

Tuesday 6 September 2022

THE ALUMASC GROUP PLC

(“ALUMASC”)

FULL YEAR RESULTS ANNOUNCEMENT

STRONG PERFORMANCE ACROSS ALL DIVISIONS; DELIVERY OF STRATEGIC PRIORITIES

Alumasc (ALU.L), the premium sustainable building products, systems and solutions Group, announces results for the year ended 30 June 2022.

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

“These results mark a pivotal moment for Alumasc. I am delighted to report this excellent set of results across our core businesses, with the strong sustainability-linked and export sales demonstrating our growth potential. With the disposal of Levolux on 26 August, we now have a simplified business model and can focus our energies on growing our core businesses, with their respected brands and significant market opportunities. Despite the current macroeconomic uncertainty, FY23 trading to date has remained robust and order books are strong, and we remain confident in the Group’s future performance.”

▪ **Financial Highlights: Strong performance from continuing operations:**

- Revenues from continuing operations up 14.9% to £89.4m (2021: £77.8m)
- Group underlying operating profit up 26.9% to £13.3m (2021: £10.5m)
- Underlying operating margin increased by 140bps to 14.9% (2021: 13.5%)
- Underlying profit before tax up 27.0% to £12.7m (2021: £10.0m)
- Export sales of £13.7m (2021: £7.6m), representing 15% (2021: 10%) of total revenue
- Net bank debt of £4.7m (2021: £0.9m)
- Underlying EPS up 27.1% to 28.6p (2021: 22.5p)
- Basic EPS up 30.1% to 26.8p (2021: 20.6p)
- Final dividend up 6.4% to 6.65p (2021: 6.25p), with full year dividend up 5.3% to 10.0p (2021: 9.5p)

▪ **Operational Highlights: Delivery of strategic priorities**

- Disposal of Levolux post year end delivers a simplified business model and a focus on core activities
- Benefits of cost efficient operating structure and volume growth driving margin improvement
- Water Management Division delivered record revenues of £47.6m, up 24% from 2021, and operating revenues of £8.8m
- Building Envelope Division’s continuing activities delivered a 4% increase in revenues to £29.4m and underlying operating profit sustained at £3.6m
- Housebuilding Products grew its revenue by 12% to £12.4m and an operating profit of £2.4m, with an operating margin of 19.7%
- Pension contributions reduced from £2.3m to £1.2m pa from October 2022, following triennial review
- Growth investment opportunities continue to be appraised, alongside a growing pipeline of potential acquisitions
- The Alumasc portfolio is strongly aligned to environmental growth drivers, with c.80% of sales derived from environmental solution products, underpinning the continued growth opportunity

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▪ Outlook:

- Alumasc is repositioned to focus on its strong brands, long-term customer relationships across diverse markets and organic and inorganic growth opportunities, supported by cost efficiencies
- Despite the current uncertain macroeconomic outlook, the Board believes Alumasc's simplified business model, clear brands strategy and robust start to FY23 provides confidence in the future.

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Notes to Editors:

1 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.

2 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

Chair's Statement

I am pleased to present my first report as Chair, following the retirement of John McCall on 31 December 2021. On behalf of Alumasc's stakeholders, I would like to once again record my sincere thanks to John for his leadership, contribution and unwavering support to Alumasc over many years.

In another year of unprecedented challenges, including continued Covid disruption, the war in Ukraine, cost inflation not seen for a generation and labour shortages, Alumasc's business has demonstrated strong momentum and resilience, delivering underlying profits from continuing operations substantially ahead of a successful prior year.

Performance

Revenues grew by 15% from £77.8 million to £89.4 million* and underlying pre-tax profits from £10.0 million to £12.7 million*.

Alumasc's Net Debt increased to £4.7 million, compared to £0.9 million last year. This reflects higher inventory levels to protect against material shortages as well as Capex of £2.6 million, repaying pandemic related government support of £0.7 million, dividend payments of £3.4 million and pension contributions of £2.6 million. Our available bank credit facilities have recently been increased to £29.0m, to allow Alumasc to invest both for organic and inorganic growth.

*From continuing operations, see Note 5 for a reconciliation to statutory profits.

Strategy – organic growth

Alumasc's divisions have been encouraged to reset their plans to deliver faster and more ambitious growth. As a result, the divisions have invested in additional high-quality people to accelerate product development and sales and we expect to reap the benefits in the coming years. In addition, following the successful cost reductions achieved from streamlining our operations in 2020, Alumasc is examining the potential to drive further efficiencies across the Group.

Strategy – corporate transactions

Following a strategic review, the Alumasc Board agreed that Levolux, with its focus on installation, was non-core and it would be better positioned under new ownership. Levolux was sold on 26 August 2022 to Talrus Limited, a company associated with leading private investors, Rcapital. They are well placed to support the Levolux business and management team, and we wish the Levolux team and Talrus well.

Alumasc is also actively looking for synergistic acquisitions to supplement its organic growth.

ESG

Our contribution to environmental sustainability through the energy and water efficient products that we develop and sell was recognised by the London Stock Exchange awarding Alumasc its Green Economy Mark in the year. This is awarded to companies that derive the majority of their revenues from environmentally friendly solutions and is appropriate recognition of the many Alumasc colleagues who strive daily to produce solutions to combat climate change for our customers and planet.

Pension scheme

The defined benefit pension scheme deficit has further reduced in the year from £4.6 million to £2.1 million. I would like to thank both our Management Team and the Pension Scheme Trustees for the collaborative approach they have adopted to make further inroads to the deficit for the benefit of Scheme Members, through a combination of Company pension contributions, sensible asset investment decisions and the impact of gilt yields on liability calculations. Agreement has also been reached with the Trustees to reduce the Company's pension contributions to

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£1.2 million pa (previously £2.3 million) until the next triennial valuation in 2025, in recognition of the reduced scheme deficit.

Dividends

I am pleased to confirm that the Board continues to pursue a progressive dividend policy. An interim dividend of 3.35p per share was paid in April 2022 and our proposed final dividend, if approved by shareholders, is 6.65p, making a total distribution for the year of 10.0p per share (2020/21 9.5p per share).

Board

John McCall and Jon Pither, having given a combined nearly 70 years of loyal service to Alumasc, retired during the year. On behalf of all our stakeholders, I thank them for their immense contribution and wish them long and happy retirements.

Stephen Beechey took on the role of Remuneration Committee Chair following Jon's retirement. The Board was very pleased to welcome Karen McInerney to the Board as a Non-executive Director and Chair of the Audit Committee in the year. Karen brings a wealth of financial, treasury and risk management experience from having worked in a small listed company which is now a FTSE 250 group and we are already benefitting from her insights.

Looking ahead and Alumasc's people

Whilst economic and geopolitical conditions continue to be unpredictable and will doubtless lead to some volatility, Alumasc has a clear long-term strategy of organic and inorganic growth focused on sustainable building products.

Our people have demonstrated remarkable resilience and adaptability in the past two and a half years, and I am sure they will continue to do so in the times ahead to deliver a strong performance for our various stakeholders. The Board and I thank our staff colleagues for their continued hard work and commitment.

Vijay Thakrar
Chair
6 September 2022

Chief Executive's Review

Financial Highlights and Overview

	2021/22	2020/21	% change
Group performance from continuing operations:			
Revenue (£m)	89.4	77.8	+15%
Underlying profit before tax (£m) *	12.7	10.0	+27%
Statutory profit before tax (£m)	12.0	9.5	+27%
Underlying earnings per share (pence) *	28.6	22.5	+27%
Basic earnings per share (pence)	26.8	20.6	+30%
Dividends per share (pence)	10.0	9.5	+5%

*A reconciliation of underlying to statutory profit before tax is provided in note 5

Covid-19

The response of our employees to the challenges faced this year has been exceptional. Covid-19 has brought many difficult challenges. Our number one priority is always the health, safety and wellbeing of our people and visitors to sites. We have complied with, as a minimum, government regulations. Unannounced HSE visits have confirmed this with very positive feedback being received. Our new norm allowed us to adapt our working practices to have more people working from home while maintaining a good premium customer service. I am very proud of our incredible people and all that they have achieved.

Overview of performance

Despite the prior year delivering a record result assisted by circa £2.5 million of pent up revenue demand from the Covid affected lockdown year of 19/20, I am pleased to report a further record year driven by record revenue (since the focus on only premium Building Products began in 2016) which increased by 15% over the prior year.

The year was particularly affected by significant raw material and freight cost increases, in many cases well ahead of inflation. These were successfully recovered through sales price increases.

The star performer of the year was undoubtedly the Water Management Division. Following its prior year record 27% profit growth to £6.1 million it grew a further 43% to £8.8 million, increasing its operating margin to 18.4% from 15.9%. This was an outstanding performance and was driven by a 24% revenue increase to £47.6 million.

The remaining two divisions had credible performances against a difficult background of increasing global supply chain challenges, almost achieving the same results as the previous financial year. Both the divisions grew their sales albeit with margins down slightly against the prior year. New products again played a major role, particularly at the Housebuilding Products Division which in the past 18 months launched a record number of products. This was again supported by its industry leading next day service, both of which have significantly contributed to its performance.

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*

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UK revenue growth from continuing operations was 9% which we believe was at a faster growth rate than the UK construction market. For instance, there is no doubt that market share was taken both in the UK Roofing market and the UK market in which Gatic Slotdrain operates.

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, this year export revenues from continuing operations reached 15% and grew by just over £6.0 million (80%) assisted by Gatic Cover work on the Chek Lap Kok Airport third runway in Hong Kong.

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

The Group's operating profit from continuing operations grew by £2.8 million (27%) to £13.3 million.

Executing our priorities in FY21/22

Management accelerated the pace of strategic development during its 2022 financial year:

1. Levolux divestment

Following a strategic review it became clear that Levolux was no longer core to the development of the Group. Its business model is different to the rest of the Group's, with a focus on design and installation, despite management's best efforts to be a supply only company which is not what the customers want.

Levolux was sold on 26 August 2022 to Talrus Limited who are well placed to support the Levolux business and management team to return the business to sustainable profit.

2. Implementation of a more cost-efficient operating structure

The Group's relentless focus on cost efficiency has supported the improvement in underlying operating margin from continuing operations, from 8.4% in the 2018 financial year to 14.9% in 2022. Further efficiencies across the facilities will continue to be sought.

3. Prioritising and focusing investment to drive profitable growth

Capital expenditure was £2.6 million, very slightly ahead of depreciation.

Once again investment has been focused on our businesses with the greatest manufacturing activity: our Water Management business and our Housebuilding Products business. We continue to invest 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 our Housebuilding Products Division, including to support new product launches. The benefit of the investments is evident in the relatively strong performances of these businesses. There has also been a further reduction in our carbon emissions brought about by the additional investment in more efficient machinery at Timloc along with the Group's recent introduction of electric vehicles to the company fleet.

4. Proactive management of our portfolio of businesses

The Group continues to seek to grow through bolt-on acquisitions. With the Group's platform simplified and focused following the disposal of Levolux, we are well placed to leverage our strong financial position and capitalise on the opportunities presented by our growing pipeline of acquisition targets.

5. 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 who target these criteria. An example of this is its innovative Roofing solutions, such as Olivine, which can actually reduce CO₂ 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 significantly contributed to the energy conservation and air tightness within new build housing with its ventilation products, cavity closers, cavity stop socks and radiator seal. It is constantly innovating and launching new products that meet or exceed the latest legislation including the latest

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uplift in Building Regulations (Part F and Part L). A recent example of this is the new InVentive Roof Tile Vent Range, a significant product launch for 2022/23 which opens a new channel with Roofing Merchants.

The division is well placed to assist housebuilders with the introduction of housing to the Future Homes Standard in 2025 and further changes in legislation.

All divisions are totally committed to, and insist on, the use of recycled and recyclable material where appropriate. Alumasc is very proud to be able to state that 75% of the Group's products are made from readily recyclable material and 26% of the Group's raw materials are sourced from recycled material.

The Housebuilding Products Division is already operating at a carbon neutral level and there are plans in place for the rest of the Group to follow suit over time.

The relentless pursuit of both innovative energy and water management solutions combined with the increasing use of recycled material will continue. Alumasc is already 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

Continuing operations:

Revenue analysis

Revenue grew by £11.6 million (15%) compared to the prior year. This was the resultant benefit of investing in high quality Roofing salespeople, launching new products, winning market share, growing Gatic SlotDrain sales and winning the Gatic Covers project at Chek Lap Kok Airport in Hong Kong.

Gross margin

Alumasc's Gross Margin fell by 0.5 percentage points, to 37.3%, following a successful pass through of raw material price increases.

Net fixed and operating expenses

Net fixed and operating expenses increased by £1.5 million during the year mainly due to increased sales resource, marketing, product managers and inflationary pay increases.

Underlying operating profit

Underlying operating profit was £13.3 million compared with £10.5 million in the prior year.

Underlying profit before tax

Underlying profit before tax was £12.7 million (2020/21: £10.0 million).

Non-underlying, non-recurring items

Non-underlying and non-recurring items amounted to a £0.7 million net cost in the period compared with a £0.5 million net cost in the prior year. Further details are given in the Financial Review.

Discontinued operations:

The Levolux trading loss, and the £14.9 million non-cash write down of the associated assets held for sale, resulted in a loss after tax from discontinued operations of £16.7 million (2020/21: £0.2 million profit).

Levolux – discontinued/divested/held for sale

Following its substantial turnaround in the prior year Levolux fell back with a loss which was very disappointing. This was principally linked to the reduction in commercial activity in the UK and USA, in some cases the result of main contractors delaying the placing of orders to try to obtain lower prices during the above mentioned period of significant cost increases. This was all against a background in which Covid-19 affected activity and, in particular, during further lockdowns in North America. A strategic review determined that Levolux should be divested. Therefore, following a sales process Levolux was sold on 26 August 2022 for a nominal initial consideration of £1

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together with £1 million of deferred consideration which is repayable from proceeds in excess of £1 million arising from any subsequent disposal.

Profit after tax for the year

The Group's resulting overall statutory loss after tax for the year was £7.0 million (2020/21: £7.6 million profit).

Divisional review

(a) Water Management

Revenue: £47.6 million (2020/21: £38.4 million)
Underlying operating profit*: £8.8 million (2020/21: £6.1 million)
Underlying operating margin*: 18.4% (2020/21: 15.9%)
Operating profit: £8.7 million (2020/21: £6.0 million)

* Prior to brand amortisation charges of £0.1 million in both years

Water Management produced a record profit of £8.8 million which was £2.7 million (43%) higher than the previous year. This followed the prior year record growth of £1.3 million (27%) versus the 19/20 year.

The drivers of the improvement were revenue related (which increased by £9.2 million (24%)) and product portfolio management, including new product launches, general efficiency improvement and tight cost control. Significant material cost increases were passed on in the year. The performance in this division was assisted by the winning of the contract to supply the third runway with Gatic Covers at Chek Lap Kok Airport in Hong Kong.

Water Management's operating profit return on sales increased to 18.4% from a prior year of 15.9%. This was a very encouraging performance.

(b) Building Envelope

Revenue*: £29.4 million (2020/21: £28.4 million)
Underlying operating profit*: £3.6 million (2020/21: £3.8 million)
Underlying operating margin*: 12.2% (2020/21: 13.2%)
Operating profit*: £3.1 million (2020/21: £3.8 million)

* From continuing operations. Underlying figures presented prior to restructuring costs of £0.5 million in 2021/22

The Building Envelope Division sells principally into the high end UK commercial and residential new build construction market.

Alumasc Roofing's performance was strong and in particular within the Refurbishment sector. The five new salespeople recruited in the prior year significantly strengthened some of the more weak areas of sales in the UK whilst technical services staffing was increased across the country. It went from strength to strength and increased its revenue stream whilst also securing additional market share. This business now has a very strong and capable sales force. Significant cost increases were passed on in the year.

(c) Housebuilding Products

Revenue: £12.4 million (2020/21: £11.1 million)
Underlying operating profit*: £2.4 million (2020/21: £2.6 million)
Underlying operating margin*: 19.7% (2020/21: 23.0%)
Operating profit: £2.4 million (2020/21: £2.5 million)

* Prior to restructuring costs of £0.1 million in 2020/21

Timloc, our Housebuilding Products Division, had another strong year. In addition, during a challenging year, Timloc continued to launch new products, improve efficiencies and maintain 100% OTIF to customers. Timloc continues to receive very positive feedback from its customers on its excellent service and promotes this through its #TrustTimloc to deliver strapline.

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New product development is an important factor in Timloc's success and during the year it saw continued growth of recently launched new products and launched further new products including FrStop cavity stop socks, Non-combustible products and a number of Roofline Products. A very exciting full launch of its new Tile Vent Range will take place in Q1 of the new financial year, with early indications of success encouraging.

With its constant focus on improving efficiencies, new product development and customer service Timloc is well positioned to maximise opportunities presented by the housebuilding sector.

Outlook

Alumasc's cost savings programme, liquidity management, strong balance sheet and improved commercial positioning underpin a robust platform that is well positioned to benefit from the long term growth drivers in its markets. Alumasc's primary aim is to manage the long-term sustainability of the business and to focus on its key strategic objectives, growing revenues faster than the UK construction market and being a supplier of sustainable building products.

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

- the outstanding 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 strong Roofing performance where it enters the new year with a very healthy order book;
- the strong performance of the Housebuilding Products Division against a structural market shortage of housing in the UK;
- focused investments in new products, manufacturing capability and automation;
- investments in sales resources and product managers to grow the business both in the UK and internationally;
- actions taken to deliver operational efficiencies across the Group; and
- close alignment to the sustainability agenda.

Demand remains strong entering the new financial year, which has started in line with management's expectations.

Notwithstanding uncertainty over the current macroeconomic outlook, a strong platform is now in place which provides the Board with confidence for another strong year.

G Paul Hooper
Chief Executive
6 September 2022

Financial Review

Reconciliation of underlying to statutory profit before tax from continuing operations

The underlying profit before tax from continuing operations for the 2021/22 financial year of £12.7 million reconciles to the statutory profit before tax from continuing operations of £12.0 million as follows:

	2021/22	2020/21
	£m	£m
Underlying profit before tax	12.7	10.0
Brand amortisation	(0.1)	(0.1)
Net IAS 19 defined benefit pension scheme costs	(0.1)	(0.2)
Restructuring costs	(0.5)	(0.1)
IAS 19 past service cost in respect of GMP equalisation	-	(0.1)
Statutory profit before tax	<u>12.0</u>	<u>9.5</u>

The reconciling items were:

- Amortisation of acquired brands of £0.1 million (2020/21: £0.1 million). This is a non-cash charge arising from the application of accounting standards, to write off the estimated value of brands associated with acquired businesses over their anticipated useful life.
- Net IAS 19 defined benefit pension scheme costs of £0.1 million (2020/21: £0.2 million) are also non-cash charges. These relate to the Group's legacy defined benefit pension scheme, which was closed to future accrual in 2009. The value of the charge is determined by actuarial assessment and represents the notional financing cost of the Group's pension deficit.
- One-off restructuring costs of £0.5 million (2020/21: £0.1 million), reflecting the cost of exiting the Group's remaining roofing installation business and following changes in the estimated cost of several reorganisation projects, which were announced during the 2019/20 financial year.
- A one-off IAS 19 past service cost in the prior year of £0.1 million, representing an increase in the estimated cost of guaranteed minimum pension equalisation between men and women, following a High Court ruling in November 2020.

Taxation

The Group's underlying effective tax rate on continuing operations was 19.4% (2020/21: 19.5%), slightly above the UK statutory corporation tax rate of 19% due to certain costs that are disallowable for tax purposes. We expect the Group's underlying tax rate to be approximately 21% in the 2022/23 financial year, due to the planned increase in the main UK corporation tax rate from 19% to 25% from 1 April 2023.

The Group's effective tax rate on statutory profit before tax was 20.6% (2020/21: 22.6%). Reconciliations from the actual to statutory rates of tax are provided in note 8. The reconciling items mainly relate to the tax treatment of the one-off items in the Group's income statement and the deferred tax impact of the planned increase in the corporation tax rate to 25% from 1 April 2023.

Earnings per share

Underlying earnings per share from continuing operations for the year was 28.6 pence (2020/21: 22.5 pence). This increase is consistent with the increased underlying profit before tax for the year.

Basic earnings per share from continuing operations of 26.8 pence (2020/21: 20.6 pence) reflected the increase in underlying profit before tax for the year.

Dividends

The Board have recommended to shareholders a final dividend of 6.65 pence per share (2020/21: 6.25 pence), which will absorb an estimated £2.4 million of shareholders' funds. This has not been accrued in these accounts as it was

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proposed after the end of the financial year. Subject to shareholder approval at the Annual General Meeting, it will be paid on 4 November 2022 to members on the share register on 30 September 2022.

Together with the interim dividend of 3.35p (2020/21: 3.25p) paid to shareholders on 6 April 2022, this will bring the total distribution for the year to 10.0 pence per share (2020/21: 9.5 pence), which is covered 2.9 times (2020/21: 2.4 times) by underlying earnings per share from continuing operations.

The Board continues to follow a progressive distribution policy, where dividends rise broadly in line with earnings, while maintaining a prudent level of cover.

Summarised Cash Flow Statement

	2021/22 £m	2020/21 £m
Underlying operating profit from continuing operations	13.3	10.5
Underlying depreciation/amortisation	2.7	2.7
Underlying EBITDA	16.0	13.2
Change in working capital	(4.0)	0.6
Deferred VAT repaid	(0.7)	(1.1)
Operating cash flow from continuing operations	11.3	12.7
Discontinued operation	(2.3)	(1.0)
Operating cash flow from continuing and discontinued operations	9.0	11.7
Capital expenditure	(2.6)	(2.0)
Interest	(0.4)	(0.2)
Tax	(1.6)	(0.2)
Pension deficit funding	(2.6)	(2.6)
Lease payments	(0.9)	(0.9)
Purchase of own shares	(0.5)	-
Dividend payments	(3.4)	(1.9)
Sub total	(3.0)	3.9
Non-underlying payments	(0.8)	(0.5)
Movement in net bank debt	(3.8)	3.4
Net bank debt at the year end	4.7	0.9

Cashflows and net debt

The Group's cash management activities during the year were focused on repayment of the final tranches of Covid-related VAT and pension deferrals, and the management of working capital during a period of strong demand coupled with significant price inflation and continued supply chain disruption.

The Group's operating cashflow from continuing operations was £11.3 million (2020/21: £12.7 million), after a cash outflow into working capital of £4.7 million, which includes payment of £0.7 million of VAT deferred from 2019/20 (2020/21: £0.5 million outflow, including £1.1 million of deferred VAT payments). Operating cashflow from continuing operations as a percentage of underlying operating profit was 85% (2020/21: 121%), reflecting selective investment in inventory to maintain customer service and manage cost price increases, coupled with the cost price inflation and strong revenue growth in the period. As a consequence, average trade working capital as a percentage of revenue was 18.1% over 2021/2022 (2020/21: 13.9%). After a £2.3 million cash outflow from discontinuing operations (2020/21: £1.0 million outflow), the total operating cash inflow from continuing and discontinued operations was £9.0 million (2020/21: £11.7 million).

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Capital expenditure was £2.6 million (2020/21: £2.0 million), representing 104% of depreciation (2020/21: 86%). The main investments were on capacity and efficiency improvements at our Housebuilding Products facility in Howden, East Yorkshire, and at Water Management. The Board see further opportunities for targeted investments to deliver organic growth and expect capital expenditure to remain above depreciation for the medium term.

Tax payments of £1.6 million were made in the year (2020/21: £0.2 million). The prior year included a £0.4 million receipt of tax overpayments from 2018/19.

The Group recorded a net cash outflow for the year of £3.8 million (2020/21: £3.4 million inflow), increasing net debt at 30 June 2022 to £4.7 million (30 June 2021: £0.9 million).

Statement of financial position and return on investment

Group net assets decreased by £10.4 million in the year to £25.7 million at 30 June 2022, a consequence of the write down of assets held for sale in relation to the Levolux business, partially offset by a reduction in the pension deficit.

The Group defines its capital invested as the sum of shareholders' funds, including historic goodwill but excluding net bank debt, pension deficit (net of tax) and lease liabilities. Post tax return on investment (underlying operating profit from continuing operations divided by capital invested) was 25.8% (2020/21: 18.4%), reflecting the improved operating performance.

Pensions

The Group accounts for its defined benefit retirement obligations in accordance with IAS 19 Employee Benefits, based on the market value of scheme assets and a valuation of scheme liabilities using a discount rate based on AA corporate bond yields at year end. Mortality and inflation assumptions have been aligned to updated actuarial information. The IAS 19 defined benefit pension scheme deficit at 30 June 2022, before deferred taxes, was £2.1 million (30 June 2021: £4.6 million). Scheme assets decreased in the year by £25.4 million to £87.2 million. Scheme liabilities decreased by £27.9 million to £89.3 million, due to an increase in the discount rate.

Payments into the scheme in the year were £2.6 million (2020/21 £2.6 million), including £0.2 million (2020/21 £0.4 million) of payments deferred from 2019/20 under a COVID-19 cash conservation scheme agreed with the trustees.

Future contributions are agreed with the scheme's trustees, based on actuarial valuations rather than the IAS 19 deficit. Following the triennial review in March 2022, the Group has agreed reduced annual payments of £1.2 million from 1 October 2022. These payments are designed to enable the scheme to reach a fully funded position, using prudent assumptions about the future, over a reasonable timescale.

Banking facilities and covenants

The Group maintains facilities with its banking partners to ensure the availability of sufficient liquidity to meet the Group's operational and strategic needs, at optimal cost. The Group projects facility utilisation and compliance with the associated covenants during its short-term forecasting, annual budgeting and strategic planning exercises to ensure adequate headroom is maintained.

During the year, the Group entered into a £25.0 million committed revolving credit facility which expires in August 2025 and two further single year extension periods to August 2026 and August 2027. A further £20 million is available through an uncommitted accordion facility.

Alumasc's current banking facilities comprise:

- An unsecured committed three-year revolving credit facility of £25.0 million, with an expiry date of August 2025 and a further two one year extension periods;
- Overdraft facilities, repayable on demand, of £4.0 million.

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The covenants associated with these facilities are set out below, together with the reported figures at 30 June 2022 and 2021:

	Covenant	30 June 2022	30 June 2021
Net debt: EBITDA	<2.5	0.4	0.1
Interest cover	>3.5	31.7	42.1

Going concern

In assessing the Group's ability to continue as a going concern, the Board has considered medium-term forecasts based on the Group's approved budget and three year plan including stress test scenarios modelled on both a resumption of Government lockdowns and a 20% reduction in revenue.

Under the stress test scenarios, there remained adequate headroom in banking facilities and no breach of banking covenants over the 13-month period to September 2023. The Board also took note of the Group's further ability to reduce its cost base and/or conserve cash resources at short notice if necessary.

A reverse stress test scenario, that would lead to a breach of the Group's banking covenants, was also modelled. The Board considered the risk of such a scenario arising to be remote.

Having taken into account the scenario models above, 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.

Simon Dray

Group Finance Director
6 September 2022

The contents of this announcement have been extracted from the annual report and accounts for the year ended 30 June 2022 which will be dispatched to shareholders on or around 22 September 2022 and will be available at www.alumasc.co.uk.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties	Mitigating actions taken
<p>Climate Change</p> <p><i>Risk/Impact</i></p> <p><i>Potential to impact our supply chain and increase volatility in the prices of raw materials, and other supplies.</i></p> <p><i>Sudden climate changes events, such as increased severe weather conditions and storms could impact our supply chains and shipments.</i></p> <p><i>Regulations increasing costs could be imposed on manufacturing, certain processes, fuels/goods used, impacting prices for products that customers require.</i></p>	<ul style="list-style-type: none"> • Improving partnerships and relationships in our supply chain to combat disruption and potential price increases. • Greater resilience by using suppliers from different geographical locations. • Ensuring suppliers and logistics partners understand the risks of climate change. • Strategic buying of core products and careful stocking. • Development of targets for our Scope 1, 2 and 3 emissions. • Investment in new technology to manufacture new products to address the needs of climate change, with improved energy efficiency. • Strategy includes helping customers address climate change, by selling and creating innovative new products with sustainable qualities and eco-friendly credentials.
<p>Geo-political uncertainty/Inflation</p> <p><i>Risk/Impact</i></p> <p><i>Macroeconomic uncertainty on a global basis due to the pandemic in countries following a zero covid policy in China and other countries, and following the Russian invasion of Ukraine and subsequent war in Ukraine.</i></p> <p><i>Markets are not settled post Brexit and ongoing logistics delays continue.</i></p> <p><i>Inflation and interest rates resulting in increased prices for raw material, energy supplies and services, also impacting pay and other costs.</i></p>	<ul style="list-style-type: none"> • Strategic positioning in export markets/sectors anticipated to grow faster than the UK construction market. • Revenues are derived from a variety of end-use construction markets – this provides resilience. • Development of added value systems and solutions that are 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 limited exposure to currency risk, mainly the Euro and US Dollar. These exposures are for the most part hedged, with hedging percentages increased 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 is in place for key residual risk areas, including increased inventory of materials/ products imported from the EU. • Robust management has ensured cost increases are passed on to customers.
<p>Supply chain/Inflation</p> <p><i>Risk/Impact</i></p> <p><i>International supply chain risks have increased through local lockdowns due to the Covid-19 pandemic, skilled staff shortages, increased tariffs/ duties, Brexit risks in Europe and together political/global volatility, and shortages of skilled logistics staff.</i></p>	<ul style="list-style-type: none"> • Annual strategic reviews, including supplier, quality, reliability, and sustainability. • Regular key supplier visits, good relationships maintained including quality control reviews and training. • Logistics delays due to driver shortages have been managed and delivery times agreed/managed with customers. Shortages of ships for cargo transportation also impact delivery times. Delays in logistics are due to shortage of transportation/staff and a steep rise in demand post Covid. • Regular supplier quality, value for money and risk reviews. • Avoidance of strategic dependence on single sources of supply. • Contingency plans in place to manage Brexit and Asian sourcing risks.

	<ul style="list-style-type: none"> • Supplier questionnaires and export checks are completed to ensure compliance with Group policies including anti-bribery and anti-modern slavery. • Training provided on customs duties, particularly on managing new arrangements post Brexit. • Brand and product strength generally enable increases in raw material prices to be passed on through selling prices.
<p>Cyber security and Business Interruption</p> <p><i>Risk/Impact</i></p> <p><i>Cyber security risks and Business Interruption risks are increasing globally and have increased during the Covid-19 pandemic and following the Russian invasion of Ukraine.</i></p>	<ul style="list-style-type: none"> • IT disaster recovery plans are in place for all businesses and tested regularly – reviews are being held with each business to ensure that the Recovery Time Objective (RTO) is adequate for the business. • Business continuity plans are in place, or being evolved where we are relocating operations, at each business. • Awareness training and management briefings held on cyber security risks and actions taken as preventative measures. • New security protocols and software are installed and continually reviewed to help mitigate cyber threats. • Regular reviews of cyber security, including external penetration testing and reviews with external IT professionals. • Critical plant and equipment are identified, with associated breakdown/recovery plans in place. • Business interruption insurance to cover residual risks. • Further systems are being implemented to underpin the business strategic growth plans and drive efficiency. Implementation risks are mitigated via the use of third-parties, qualified project managers, and increased user-testing.
<p>Credit risk</p> <p><i>Risk/Impact</i></p> <p><i>The risk is that credit is extended and customers are unable to settle invoices. The Group manages credit risks and the contribution from the UK Government Export Credit Scheme for overseas opportunities has supported export opportunities.</i></p>	<ul style="list-style-type: none"> • Most credit risks are insured, including all contracting credit risk. • Large export contracts are backed by letters of credit, performance bonds, guarantees or similar, where possible. • Due to Covid-19 and related uncertainties credit risks have increased, which has also been an area impacted by local lockdowns due to the pandemic. • 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.
<p>Covid-19 pandemic</p> <p><i>Risk/Impact</i></p> <p><i>The pandemic is still impacting our customers' and suppliers' businesses and the supply chain</i></p> <p><i>Impact in countries overseas impacting customer and suppliers – with lockdowns.</i></p> <p><i>There is an established approach for our divisions and processes incorporated into business as usual.</i></p>	<ul style="list-style-type: none"> • The primary focus has been on the health and wellbeing of staff and additional communication channels were established. In addition, a new wellbeing app has been made available to all staff to help to mitigate stress at home and in the workplace. • Staff have moved to a hybrid working model where appropriate. All manufacturing sites have been operational with additional Covid-19 protocols in place. • Exports and internet sales have been buoyant and helped us to connect with new customers/market share. • Some business opportunities and mitigations used during the pandemic (including use of video conferencing) continue to provide ways to trade efficiently and improve margin/revenue due to cost reduction/efficiencies. Best practices and new ways of working that proved to be effective will be adopted going forward. • With new ways of working the business is very agile and can

<p><i>Adverse impact on the welfare of staff.</i></p>	<p>quickly implement any new Government guidelines to protect employees and customers from Covid-19. There is now greater use of IT and other flexible ways of working have been adopted.</p>
<p>Health & safety risks</p> <p><i>Risk/Impact</i></p> <p><i>Health & safety incident could occur despite a strong culture and previous management performance.</i></p>	<ul style="list-style-type: none"> • Health & safety and the wellbeing of staff is the main 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, with appropriate remedial action taken. • Group health & safety best practice days are held twice a year, chaired by the Chief Executive. • Annual audits of health & safety are conducted in all Group businesses by independent consultants and other specialist advisers. • Health & Safety training is provided, and implementation is monitored. • Specific focus on improving safety of higher risk operations, with external consultancy support as needed. • Very serious near misses are reported to the Board.
<p>Staff recruitment and retention risks</p> <p><i>Risk/Impact</i></p> <p><i>Potential lack of skilled employees being available for recruitment and risk of loss due to inflation in the jobs market. Risk of not being able to take- on/retain key skilled staff.</i></p>	<ul style="list-style-type: none"> • Remuneration packages are appropriate to the position: staff are encouraged and supported to grow their careers through training and development. • Board and Executive Committee focus on staff retention and reward, supported by HR and external advice. • Employee numbers and changes monitored in monthly subsidiary Board meetings. • Retention plans for key, high performing, and high-potential employees. • The Remuneration Committee considers retention and motivation when considering the remuneration framework. • Succession planning.
<p>Product/service differentiation relative to competition not developed or maintained legislative and media risks</p> <p><i>Risk/Impact</i></p> <p><i>Failure to innovate and have an agile and entrepreneurial but compliant business behaviour. Increasing regulation and media focus in products/service have impacted the risk profile.</i></p>	<ul style="list-style-type: none"> • 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 is planned at Group level and carried out more regularly in each business. New product ideas are discussed as part of the businesses' strategy. • 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. • Customer feedback considered in the design and/or supply of additional products and services. • Devolved structure allows an agile approach to business and an ability to meet increasing demand for products. • Employed new product managers to help identify gaps in the market and to ensure we have a leading edge portfolio of products and services.
<p>Loss of key customers</p>	<ul style="list-style-type: none"> • Cross selling of products encouraged to grow revenues, and to introduce customers to all our product ranges. • Develop and maintain strong customer relationships through

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<p><i>Risk/Impact</i></p> <p><i>The risk is the loss of markets or customers. The Group operates credit insurance (see credit risk) to cover the potential impact of loss of revenue. Service and client relationship need to be maintained to retain and grow the business.</i></p>	<p>service excellence and dedicated account management.</p> <ul style="list-style-type: none"> • 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 understand and adapt to changing and emerging customer needs.
<p>Legacy defined benefit pension obligations</p> <p><i>Risk/Impact</i></p> <p><i>The long-term funding of the pension scheme removes funds that need to be re-invested into new technology to grow the business. The pension scheme's obligations need to reduce by investments and by the maturity of the Scheme to prevent it holding back the business.</i></p>	<ul style="list-style-type: none"> • Continue to grow the business so that the relative affordability of pension deficit contributions is improved over time. Active management of scheme liabilities and assets to reduce deficit, with particular success during the year. • Continue to maintain constructive relationship with Pension Trustees. • Affordable pension funding commitments agreed and met. • Regular review at Group Board level. • Use of specialist advisers. • Investment performance and risk/return balance overseen by an Investment Committee that receives specialist investment advice. • The Trustees are pursuing a lower risk investment strategy to match liability risks and reduce future volatility.
<p>Product warranty/ recall risks</p> <p><i>Risk/Impact</i></p> <p><i>Risk is one of product recall with subsequent cost and reputational risks, however the Group does not have a history of significant warranty claims or product recalls.</i></p>	<ul style="list-style-type: none"> • 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	Year ended 30 June 2022			Year ended 30 June 2021 (restated)*		
		Underlying £'000	Non- underlying £'000	Total £'000	Underlying £'000	Non- underlying £'000	Total £'000
Continuing operations:							
Revenue	4	89,381	-	89,381	77,805	-	77,805
Cost of sales		(56,015)	-	(56,015)	(48,364)	-	(48,364)
Gross profit		33,366	-	33,366	29,441	-	29,441
Net operating expenses							
Net operating expenses before non-underlying items		(20,033)	-	(20,033)	(18,935)	-	(18,935)
IAS 19 past service pension cost	5	-	-	-	-	(150)	(150)
Other non-underlying items	5	-	(634)	(634)	-	(128)	(128)
Net operating expenses		(20,033)	(634)	(20,667)	(18,935)	(278)	(19,213)
Operating profit	4, 5	13,333	(634)	12,699	10,506	(278)	10,228
Net finance costs		(608)	(60)	(668)	(489)	(268)	(757)
Profit before taxation		12,725	(694)	12,031	10,017	(546)	9,471
Tax expense	8	(2,469)	48	(2,421)	(1,953)	(165)	(2,118)
Profit for the year from continuing operations		10,256	(646)	9,610	8,064	(711)	7,353
Discontinued operations:							
(Loss)/profit after taxation for the period from discontinued operations	6	(1,577)	(15,080)	(16,657)	401	(168)	233
Profit/(loss) for the year		8,679	(15,726)	(7,047)	8,465	(879)	7,586
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Actuarial (loss)/gain on defined benefit pensions, net of tax				(25)			10,393
Items that are or may be reclassified subsequently to profit or loss:							
Effective portion of changes in fair value of cash flow hedges, net of tax				480			(385)
Exchange differences on retranslation of foreign operations				161			(46)
				641			(431)
Other comprehensive gain for the year, net of tax				616			9,962
Total comprehensive (loss)/profit for the year, net of tax				(6,431)			17,548
Earnings per share				Pence			Pence
Basic earnings per share							
- Continuing operations				26.8			20.6
- Discontinued operations				(46.5)			0.6
	10			(19.7)			21.2
Diluted earnings per share							
- Continuing operations				26.4			20.2
- Discontinued operations				(46.5)			0.6
	10			(20.1)			20.8

*The results for the year to 30 June 2021 have been re-presented to show the Levolux business as a discontinued operation. See note 6 for details

Reconciliations of underlying to statutory profit and earnings per share are provided in notes 5 and 10 respectively.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Assets					
Non-current assets					
Property, plant and equipment – owned assets		12,573		11,734	
Property, plant and equipment – right-of-use assets		4,926		5,469	
Goodwill	7	8,526		18,705	
Other intangible assets		2,126		3,321	
Deferred tax assets	8	529		1,145	
			28,680		40,374
Current assets					
Inventories		13,394		10,871	
Trade and other receivables		18,786		21,389	
Derivative financial assets		325		-	
Cash at bank		8,284		4,999	
			40,789		37,259
Total assets			69,469		77,633
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings		(13,000)		(5,936)	
Lease liability		(4,251)		(4,811)	
Employee benefits payable		(2,114)		(4,581)	
Provisions		(1,061)		(1,267)	
Deferred tax liabilities	8	(1,730)		(966)	
			(22,156)		(17,561)
Current liabilities					
Trade and other payables		(19,031)		(21,011)	
Lease liability		(881)		(795)	
Provisions		(1,360)		(834)	
Corporation tax payable		(309)		(1,019)	
Derivative financial liabilities		-		(268)	
			(21,581)		(23,927)
Total liabilities			(43,737)		(41,488)
Net assets			25,732		36,145
Equity					
Share capital		4,517		4,517	
Share premium	11	445		445	
Capital reserve – own shares	11	(601)		(406)	
Hedging reserve	11	263		(217)	
Foreign currency reserve	11	216		55	
Profit and loss account reserve		20,892		31,751	
Total equity			25,732		36,145

The financial statements were approved by the Board of Directors and authorised for issue on 6 September 2022

Paul Hooper
Director

Simon Dray
Director

6 September 2022

Company number 1767387

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Operating activities		
Operating profit from continuing operations	12,699	10,228
Adjustments for:		
Depreciation	2,459	2,098
Amortisation	257	193
Gain on disposal of property, plant and equipment	(18)	(16)
IAS 19 past service pension cost	5	150
Increase in inventories	(2,573)	(2,546)
Increase in receivables	(2,536)	(4,570)
Increase in trade and other payables	279	6,557
Movement in provisions	(298)	(310)
Cash contributions to retirement benefit schemes	(2,561)	(2,614)
Share based payments	118	397
Cash generated by operating activities of continuing operations	7,826	9,567
Operating profit from discontinued operations	(2,125)	330
Depreciation/amortisation	224	216
Movement in working capital from discontinued operations	(438)	(1,513)
Cash utilised by operating activities of discontinued operations	(2,339)	(967)
Tax paid	(1,615)	(161)
Net cash inflow from operating activities	3,872	8,439
Investing activities		
Purchase of property, plant and equipment	(2,449)	(1,666)
Payments to acquire intangible fixed assets	(123)	(330)
Proceeds from sales of property, plant and equipment	22	46
Net cash outflow from investing activities	(2,550)	(1,950)
Financing activities		
Bank interest paid	(356)	(207)
Equity dividends paid	9	(1,878)
Draw down/(repayment) of amounts borrowed	7,000	(14,000)
Principal paid on lease liabilities	(713)	(692)
Interest paid on lease liabilities	(169)	(178)
Purchase of own shares	(526)	-
Refinancing costs	-	(65)
Net cash inflow/(outflow) from financing activities	1,802	(17,020)
Net increase/(decrease) in cash at bank and bank overdraft	3,124	(10,531)
Net cash at bank and bank overdraft brought forward	4,999	15,576
Net increase/(decrease) in cash at bank and bank overdraft	3,124	(10,531)
Effect of foreign exchange rate changes	161	(46)
Net cash at bank and bank overdraft carried forward	8,284	4,999

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	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 2020		4,517	445	(416)	168	101	15,026	19,841
Profit for the period		-	-	-	-	-	7,586	7,586
Exchange differences on retranslation of foreign operations		-	-	-	-	(46)	-	(46)
Net loss on cash flow hedges		-	-	-	(475)	-	-	(475)
Tax on derivative financial liability		-	-	-	90	-	-	90
Actuarial gain on defined benefit pensions, net of tax		-	-	-	-	-	10,393	10,393
Tax on share options		-	-	-	-	-	237	237
Own shares used to satisfy exercise of share awards		-	-	10	-	-	-	10
Share based payments		-	-	-	-	-	397	397
Dividends	9	-	-	-	-	-	(1,878)	(1,878)
Exercise of share based incentives		-	-	-	-	-	(10)	(10)
At 1 July 2021		4,517	445	(406)	(217)	55	31,751	36,145
Loss for the period		-	-	-	-	-	(7,047)	(7,047)
Exchange differences on retranslation of foreign operations		-	-	-	-	161	-	161
Net gain on cash flow hedges		-	-	-	593	-	-	593
Tax on derivative financial asset		-	-	-	(113)	-	-	(113)
Actuarial loss on defined benefit pensions, net of tax		-	-	-	-	-	(25)	(25)
Tax on share options		-	-	-	-	-	(140)	(140)
Acquisition of own shares		-	-	(597)	-	-	-	(597)
Own shares used to satisfy exercise of share awards		-	-	402	-	-	-	402
Share based payments		-	-	-	-	-	118	118
Dividends	9	-	-	-	-	-	(3,434)	(3,434)
Exercise of share based incentives		-	-	-	-	-	(331)	(331)
At 30 June 2022		4,517	445	(601)	263	216	20,892	25,732

THE ALUMASC GROUP PLC

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 Group's financial statements have been prepared in accordance with UK adopted international accounting standards.

Going concern

Management continued to take actions to allow the business to trade effectively and manage the risks associated with the Covid-19 pandemic.

At 30 June 2022 the Group had cash and cash equivalents of £8.3 million and had utilised £13.0 million of its committed £20.0 million revolving credit facility. This provided total headroom of some £15.3 million against committed facilities and, together with £4 million overdraft facilities, there is headroom of some £19.3 million against total facilities at 30 June 2022. On 25 August 2022 the Group entered into a £25.0 million committed revolving credit facility which expires in August 2025 with two further single year extension periods to August 2026 and August 2027.

In assessing going concern to take account of the continued 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 a stress test scenario which assumes a 20% reduction in revenue, with no cost reduction or cash conservation measures, and a Covid-19 model, which assumes a five month disruption of trade consistent with that experienced during the first wave of the pandemic. Under the lowest point in these stress tested scenarios, the Group retains adequate headroom against its total banking facilities for the next 13 months to the end of September 2023, with no breach of banking covenants across this period.

The Group has modelled an additional scenario (a reverse stress test) that would lead to a breach of its banking covenants. It is considered that the risk of such a scenario arising is remote. Management have also identified a number of mitigating actions that the Group would take to stay within its banking facilities and comply with the associated covenants throughout the period.

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 sources of estimation uncertainty that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities at 30 June 2022 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.

Valuation 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 7 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 IFRS15 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. The following new standards, amendments and interpretations are effective for the period beginning on or after 1 July 2021 and have been adopted for the Group financial statements where appropriate with no material impact on the disclosures made by the Group:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).

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.

	Revenue £'000	Segmental operating result £'000
<u>Year to 30 June 2022</u>		
Water Management	47,564	8,753
Building Envelope	29,389	3,580
Housebuilding Products	12,428	2,447
Trading	89,381	14,780
Unallocated costs		(1,447)
Total from continuing operations	89,381	13,333
		£'000
Segmental operating result		13,333
Brand amortisation (see note 5)		(70)
Restructuring costs (see note 5)		(564)
Total operating profit from continuing operations		12,699

4 SEGMENTAL ANALYSIS (CONTINUED)

	<u>Capital expenditure</u>					
	Segment	Segment	Property,	Other	Deprecia-	Amortisa-
	Assets	Liabilities	Plant & Equipment	Intangible Assets	tion	tion
	£'000	£'000	£'000	£'000	£'000	£'000
Water Management	35,084	(11,236)	1,427	70	1,207	190
Building Envelope	9,990	(8,625)	141	12	360	187
Housebuilding Products	15,851	(7,346)	1,310	41	866	48
Trading	60,925	(27,207)	2,878	123	2,433	425
Unallocated	8,544	(16,530)	5	-	82	-
Total	69,469	(43,737)	2,883	123	2,515	425

	Revenue	Segmental operating result
	£'000	£'000
<u>Year to 30 June 2021</u>		
Water Management	38,370	6,115
Building Envelope	28,362	3,757
Housebuilding Products	11,073	2,552
Trading	77,805	12,424
Unallocated costs		(1,918)
Total from continuing operations	77,805	10,506
		£'000
Segmental operating result		10,506
Brand amortisation (see note 5)		(70)
Past service cost in respect of GMP equalisation (see note 5)		(150)
Restructuring costs (see note 5)		(58)
Total operating profit from continuing operations		10,228

	<u>Capital expenditure</u>					
	Segment	Segment	Property,	Other	Deprecia-	Amortisa-
	Assets	Liabilities	Plant & Equipment	Intangible Assets	tion	tion
	£'000	£'000	£'000	£'000	£'000	£'000
Water Management	29,866	(9,635)	1,455	271	1,081	137
Building Envelope	25,500	(10,208)	215	36	175	180
Housebuilding Products	14,747	(7,114)	769	23	798	44
Trading	70,113	(26,957)	2,439	330	2,054	361
Unallocated	7,520	(14,531)	-	-	92	-
Total	77,633	(41,488)	2,439	330	2,146	361

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4 SEGMENTAL ANALYSIS (CONTINUED)

Analysis by geographical segment 2021/22

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	75,714	2,983	21	2,006	8,071	586	89,381
Segment non-current assets	28,150	-	-	-	1	-	28,151

Analysis by geographical segment 2020/21

	United Kingdom £'000	Europe £'000	North America £'000	Middle East £'000	Far East £'000	Rest of World £'000	Total £'000
Sales to external customers	70,205	3,004	57	1,286	2,663	590	77,805
Segment non-current assets	39,225	-	-	-	4	-	39,229

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

	2021/22		2020/21	
	Operating profit £'000	Profit before tax £'000	Operating profit £'000	Profit before tax £'000
Underlying operating profit/profit before tax from continuing operations	13,333	12,725	10,506	10,017
Brand amortisation	(70)	(70)	(70)	(70)
IAS 19 net pension scheme finance costs	-	(60)	-	(268)
IAS 19 past service cost in respect of GMP equalisation	-	-	(150)	(150)
Restructuring & relocation costs	(564)	(564)	(58)	(58)
Profit before tax from continuing operations	12,699	12,031	10,228	9,471
Underlying operating (loss)/profit of Levolux (note 6)	(1,957)	(1,957)	498	498
Brand amortisation Levolux (note 6)	(168)	(168)	(168)	(168)
Write down of assets held for sale (note 6)	-	(14,912)	-	-
Statutory operating profit/(loss)/profit before tax	10,574	(5,006)	10,558	9,801

In the presentation of underlying profits, management disclose 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 would typically be excluded in assessing the value of the business.

In addition, management has presented the following specific items that arose in 2021/22 and 2020/21 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:

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5 UNDERLYING TO STATUTORY PROFIT BEFORE TAX RECONCILIATION (CONTINUED)

- One-off costs of material restructuring of separate businesses within the Group in both 2021/22 and 2020/21;
- The one off IAS 19 past service pension cost relating to Guaranteed Minimum Pension (“GMP”) equalisation between men and women, in the prior financial year; and
- The 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% in the prior financial year.

6 DISCONTINUED OPERATIONS

Discontinued operations relate to the Levolux business which was divested by the Group on 26 August 2022 and therefore disclosed as held for sale at 30 June 2022. At the year end the discontinued operation had liabilities of £3,859,000. The assets held for resale were written down to a value equivalent to the liabilities to reflect the sales proceeds of £1 received on 26 August 2022.

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

	Year to 30 June 2022 £'000	Year to 30 June 2021 £'000
Revenue	7,820	12,660
Underlying operating (loss)/profit	(1,957)	498
Brand amortisation	(168)	(168)
Write down of goodwill	(10,179)	-
Write down of brand	(874)	-
Write down of Assets held for sale	(3,859)	-
(Loss)/profit before taxation	(17,037)	330
Tax credit/(charge) (see note 8)	380	(97)
(Loss)/profit after taxation	(16,657)	233

7 GOODWILL

	2022 £'000	2021 £'000
Cost:		
At 1 July and 30 June	19,428	19,428
Impairment:		
At 1 July	723	723
Write down of Assets held for sale	10,179	-
At 30 June	10,902	723
Net book value at 30 June	8,526	18,705

7 GOODWILL (CONTINUED)

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

	2022 £'000	2021 £'000
Alumasc Roofing	3,820	3,820
Timloc	2,264	2,264
Levolux	-	10,179
Rainclear	225	225
Wade	2,217	2,217
At 30 June	<u>8,526</u>	<u>18,705</u>

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% (2021: 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 12% (2021: 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 2022 was similar to the rate used in 2021.

The surplus headroom above the carrying value of goodwill at 30 June 2022 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 carrying value of goodwill at 30 June 2022 for Levolux was written down to £nil to reflect the sale of the business on 26 August 2022.

8 TAX EXPENSE

(a.) Tax on profit on ordinary activities

Tax charged in the statement of comprehensive income

	2021/22 £'000	2020/21 £'000
Current tax:		
UK corporation tax – continuing operations	1,094	1,346
– discontinued operations	(380)	97
Overseas tax	207	46
Amounts (over)/under provided in previous years	(16)	23
Total current tax	905	1,512

Deferred tax:

Origination and reversal of temporary differences	833	405
Amounts under/(over) provided in previous years	78	(21)
Rate change adjustment	225	319
Total deferred tax	1,136	703
Total tax expense	2,041	2,215

Tax charge on continuing operations	2,421	2,118
Tax (credit)/charge on discontinued operations	(380)	97
Total tax expense	2,041	2,215

Tax recognised in other comprehensive income

Deferred tax:

Actuarial (losses)/gains on pension schemes	(9)	2,099
Cash flow hedge	113	(90)
Tax charged to other comprehensive income	104	2,009

Total tax charge in the statement of comprehensive income	2,145	4,224
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(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 20.6% is higher than (2020/21: 22.6% was higher than) the standard rate of corporation tax in the UK of 19.0% (2020/21: 19.0%).

The differences are reconciled below:

	2021/22 £'000	2020/21 £'000
Profit before tax from continuing operations	12,031	9,471
(Loss)/profit before tax from discontinued operations	(2,125)	330
Accounting profit before tax	9,906	9,801
Current tax at the UK standard rate of 19.0% (2020/21: 19.0%)	1,882	1,862
Expenses not deductible for tax purposes	42	32
Income not taxable	(170)	-
Rate change adjustment	225	319
Tax (over)/under provided in previous years – current tax	(16)	23
Tax under/(over) provided in previous years – deferred tax	78	(21)
	2,041	2,215

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(c.) Unrecognised tax losses

The Group has agreed tax capital losses in the UK amounting to £16.3 million (2021: £16.3 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 (2021: £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 (2021: £15.3 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	Share options £'000	Total deferred tax liability £'000	Pension deferred tax asset £'000
At 1 July 2020	550	(75)	493	39	-	1,007	(3,661)
Charged/(credited) to the statement of comprehensive income – current year	359	(65)	96	-	(83)	307	417
Credited to the statement of comprehensive income – prior year	(5)	(16)	-	-	-	(21)	-
Charged/(credited) to equity	-	-	-	(90)	(237)	(327)	2,099
At 30 June 2021	904	(156)	589	(51)	(320)	966	(1,145)
Charged/(credited) to the statement of comprehensive income – current year	463	22	(60)	-	8	433	625
Charged/(credited) to the statement of comprehensive income – prior year	79	(1)	-	-	-	78	-
Charged/(credited) to equity	-	-	-	113	140	253	(9)
At 30 June 2022	1,446	(135)	529	62	(172)	1,730	(529)

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 £3.8 million (2021: £3.8 million) in respect of net capital losses of £15.3 million (2021: £15.3 million) have not been recognised, see note 8 (c).

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

In the Budget on 3 March 2021, the Government announced its intention to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this increased rate. Since the 25% tax rate change was substantively enacted at the 30 June 2022 balance sheet date, deferred tax assets and liabilities have been calculated to reflect the expected timing of reversal of the related temporary difference.

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9 DIVIDENDS

	2021/22 £'000	2020/21 £'000
Interim dividend for 2022 of 3.35p paid on 6 April 2022	1,201	-
Final dividend for 2021 of 6.25p paid on 29 October 2021	2,233	-
Interim dividend for 2021 of 3.25p paid on 6 April 2021	-	1,163
Final dividend for 2020 of 2.0p paid on 30 October 2020	-	715
	<u>3,434</u>	<u>1,878</u>

A final dividend of 6.65 pence per equity share, at a cash cost of £2,381,000, has been proposed for the year ended 30 June 2022, payable on 4 November 2022. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

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:

	2021/22 £'000	2020/21 £'000
Net profit attributable to equity holders of the parent – continuing operations	9,610	7,353
Net profit attributable to equity holders of the parent – discontinued operations	(16,657)	233
	<u>(7,047)</u>	<u>7,586</u>
	000s	000s
Weighted average number of shares	35,825	35,766
Dilutive potential ordinary shares – employee share options	586	637
	<u>36,411</u>	<u>36,403</u>
<u>Basic earnings per share:</u>	Pence	Pence
Continuing operations	26.8	20.6
Discontinued operations	(46.5)	0.6
	<u>(19.7)</u>	<u>21.2</u>
<u>Diluted earnings per share:</u>	2021/22 Pence	2020/21 Pence
Continuing operations	26.4	20.2
Discontinued operations	(46.5)	0.6
	<u>(20.1)</u>	<u>20.8</u>

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10 EARNINGS PER SHARE (CONTINUED)

Calculation of underlying earnings per share:

	2021/22 £'000	2020/21 £'000
Reported profit before taxation from continuing operations	12,031	9,471
Brand amortisation	70	70
IAS 19 net pension scheme finance costs	60	268
Pension GMP equalisation	-	150
Restructuring & relocation costs	564	58
Underlying profit before taxation from continuing operations	<u>12,725</u>	<u>10,017</u>
Tax at underlying Group tax rate of 19.4% (2020/21: 19.5%)	<u>(2,469)</u>	<u>(1,953)</u>
Underlying earnings from continuing operations	<u>10,256</u>	<u>8,064</u>
Weighted average number of shares	35,825	35,766
Underlying earnings per share from continuing operations	<u>28.6p</u>	<u>22.5p</u>

11 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 327,493 (2021: 360,017) ordinary own shares held by the Company. The market value of shares at 30 June 2022 was £519,076 (2021: £954,045). These are held to help satisfy the exercise of awards under the Company's Long Term Incentive Plans. During the year 297,021 (2021: 9,228) shares with an original cost of £402,000 (2021: £10,000) were used to satisfy the exercise of awards. 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.

12 RELATED PARTY DISCLOSURE

The Group's principal actively trading subsidiaries at 30 June 2022 are listed below:

Principal subsidiaries	Principal activity	Country of incorporation	% of equity interest and votes held	
			2022	2021
Alumasc Building Products Limited	Building products	England	100	100
Levolux Limited	Building products	England	100	100

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at arms-length market prices. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

12 RELATED PARTY DISCLOSURE (CONTINUED)

Transactions with other related parties

Key management personnel are determined as the Directors of The Alumasc Group plc.

Financial Summary	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income Statement Summary							
Continuing operations:							
Revenue	55,646	63,969	65,091	71,315	60,299	77,805	89,381
Gross profit	21,629	22,880	22,353	24,184	20,432	29,441	33,366
<i>Gross margin</i>	<i>38.9%</i>	<i>35.8%</i>	<i>34.3%</i>	<i>33.9%</i>	<i>33.9%</i>	<i>37.8%</i>	<i>37.3%</i>
Underlying operating profit	6,056	6,714	5,438	6,973	5,053	10,506	13,333
<i>Underlying operating margin</i>	<i>10.9%</i>	<i>10.5%</i>	<i>8.4%</i>	<i>9.8%</i>	<i>8.4%</i>	<i>13.5%</i>	<i>14.9%</i>
Net interest cost on borrowings	(215)	(132)	(212)	(281)	(343)	(311)	(439)
Interest on lease liabilities	-	-	-	-	(153)	(178)	(169)
Underlying profit before tax	5,841	6,582	5,226	6,692	4,557	10,017	12,725
Non-underlying items*	(1,334)	(720)	(914)	(4,431)	(1,138)	(546)	(694)
Profit before taxation	4,507	5,862	4,312	2,261	3,419	9,471	12,031
Taxation	(1,319)	(1,492)	(967)	(256)	(442)	(2,118)	(2,421)
Profit for the year from continuing operations	3,188	4,370	3,345	2,005	2,977	7,353	9,610
Discontinued operations - Profit/(loss) after tax	3,296	2,170	972	1,636	(721)	233	(16,657)
Profit/(loss) for the year	6,484	6,540	4,317	3,641	2,256	7,586	(7,047)
Underlying earnings per share from continuing operations (pence)	13.0	14.7	11.6	14.8	10.2	22.5	28.7
Basic earnings per share (pence)	18.2	18.3	12.0	10.1	6.3	21.2	(19.7)
Dividends per share (pence)	6.5	7.15	7.35	7.35	2.0	9.5	10.0
Balance Sheet Summary at 30 June							
Shareholders' funds	16,580	20,437	24,421	25,445	19,841	36,145	25,732
Net debt/(cash)	(8,632)	(6,076)	4,812	5,095	4,333	937	4,716
Lease liabilities	-	-	-	-	5,924	5,606	5,132
Pension deficit (net of tax)	18,588	17,095	12,566	10,749	15,608	3,436	1,585
Discontinued operations	(479)	(334)	(714)	359	-	-	-
Capital Invested - continuing operations	26,057	31,122	41,085	41,648	45,706	46,124	37,165
Underlying return on capital invested (post-tax)**	17.7%	18.6%	12.0%	13.4%	9.2%	18.4%	25.8%
Underlying tax rate	20.8%	20.6%	20.2%	20.4%	20.3%	19.5%	19.4%