to deliver profitable growth through leveraging its strong strategic positions in sustainable building products, and to outperform the UK construction market while continuing development of export markets. The Group's 2% revenue increase, including the 41% growth in export revenue, is testament to that.

Alumasc is also in a very strong position to benefit from the move towards sustainable construction and green buildings, both in terms of its own actions and through the development of its portfolio of products to manage energy consumption in buildings, to produce a greener built environment, and to manage the scarce resource of water. Many internal initiatives have also been taken to act in an environmentally sustainable manner, including the sourcing of electricity from renewable sources for 100% of the Group's supply. The Group's Net Zero planning is underway.

In recognition of its portfolio of environmental solutions and contribution to the global green economy, Alumasc was very pleased to be a recipient of the coveted London Stock Exchange Green Economy Mark in November 2021.

## Financial Review

The Group's underlying tax rate was 19.4%, marginally below H1 FY21 (19.6%). Underlying earnings per share for the period were 11.8p, 11.9% lower than H1 FY21 (13.4p), reflecting the lower underlying profit before tax. Basic earnings per share were 11.2p (H1 FY21: 12.2p).

Cash flows and net debt

| | **H1 FY22 £m** | **H1 FY21 £m** |
|---|---|---|
| EBITDA * | 6.8 | 7.4 |
| Change in working capital | (1.8) | 0.9 |
| Deferred VAT paid | (0.6) | (0.6) |
| Operating cash flow | 4.4 | 7.7 |
| Capital expenditure | (1.4) | (1.0) |
| Interest | (0.2) | (0.1) |
| Tax | (1.3) | 0.4 |
| Pension deficit funding | (1.3) | (1.3) |
| Lease payments | (0.4) | (0.4) |
| Dividend payments | (2.2) | (0.7) |
| Purchase of own shares | (0.4) | - |
| Sub total | (2.8) | 4.6 |
| Non-underlying payments | (0.3) | (0.4) |
| Net cash flow | (3.1) | 4.2 |
| Net bank debt at 31 December | 4.1 | 0.2 |

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

The Group's operating cash inflow was £4.4m (H1 FY21: £7.7m), which included a £0.6m (H1 FY21: £0.6m) repayment to HMRC for VAT deferred during the initial Covid-19 lockdown. The cash outflow into working capital was £1.8m (H1 FY21: £0.9m inflow), including a £2.6m outflow into inventory, resulting from higher cost prices and increased stock holdings to maintain continuity of supply and secure pricing on committed orders; and a net inflow of £0.8m from other working capital lines. Average trade working capital as a percentage of sales for the half year was 15.5% (H1 FY21: 14.9%).

Capital expenditure was £1.4m (H1 FY21: £1.0m), representing 111% of depreciation (H1 FY21: 87%). Principal investments were made on capacity/capability upgrades (£0.4m), tooling for new products (£0.4m) and system upgrades (£0.2m).

Tax paid of £1.3m reflected higher payments on account in respect of FY21 and FY22. The prior half year included £0.4m of tax refunded from FY19.

The £1.3m (H1 FY21: £1.3m) of pension fund payments included the final £0.2m (H1 FY21: £0.2m) of payments deferred under the Group's Covid-19 cash conservation measures.

After the £2.2m (H1 FY21: £0.7m) payment of the prior year final dividend, £0.4m (H1 FY21: £nil) of own share purchases to fulfil the vesting of employee share awards, and £0.6m (H1 FY21: £0.5m) of lease and interest payments, net bank debt at December 2021 was £4.1m (December 2020: £0.2m).

## Pensions and net assets

The Group's pension deficit reduced further to £2.5m at December 2021 (June 2021: £4.6m, December 2020: £12.8m), as a result of the £1.3m of deficit repair payments, investment gains and the effect of higher bond yields, which offset an increase in the inflation rate assumption. The scheme's next triennial actuarial valuation is scheduled for 31 March 2022, and the Group expects to conclude ongoing funding discussions with the scheme trustees prior to publication of its full year results later this year.

Group net assets increased in the period by £2.2m to £38.3m, as a result of the profit retained after dividend payments and the further reduction in the pension deficit. Post tax return on investment (rolling twelve month underlying operating profit divided by capital invested) was 17.8% (December 2021: 13.9%, June 2021: 19.8%).

## Interim Dividend

The Board has decided to declare an increased interim dividend of 3.35p per ordinary share, payable on 6 April 2022 to shareholders on the register on 25 February 2022.

## The Board

A new Non-Executive Director, Karen McInerney, joined us at the start of the second half year. Karen, a Chartered Accountant, is currently the Group Financial Controller at Computacenter plc, a FTSE 250 company. Karen took on the chairmanship of the Audit Committee, which was relinquished by Vijay Thakrar on his appointment as Chairman of The Alumasc Group.

Vijay became Chairman following the retirement of John McCall in December 2021. John served as Chairman and Chief Executive on the buy-out of Alumasc from Consolidated Goldfields in 1984, remaining as Chief Executive until 2003 and continued as Chairman until his retirement. The Group is indebted to John for his wise counsel across the many years. We also said goodbye to Jon Pither who retired having served for 29 years as a non-executive director. Once again, the Group is indebted to Jon's wise and sometimes iconoclastic counsel.

## Outlook

The Group has entered the second half of the year with good momentum, and a growing pipeline of opportunities within Levolux that should come to fruition once activity resumes within the commercial market. Challenges are likely to remain around Covid-19 precautions, supply chain delays and input cost inflation, but we are confident in the resilience of our businesses. We believe our strong positions in sustainable building products will remain a key driver of future growth, and our strong balance sheet will allow us to continue to invest in opportunities to accelerate this.

Accordingly the Board confirms it remains on track to deliver full year results in line with its expectations.

**Paul Hooper, Chief Executive**
**8 February 2022**

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
## for the half year to 31 December 2021

| | Notes | Half year to 31 December 2021 | | | Half year to 31 December 2020 | | | Year to 30 June 2021 |
|---|---|---|---|---|---|---|---|---|
| | | **Underlying (Unaudited) £'000** | **Non-underlying (Unaudited) £'000** | **Total (Unaudited) £'000** | Underlying (Unaudited) £'000 | Non-underlying (Unaudited) £'000 | Total (Unaudited) £'000 | Total (Audited) £'000 |
| **Revenue** | 5 | **46,269** | **-** | **46,269** | 45,551 | - | 45,551 | 90,465 |
| Cost of sales | | **(30,257)** | **-** | **(30,257)** | (28,851) | - | (28,851) | (57,950) |
| **Gross profit** | | **16,012** | **-** | **16,012** | 16,700 | - | 16,700 | 32,515 |
| Net operating expenses | | | | | | | | |
| Net operating expenses before non-underlying items | | **(10,489)** | **-** | **(10,489)** | (10,497) | - | (10,497) | (21,511) |
| IAS 19 past service pension cost | 4 | **-** | **-** | **-** | - | (150) | (150) | (150) |
| Other non-underlying items | 4 | **-** | **(119)** | **(119)** | - | (178) | (178) | (296) |
| **Net operating expenses** | | **(10,489)** | **(119)** | **(10,608)** | (10,497) | (328) | (10,825) | (21,957) |
| **Operating profit** | 4, 5 | **5,523** | **(119)** | **5,404** | 6,203 | (328) | 5,875 | 10,558 |
| Finance expenses | 6 | **(265)** | **(67)** | **(332)** | (251) | (134) | (385) | (757) |
| **Profit before taxation** | | **5,258** | **(186)** | **5,072** | 5,952 | (462) | 5,490 | 9,801 |
| Tax expense | 7 | **(1,020)** | **(34)** | **(1,054)** | (1,167) | 33 | (1,134) | (2,215) |
| **Profit for the period** | | **4,238** | **(220)** | **4,018** | 4,785 | (429) | 4,356 | 7,586 |
| **Other comprehensive income:** | | | | | | | | |
| **Items that will not be recycled to profit or loss:** | | | | | | | | |
| Actuarial gain on defined benefit pensions, net of tax | | | | **821** | | | 4,373 | 10,393 |
| **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 | | | | **83** | | | (300) | (385) |
| Exchange differences on retranslation of foreign operations | | | | **10** | | | (41) | (46) |
| | | | | **93** | | | (341) | (431) |
| **Other comprehensive gain for the period, net of tax** | | | | **914** | | | 4,032 | 9,962 |
| **Total comprehensive profit for the period, net of tax** | | | | **4,932** | | | 8,388 | 17,548 |
| **Earnings per share:** | | | | **Pence** | | | Pence | Pence |
| **Basic earnings per share** | 10 | | | **11.2** | | | 12.2 | 21.2 |
| **Diluted earnings per share** | 10 | | | **11.0** | | | 12.1 | 20.8 |
| **Alternative Performance Measures:** | | | | | | | | |
| Underlying earnings per share (pence) | 10 | | | **11.8** | | | 13.4 | 23.7 |

Full reco0nciliations of underlying to statutory profits and earnings per share are provided in notes 4 and 10 respectively.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**
**at 31 December 2021**

| | Notes | 31 December 2021 (Unaudited) £'000 | 31 December 2020 (Unaudited) £'000 | 30 June 2021 (Audited) £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment – owned assets | | **12,368** | 11,210 | 11,734 |
| Property, plant and equipment – right of use assets | | **5,081** | 5,474 | 5,469 |
| Goodwill | | **18,705** | 18,705 | 18,705 |
| Other intangible assets | | **3,152** | 3,389 | 3,321 |
| Deferred tax assets | | **630** | 2,441 | 1,145 |
| | | **39,936** | 41,219 | 40,374 |
| **Current assets** | | | | |
| Inventories | | **13,488** | 9,779 | 10,871 |
| Trade and other receivables | | **14,369** | 14,987 | 18,617 |
| Contract assets | | **2,526** | 2,416 | 2,772 |
| Cash at bank | **11** | **2,878** | 19,759 | 4,999 |
| | | **33,261** | 46,941 | 37,259 |
| **Total assets** | | **73,197** | 88,160 | 77,633 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Interest bearing loans and borrowings | **11** | **(6,963)** | (19,935) | (5,936) |
| Lease liability | | **(4,475)** | (4,914) | (4,811) |
| Employee benefits payable | | **(2,520)** | (12,847) | (4,581) |
| Provisions | | **(1,251)** | (1,028) | (1,267) |
| Deferred tax liabilities | | **(1,010)** | (1,203) | (966) |
| | | **(16,219)** | (39,927) | (17,561) |
| **Current liabilities** | | | | |
| Trade and other payables | | **(16,289)** | (17,194) | (20,266) |
| Contract liabilities | | **(160)** | (662) | (745) |
| Lease liability | | **(1,145)** | (670) | (795) |
| Provisions | | **(471)** | (1,172) | (834) |
| Corporation tax payable | | **(419)** | (758) | (1,019) |
| Derivative financial liabilities | | **(165)** | (163) | (268) |
| | | **(18,649)** | (20,619) | (23,927) |
| **Total liabilities** | | **(34,868)** | (60,546) | (41,488) |
| **Net assets** | | **38,329** | 27,614 | 36,145 |
| **Equity** | | | | |
| Called up share capital | | **4,517** | 4,517 | 4,517 |
| Share premium | | **445** | 445 | 445 |
| Capital reserve – own shares | | **(435)** | (416) | (406) |
| Hedging reserve | | **(134)** | (132) | (217) |
| Foreign currency reserve | | **65** | 60 | 55 |
| Profit and loss account reserve | | **33,871** | 23,140 | 31,751 |
| **Total equity** | | **38,329** | 27,614 | 36,145 |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**
**for the half year to 31 December 2021**

| | Notes | **Half year to 31 December 2021 (Unaudited) £'000** | Half year to 31 December 2020 (Unaudited) £'000 | Year to 30 June 2021 (Audited) £'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Operating profit | | **5,404** | 5,875 | 10,558 |
| Adjustments for: | | | | |
| Depreciation | | **1,166** | 1,056 | 2,146 |
| Amortisation | | **174** | 157 | 361 |
| Loss/(gain) on disposal of property, plant and equipment | | **17** | 3 | (16) |
| IAS 19 past service pension cost | | **-** | 150 | 150 |
| (Increase)/decrease in inventories | | **(2,617)** | (1,183) | (2,275) |
| Decrease/(increase) in receivables | | **4,494** | (1,133) | (5,119) |
| (Decease)/increase in trade and other payables | | **(4,278)** | 2,516 | 5,287 |
| Movement in provisions | | **(379)** | (176) | (275) |
| Cash contributions to retirement benefit schemes | | **(1,307)** | (1,307) | (2,614) |
| Share based payments | | **50** | 100 | 397 |
| **Cash generated by operating activities** | | **2,724** | 6,058 | 8,600 |
| Tax (paid)/received | | **(1,320)** | 409 | (161) |
| **Net cash inflow from operating activities** | | **1,404** | 6,467 | 8,439 |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | **(1,361)** | (804) | (1,666) |
| Payments to acquire intangible fixed assets | | **(5)** | (194) | (330) |
| Proceeds from sales of property, plant and equipment | | **-** | 41 | 46 |
| **Net cash outflow from investing activities** | | **(1,366)** | (957) | (1,950) |
| **Financing activities** | | | | |
| Bank interest paid | | **(141)** | (141) | (207) |
| Equity dividends paid | | **(2,233)** | (715) | (1,878) |
| Draw down/(repayment) of amounts borrowed | | **1,000** | - | (14,000) |
| Principal paid on lease liabilities | | **(352)** | (340) | (692) |
| Interest paid on lease liabilities | | **(83)** | (90) | (178) |
| Purchase of own shares | | **(430)** | - | - |
| Exercise of share based payments | | **70** | - | - |
| Refinancing costs | | **-** | - | (65) |
| **Net cash outflow from financing activities** | | **(2,169)** | (1,286) | (17,020) |
| **Net (decrease)/increase in cash at bank and bank overdrafts** | | **(2,131)** | 4,224 | (10,531) |
| Net cash at bank and bank overdraft brought forward | | **4,999** | 15,576 | 15,576 |
| Net (decrease)/increase in cash at bank and bank overdraft | | **(2,131)** | 4,224 | (10,531) |
| Effect of foreign exchange rate changes | | **10** | (41) | (46) |
| **Net cash at bank and bank overdraft carried forward** | **11** | **2,878** | 19,759 | 4,999 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**for the half year to 31 December 2021**

| | Share capital £'000 | Share premium £'000 | Capital reserve - own shares £'000 | Hedging reserve £'000 | Foreign currency reserve £'000 | Profit and loss account reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2021 | **4,517** | **445** | **(406)** | **(217)** | **55** | **31,751** | **36,145** |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **4,018** | **4,018** |
| Exchange differences on retranslation of foreign operations | **-** | **-** | **-** | **-** | **10** | **-** | **10** |
| Net gain on cash flow hedges | **-** | **-** | **-** | **103** | **-** | **-** | **103** |
| Tax on derivative financial liability | **-** | **-** | **-** | **(20)** | **-** | **-** | **(20)** |
| Share based payments | **-** | **-** | **-** | **-** | **-** | **50** | **50** |
| Actuarial gain on defined benefit pension schemes, net of tax | **-** | **-** | **-** | **-** | **-** | **616** | **616** |
| Own shares used to satisfy exercise of share awards | **-** | **-** | **402** | **-** | **-** | **-** | **402** |
| Acquisition of own shares | **-** | **-** | **(431)** | **-** | **-** | **-** | **(431)** |
| Exercise of share based incentives | **-** | **-** | **-** | **-** | **-** | **(331)** | **(331)** |
| Dividends | **-** | **-** | **-** | **-** | **-** | **(2,233)** | **(2,233)** |
| **At 31 December 2021** | **4,517** | **445** | **(435)** | **(134)** | **65** | **33,871** | **38,329** |

| | Share capital £'000 | Share premium £'000 | Capital reserve - own shares £'000 | Hedging reserve £'000 | Foreign currency reserve £'000 | Profit and loss account reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2020 | 4,517 | 445 | (416) | 168 | 101 | 15,026 | 19,841 |
| Profit for the period | - | - | - | - | - | 4,356 | 4,356 |
| Exchange differences on retranslation of foreign operations | - | - | - | - | (41) | - | (41) |
| Net loss on cash flow hedges | - | - | - | (370) | - | - | (370) |
| Tax on derivative financial liability | - | - | - | 70 | - | - | 70 |
| Share based payments | - | - | - | - | - | 100 | 100 |
| Actuarial gain on defined benefit pension schemes, net of tax | - | - | - | - | - | 4,373 | 4,373 |
| Dividends | - | - | - | - | - | (715) | (715) |
| **At 31 December 2020** | 4,517 | 445 | (416) | (132) | 60 | 23,140 | 27,614 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
**for the half year to 31 December 2020**

### 1. Basis of preparation

The condensed consolidated interim financial statements of The Alumasc Group plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 that are effective at 31 December 2021.

The condensed consolidated interim financial statements have been prepared using the accounting policies set out in the statutory accounts for the financial year to 30 June 2021 and in accordance with AIM Rule 18, and the same accounting policies will be adopted in the 2022 annual financial statements.

The consolidated financial statements of the Group as at and for the year ended 30 June 2021 are available on request from the Company's registered office at Burton Latimer, Kettering, Northants, NN15 5JP or on the website www.alumasc.co.uk.

The comparative figures for the financial year ended 30 June 2021 are not the Company's statutory accounts for that financial year but have been extracted from those accounts. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the half year ended 31 December 2021 are not statutory accounts and have been neither audited nor reviewed by the Group's auditors. They do not contain all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2021.

These condensed consolidated interim financial statements were approved by the Board of Directors on 8 February 2022.

The Group performed ahead of the Base Case trading scenario modelled as part of the 30 June 2021 year end Going Concern review, and also compared to the stress testing performed in relation to additional National lockdowns. On the basis of the Group's financing facilities and current financial plans and sensitivity analyses, the Board is satisfied that the Group has adequate resources to continue in operational existence for twelve months from the date of signing this report and accordingly continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

### 2. Estimates

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

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021, namely the valuation of defined benefit pension obligations, the valuation of the Group's acquired goodwill and the recognition of revenue and profit on contracts with customers where revenue is recognised over time.

During the six months ended 31 December 2021, management reassessed and updated its estimates in respect of retirement benefit obligations based on market data available at 31 December 2021. The resulting impact was a £0.8 million pre-tax actuarial gain, calculated using IAS 19 conventions, recognised in the six month period to 31 December 2021.

**3. Risks and uncertainties**

A summary of the Group's principal risks and uncertainties was provided on pages 46 to 49 of Alumasc's Report and Accounts for the year ended 30 June 2021. The Board considers these risks and uncertainties remain relevant to the current financial year.

Specific risks and uncertainties relating to the Group's performance in the second half year are:

- Continued global economic uncertainty surrounding the Covid-19 pandemic;
- The impact of disruption to our customers' operations from shortages of building materials, labour and road haulage, and delays in the global container shipping industry;
- Prolonged period of bad weather impacting the Group's construction markets; and
- Potential impact of the current geopolitical uncertainty globally.

**4. Underlying to statutory profit reconciliation**

| <u>**Profit before tax**</u> | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Underlying profit before tax | **5,258** | 5,952 | 10,515 |
| Brand amortisation | **(119)** | (119) | (238) |
| IAS 19 net pension scheme finance costs | **(67)** | (134) | (268) |
| IAS 19 past service cost in respect of GMP equalisation | **-** | (150) | (150) |
| Restructuring & relocation costs | **-** | (59) | (58) |
| **Statutory profit before tax** | **5,072** | 5,490 | 9,801 |

| <u>**Operating profit**</u> | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Underlying operating profit | **5,523** | 6,203 | 11,004 |
| Brand amortisation | **(119)** | (119) | (238) |
| IAS 19 past service cost in respect of GMP equalisation | **-** | (150) | (150) |
| Restructuring & relocation costs | **-** | (59) | (58) |
| **Statutory operating profit** | **5,404** | 5,875 | 10,558 |

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 presented the following items as non-underlying in the prior period, as they are non-recurring items that are judged to be significant enough to affect the understanding of the underlying trading performance of the business:

- One-off costs of material restructuring and relocation of separate businesses within the Group in 2020/21;
- One-off IAS 19 past service pension cost relating to Guaranteed Minimum Pension ("GMP") equalisation between men and women, following a High Court decision on 20 November 2020; and
- One-off deferred tax rate change adjustment charge of £319k relating to the increase in main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023.

**5. Segmental analysis**

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

| Revenue | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Water Management | **22,783** | 19,160 | 38,370 |
| Building Envelope | **17,817** | 21,064 | 41,022 |
| Housebuilding Products | **5,669** | 5,327 | 11,073 |
| **Group Revenue** | **46,269** | 45,551 | 90,465 |

| Operating profit | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Water Management | **4,118** | 3,501 | 6,115 |
| Building Envelope | **881** | 2,519 | 4,255 |
| Housebuilding Products | **1,096** | 1,184 | 2,552 |
| Unallocated central costs | **(572)** | (1,001) | (1,918) |
| **Underlying operating profit** | **5,523** | 6,203 | 11,004 |
| Non-underlying items | **(119)** | (328) | (446) |
| **Statutory operating profit** | **5,404** | 5,875 | 10,558 |

**6. Finance expenses**

| | | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|---|
| Finance costs | - Bank overdrafts | **19** | 8 | 24 |
| | - Revolving credit facility | **163** | 153 | 287 |
| | - Interest on lease liabilities | **83** | 90 | 178 |
| | | **265** | 251 | 489 |
| | - IAS 19 net pension scheme finance costs | **67** | 134 | 268 |
| | | **332** | 385 | 757 |

## 7. Tax expense

| | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Current tax: | | | |
| UK corporation tax | **671** | 652 | 1,443 |
| Overseas tax | **54** | 29 | 46 |
| Amounts under provided in previous years | **-** | - | 23 |
| Total current tax | **725** | 681 | 1,512 |
| Deferred tax: | | | |
| Origination and reversal of temporary differences | **329** | 450 | 405 |
| Amounts under/(over) provided in previous years | **-** | 3 | (21) |
| Rate change adjustment | **-** | - | 319 |
| Total deferred tax | **329** | 453 | 703 |
| **Total tax expense** | **1,054** | 1,134 | 2,215 |
| Deferred tax recognised in other comprehensive income: | | | |
| Actuarial gains on pension schemes | **205** | 1,026 | 2,099 |
| Cash flow hedges | **20** | (70) | (90) |
| Tax charged to other comprehensive income | **225** | 956 | 2,009 |
| **Total tax charge in the statement of comprehensive income** | **1,279** | 2,090 | 4,224 |

## 8. Dividends

The Directors have approved an interim dividend per share of 3.35 pence (2020/21: 3.25 pence) which will be paid on 6 April 2022 to shareholders on the register at the close of business on 25 February 2022. The cash cost of the dividend is expected to be £1,202,000. In accordance with accounting requirements, as the dividend was approved after the statement of financial position date, it has not been accrued in the interim consolidated financial statements. A final dividend per share of 6.25 pence in respect of the 2020/21 financial year was paid at a cash cost of £2,233,000 during the six months to 31 December 2021.

## 9. Share Based Payments

During the period the Group awarded 160,000 options (2020/21: 170,000) under the Executive Share Option Scheme ("ESOS"). These options have an exercise price of 226 pence and require certain criteria to be fulfilled before vesting. 78,810 existing options were exercised during the period (2020/21: none) and 41,190 existing options lapsed (2020/21: 120,000).

Total awards granted under the Group's Long Term Incentive Plans ("LTIP") amounted to 214,020 (2020/21: 265,760). LTIP awards have no exercise price but are dependent on certain vesting criteria being met. 228,511 existing LTIP awards were exercised during the period (2020/21: none) and 109,713 existing LTIP awards lapsed (2020/21: 257,688).

### 10. Earnings per share

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

| | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Net profit attributable to equity holders of the parent | **4,018** | 4,356 | 7,586 |
| | **000s** | 000s | 000s |
| Basic weighted average number of shares | **35,821** | 35,764 | 35,766 |
| Dilutive potential ordinary shares – employee share options | **549** | 169 | 637 |
| Diluted weighted average number of shares | **36,370** | 35,933 | 36,403 |

| | **Half year to 31 December 2021 Pence** | Half year to 31 December 2020 Pence | Year to 30 June 2021 Pence |
|---|---|---|---|
| **Basic earnings per share** | **11.2** | 12.2 | 21.2 |
| **Diluted earnings per share** | **11.0** | 12.1 | 20.8 |

Calculation of underlying earnings per share:

| | **Half year to 31 December 2021 £'000** | Half year to 31 December 2020 £'000 | Year to 30 June 2021 £'000 |
|---|---|---|---|
| Reported profit before taxation | **5,072** | 5,490 | 9,801 |
| Brand amortisation | **119** | 119 | 238 |
| IAS 19 net pension scheme finance costs | **67** | 134 | 268 |
| Pension GMP equalisation | **-** | 150 | 150 |
| Restructuring & relocation costs | **-** | 59 | 58 |
| Underlying profit before taxation | **5,258** | 5,952 | 10,515 |
| Tax at underlying Group tax rate of 19.4% (2020/21 first half year: 19.6%; full year: 19.5%) | **(1,020)** | (1,167) | (2,050) |
| Underlying earnings | **4,238** | 4,785 | 8,465 |
| Weighted average number of shares | **35,821** | 35,764 | 35,766 |
| **Underlying earnings per share** | **11.8p** | 13.4p | 23.7p |

**11. Movement in borrowings**

| | Cash at bank /bank overdrafts £'000 | Bank loans £'000 | Net bank cash/(debt) £'000 | Lease liabilities £'000 | Total borrowings £'000 |
|---|---|---|---|---|---|
| At 1 July 2021 | **4,999** | **(5,936)** | **(937)** | **(5,606)** | **(6,543)** |
| Cash flow movements | **(2,131)** | **(1,000)** | **(3,131)** | **352** | **(2,779)** |
| Non-cash movements | **-** | **(27)** | **(27)** | **(366)** | **(393)** |
| Effect of foreign exchange rates | **10** | **-** | **10** | **-** | **10** |
| **At 31 December 2021** | **2,878** | **(6,963)** | **(4,085)** | **(5,620)** | **(9,705)** |

| | Cash at bank /bank overdrafts £'000 | Bank loans £'000 | Net bank cash/(debt) £'000 | Lease liabilities £'000 | Total borrowings £'000 |
|---|---|---|---|---|---|
| At 1 July 2020 | 15,576 | (19,909) | (4,333) | (5,924) | (10,257) |
| Cash flow movements | 4,224 | - | 4,224 | 340 | 4,564 |
| Non-cash movements | - | (26) | (26) | - | (26) |
| Effect of foreign exchange rates | (41) | - | (41) | - | (41) |
| At 31 December 2020 | 19,759 | (19,935) | (176) | (5,584) | (5,760) |

**12. Related party disclosure**

The Group has a related party relationship with its Directors and with its UK pension schemes. There has been no material change in the nature of the related party transactions described in note 29 of Alumasc's Report and Accounts for the year ended 30 June 2021.

**Responsibility Statement**

The Directors confirm that, to the best of their knowledge, the condensed consolidated interim financial statements have been prepared in accordance with Alternative Investment Market ("AIM") Rule 18.

On behalf of the Board

**Paul Hooper**
Chief Executive

**Simon Dray**
Group Finance Director