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No. 2992960

Alumasc Building Products Limited

(formerly Alumasc Exterior Building Products Limited)

Annual Report and Accounts

For the year ended 30 June 2019

Registered Office

Station Road
Burton Latimer
Kettering
Northamptonshire
NN15 5JP

Directors

G P Hooper
A Magson
G Jackson
M Leaf
S Poë
P White
S Lee

Secretary

H Ashton (appointed 9 May 2019)
A Magson (appointed 14 September 2018, resigned 9 May 2019)
K Boynton (resigned 14 September 2018)

ADVISORS

Auditor
BDO LLP
Two Snowhill
Birmingham
B4 6GA

Bankers
Barclays Bank PLC
267 Wellingborough Road
Northampton
Northamptonshire
NN1 4EN

PRINCIPAL ACTIVITIES
Alumasc Building Products Limited ("ABP") is a subsidiary of The Alumasc Group plc. The principal activity of the company is the supply of premium building products, particularly those used in connection with managing water in the built environment.

On 30 June 2019 the trade, assets and liabilities of two fellow subsidiaries of The Alumasc Group plc were transferred into Alumasc Building Products Limited at book value in order to simplify administration and reduce cost across the Alumasc Group. The profit and loss account for the years ending 30 June 2019 and the prior year therefore contains only the results from trade in the year of the existing businesses that comprised Alumasc Exterior Building Products Limited during the year as reviewed below.

The Company's name changed from Alumasc Exterior Building Products Limited to Alumasc Building Products Limited on 28 June 2019.

REVIEW OF BUSINESS

Roofing & Water Management:
Both Alumasc Roofing and Alumasc Water Management Solutions contributed solid performances, each matching prior year revenues. Alumasc Roofing worked hard to successfully evolve its mix of revenues towards refurbishment work from new build where commercial demand was lower in the 2018/19 financial year, reflecting market conditions.

A review during the year of capacity at Alumasc Water Management Solutions concluded that with relatively modest capital spend at existing facilities there is no immediate need to relocate to a new site, saving significant capital cost relative to earlier plans.

During the year sales teams were consolidated to promote more effectively our "Rain to Drain" strategy, where Alumasc offers solutions to manage and control the flow of water through buildings from the roof to the ground thereby alleviating pressure on public drainage systems and reducing risks of flash flooding from increasingly intense rainfall events.

Facades:
Following a strategic review, the Board concluded that Alumasc Facades would be better placed in a group that has a greater focus on the mineral render and Exterior Wall Insulation market. Therefore the Facades business was sold on 31 October 2018 to Kilwaughter Minerals Limited for initial cash consideration of £4.5 million with potential further consideration of up to £1.5 million based on the sales revenue of the business in its first twelve month period under new ownership, see notes 7 and 22 to the financial statements.

Pensions
The company bears a proportion of the deficit of The Alumasc Group Pension Scheme ("AGPS"). Further detail is provided in note 19 to the financial statements.

The Alumasc Group plc merged its two legacy defined benefit pension schemes during the financial year ended 30 June 2019. This was effected by a bulk transfer of members from the Benjamin Priest Group Pension Scheme ("BPGPS") to The Alumasc Group Pension Scheme on 5 March 2019 and the intention is for the BPGPS to be wound up. There is no impact on this legal entity of the transfer of members from BPGPS.

Outlook
The transfer in to this company of the trade and assets of Alumasc Limited and Wade International Limited will increase the scale of and strengthen Alumasc Building Products Limited.

In light of the current economic and construction sector backdrop (including Brexit uncertainties) the Board is taking a cautious view of revenue development in the 2019/20 financial year. Notwithstanding the challenging market conditions, actions have been taken to restructure the enlarged company that should yield cost savings of approximately £1 million in 2019/20 on a like for like basis compared with the costs incurred in the relevant business in the 2018/19 financial year.

The Board believes Alumasc Building Products Limited's strong strategic and market positions together with:

- the formation of Alumasc Group's Building Envelope division which will help drive cross selling between the company and Levolux Limited;

REVIEW OF BUSINESS (CONTINUED)
Outlook (continued)

- focussed investments in new products and manufacturing capability;
- selective investment in sales resource to grow the business; and
- lower fixed costs and actions taken to deliver a more cost effective operating structure

makes Alumasc Building Products Limited well positioned to make progress in the current financial year and beyond.

KEY PERFORMANCE INDICATORS
Set out below are three key performance indicators against which the company judges its performance:

	2019	2018	Change
	£'000	£'000	%
Revenue	**40,679**	39,793	+2
Operating profit	**3,460**	2,932	+18
Capital expenditure and investment	**350**	527	-34

CREDITOR PAYMENT POLICY
The company generally settles all undisputed accounts within the due date for payment. Average creditor days in the year were 70 days (2018: 68 days).

RISK REVIEW
Risk assessment is a continuing process throughout the year, dealt with through monthly board meetings which formally identify the risks, consider their financial implications and assess the adequacy and effectiveness of controls. The main risks arising from the company's activities are as follows:

UK economy
All of ABP's operations are based in the UK and 98% of its sales in the year were made in the UK. Therefore, any significant change in UK economic conditions, government policy, construction activity and/or the impact of Brexit could impact the company's performance.

Brexit developments are being monitored closely and contingency plans are being prepared. Less than 2% of sales are to Europe. Strong relationships are being maintained and there is regular dialogue with key European suppliers.

Innovation and competition
An entrepreneurial and innovative approach is encouraged as performance is dependent on specialist, differentiated products, systems and solutions. Insufficient innovation, particularly relative to competitors, could result in a loss of competitive advantage.

People
The loss of key management and employees could impact operating performance through loss of know-how. These risks are mitigated as far as possible through teamwork and ensuring that key individuals are appropriately motivated and incentivised.

Supply chain
The loss or failure of key suppliers, or the prolonged loss of one of ABP's manufacturing sites could impact ability to deliver to customer expectations. Some products are sourced from the Far East and the Euro-Zone. International supply chain risks are increasing generally including Brexit risks.

Contingency plans are in place and work is ongoing to reduce and mitigate these supply chain risks as far as practicable.

RISK REVIEW (CONTINUED)

Failure of or delays in large construction contracts
The company can experience construction project delays beyond its control. Risk reviews are carried out on significant or unusual contracts by the Board as appropriate for approval before the work is accepted. Close and collaborative relationships are maintained with customers so any issues are resolved as soon as possible as and when they arise.

Product quality
The reputation of ABP's products and brands could be impacted by significant product quality issues. The company's quality control procedures are designed to ensure that own-manufactured products and, where applicable, bought-in products perform to specification, provided they have been correctly installed by third parties.

Health and safety risks
The company has a strong overall track record of health and safety performance. Health and safety is the number one priority of management and the first agenda item on all board meeting agendas. Risk assessments are carried out and safe systems of work documented and communicated. In addition, all safety incidents and near misses are reported monthly and annual audits of health and safety are performed in all company businesses by independent consultants.

Loss of key production facilities/business continuity
The company has not experienced any significant loss of production facilities causing business continuity issues. Whilst the likelihood of a catastrophic loss is low, the impact if it were to happen could be high. Business continuity plans have been prepared for each business in Alumasc Building Products, having regard to the specific risk factors. IT disaster recovery plans are in place, with back up arrangements using off-site servers and facilities. Cyber security risks are increasing globally. Awareness training and management briefings are held and actions taken on preventative measures, including regular reviews of cyber security and external penetration testing.

Foreign currency risk
The company has transactional currency exposures. Such exposures mainly arise from net purchases by the company in currencies (principally the Euro and the US Dollar). The company uses forward currency contracts and internal hedging to mitigate these risks.

Credit risk
Credit risk remains relatively high in the current economic environment. The company regularly reviews the level of credit insurance coverage maintained to mitigate these risks.

Liquidity risk
The company has a substantial cash balance and also has access to the £20 million committed funding facilities of its parent company, The Alumasc Group plc.

Pensions
Some of the risks associated with the funding of The Alumasc Group defined benefit pension scheme, of which ABP is a participating employer, have been mitigated by closing the scheme to future accrual in 2010. Nonetheless, the company's pension obligations remain material and the future levels of funding required will be affected by changes in demographic, capital market and regulatory factors over time, many of which are beyond the company's control. These factors, and developments in the pensions industry more generally, are closely monitored by management and its advisors in order that the company can continue to reduce its pension deficit over time, without this in any way affecting the management of the company's trading operations.

By order of the board

A Magson
Director
12 DECEMBER 2019

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2019.

RESULTS AND DIVIDEND

The profit before tax for the year from continuing operations to 30 June 2019 was £3,260,000 (2018: £2,673,000). Dividends of £2,500,000 were approved by the directors and paid during the period (2018: £3,000,000).

DIRECTORS

The directors who held office during the year and up to the date of signing were as follows:

G P Hooper
A Magson
G Jackson
M Leaf (appointed 2 September 2019)
S Poë
P White
S Lee
S Durdant-Hollamby (resigned 14 November 2018)
J Strong (resigned 21 December 2018)

The company maintains a directors and officers insurance policy that is appropriate to the business.

EMPLOYEES

Through company announcements, employees are kept informed on the company's financial performance, future prospects and other matters affecting them.

It is the company's policy to give full and fair consideration to the employment of applicants who are disabled persons, to continue the employment of employees who become disabled persons and, as appropriate, to provide training for other positions.

DONATIONS

The company made charitable donations of £1,247 during the year (2018: £1,864) and made no political donations (2018: £nil).

AUDITOR

Following an audit tender process BDO LLP were appointed as auditor by the Directors during the year.

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board

H Ashton
Secretary
12 DECEMBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 *Reduced Disclosure Framework.* Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALUMASC BUILDING PRODUCTS LIMITED

Opinion
We have audited the financial statements of Alumasc Building Products Limited ("the Company") for the year ended 30 June 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report, the Directors Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
12 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (registered number OC305127).

Alumasc Building Products Limited

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Notes	2019	2018
Continuing operations:		**£'000**	£'000
Revenue	2	**40,679**	39,793
Cost of sales		**(26,069)**	(25,746)
Gross profit		**14,610**	14,047
Selling and distribution costs		**(5,303)**	(5,462)
Administrative expenses		**(5,847)**	(5,653)
Operating profit	3	**3,460**	2,932
Interest payable and similar costs	5	**(200)**	(259)
Profit before taxation		**3,260**	2,673
Taxation charge	6	**(599)**	(556)
Profit for the period from continuing operations		**2,661**	2,117
Discontinued operations:			
Profit after taxation for the period from discontinued operations	7	**2,912**	354
Profit for the period		**5,573**	2,471
Other comprehensive income			
Items that will not be recycled subsequently to profit or loss:			
Actuarial gain on defined benefit pension scheme (net of tax)	19, 6	**45**	159
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)	17, 6	**62**	21
Total other comprehensive income, net of tax		**107**	180
Total comprehensive income for the year		**5,680**	2,651

The notes from pages 12 to 29 form part of these financial statements.

BALANCE SHEET
at 30 June 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	11		9,981		1,881
Intangible assets	10		215		126
Deferred tax assets	6		259		305
			10,455		2,312
Current assets					
Stocks	12	10,064		5,833	
Debtors	13	15,882		13,703	
Cash		7,584		5,292	
		33,530		24,828	
Creditors: amounts falling due within one year	14	(15,755)		(10,348)	
Net current assets			17,775		14,480
Total assets less current liabilities			28,230		16,792
Creditors: amounts falling due after more than one year	15		(19,210)		(11,876)
Provisions for liabilities	16		(1,274)		(336)
Deferred tax liabilities	6		(357)		(97)
Pension liability	19		(1,522)		(1,796)
Net assets			5,867		2,687
Capital and reserves					
Called up share capital	18		500		500
Hedging reserve	18		90		28
Profit and loss account			5,277		2,159
Shareholder's funds			5,867		2,687

Approved by the Board and authorised for issue on 12 December 2019.

A Magson
Director

The notes from pages 12 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss account reserve £'000	Total equity £'000
At 1 July 2017		500	7	2,529	3,036
Profit for the period		-	-	2,471	2,471
Gain on cash flow hedges	**17**	-	25	-	25
Tax on derivative financial asset	**6**	-	(4)	-	(4)
Actuarial gain on defined benefit pension scheme	**19**	-	-	192	192
Tax on actuarial gain on pension movement	**6**	-	-	(33)	(33)
Dividends paid	**9**	-	-	(3,000)	(3,000)
At 1 July 2018		500	28	2,159	2,687
Profit for the period		**-**	**-**	**5,573**	**5,573**
Gain on cash flow hedges	**17**	**-**	**75**	**-**	**75**
Tax on derivative financial asset	**6**	**-**	**(13)**	**-**	**(13)**
Actuarial gain on defined benefit pension scheme	**19**	**-**	**-**	**54**	**54**
Tax on actuarial gain on pension movement	**6**	**-**	**-**	**(9)**	**(9)**
Dividends paid	**9**	**-**	**-**	**(2,500)**	**(2,500)**
At 30 June 2019		**500**	**90**	**5,277**	**5,867**

1. ACCOUNTING POLICIES

Basis of accounting
These financial statements were prepared on the historical cost basis in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's parent undertaking, The Alumasc Group plc, includes the company in its consolidated financial statements. The consolidated financial statements of The Alumasc Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The Alumasc Group plc, Burton Latimer, Kettering, Northamptonshire, NN15 5JP.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Changes in accounting policy
The following new standards, amendments and interpretations are effective for the period beginning on or after 1 July 2018 and have been adopted for these financial statements:

IFRS 9: Financial Instruments; and
IFRS 15: Revenue from Contracts with Customers.

<u>IFRS 15 Revenue from Contracts with Customers</u>
The directors have completed their assessment of the impact of IFRS 15 "Revenue from Contracts with Customers" and the company has adopted the new standard for the financial year ending 30 June 2019 using the cumulative effect method. The net impact of adopting the new standard is £nil because the point at which performance obligations to customers under IFRS 15 at that date was similar to the point at which risks and rewards were transferred under IAS 18.

As a result of adopting the new standard, there was no material impact on the company's opening equity position as at 1 July 2018. The comparative information for the period to 30 June 2018 has not been re-stated and continues to be reported under IAS 18 Revenue and IAS 11 Construction contracts, using the accounting policies set out in the financial statements for the year ended 30 June 2018.

1. **ACCOUNTING POLICIES (CONTINUED)**

Changes in accounting policy (continued)

Changes in accounting policy:

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the company's adoption of IFRS 15 are set out below:

Revenue represents the total amounts receivable by the company for goods supplied and services provided, excluding VAT and rebates.

The revenue for each performance obligation is generally recognised at a point in time upon despatch of goods, or receipt of goods by the customer, depending on the terms of trade of each operating entity. *Effect of change in accounting policy: The satisfaction of performance obligations to customers under IFRS 15 matches the point at which risks and rewards were transferred under IAS 18.*

It is possible that, should the value of bespoke contract work performed by the company become material in the future, IFRS 15 could result in earlier recognition of revenue and profit over time.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 "Financial Instruments" from 1 July 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and specifies how an entity should classify and measure financial assets and liabilities.

The most significant area of change which could potentially impact the Company's reported results is the introduction of an "expected loss" model for impairment provisioning of receivables, which now also includes contract assets recognised under the adoption of IFRS 15 "Revenue from Contracts with Customers".

Based on an assessment of historic credit losses and the likelihood of the occurrence of future credit losses on existing financial assets, and the existence of credit insurance for the majority of Company receivables, the directors consider that there are no further material impairment losses to be recognised against the Company's financial assets as a result of the transition to IFRS 9.

Changes in accounting policy:

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's adoption of IFRS 9 are set out below:

The Company's principal financial instruments comprise cash and cash equivalents, debtors, contract assets, creditors and contract liabilities. Based on the way these financial instruments are managed and their contractual cash flow characteristics, all the Company's financial assets and liabilities are measured at amortised cost, which in most cases in the Company is materially the same as their original invoiced or recognition value, due to the relatively short credit periods involved.

Effect of change in accounting policy: Cash and cash equivalents and debtors were previously treated as financial assets under IAS 39 and were measured at amortised cost. Creditors were previously treated as financial liabilities under IAS 39 and were measured at amortised cost. Contract assets and contract liabilities under IFRS 15, previously classified as amounts recoverable on construction contracts and construction deposits received on account under IAS 11, continue to be measured at amortised cost. The adoption of IFRS 9 has therefore not had any impact on the measurement of the Company's financial assets and liabilities.

Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets. *Effect of change in accounting policy: IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss model, which requires that future events are considered when calculating impairments to financial assets. Based on an assessment of historic credit losses on the Company's financial assets and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that no material change was needed to impairment provisions recognised against the Company's financial assets on transition to IFRS 9.*

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2.

1. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the company's parent The Alumasc Group plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of The Alumasc Group plc to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of The Alumasc Group plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Significant accounting estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are the measurement and valuation of pension liabilities. Measurement of defined benefit pension liabilities requires estimation of future changes in inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate.

The company may from time to time become involved in legal action which could give rise to contingent assets or liabilities. The company will only accrue for costs when it is probable that there will be a transfer of economic benefits based on independent legal advice and the Directors' judgment.

Intangible fixed assets

Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software - 2 to 5 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Freehold land is not depreciated. The cost of other property, plant and equipment is written off by equal monthly instalments over their estimated useful lives as follows:

Freehold buildings	-	25 to 50 years
Short leasehold improvements	-	over the period of the lease
Plant and equipment	-	3 to 15 years
Motor vehicles	-	4 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, each part is accounted for as a separate item. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Freehold land is not depreciated.

1. **ACCOUNTING POLICIES (CONTINUED)**

Impairment of fixed assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

It is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are classified as finance leases and are capitalised with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the rental obligation is charged to the profit and loss account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the life of the lease.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. The allocation of manufacturing overheads has regard to normal production.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

1 ACCOUNTING POLICIES (CONTINUED)

Intra-group financial instruments
Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such items are expected at inception to be highly effective.

For the purpose of hedge accounting, the hedges used by the company are classified as cash flow hedges, as they hedge exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the profit and loss account. The portion of the gain or loss on a cash flow hedge that is determined to be an effective hedge is initially recognised directly in equity, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to equity are transferred to the profit and loss account at the time when the underlying transaction being hedged affects profit or loss, such as when the forecast sale or purchase of the hedged item occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the profit and loss account.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction being hedged occurs and are transferred to the profit and loss account or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

Revenue recognition
Revenue represents the total amounts receivable by the company for goods supplied and services provided, excluding VAT and rebates.

The revenue for each performance obligation is generally recognised at a point in time upon despatch of goods, or receipt of goods by the customer, depending on the terms of trade of each operating entity.

Revenue of £1.1 million relating to supply and install contracts at Blackdown Greenroofs was recognised over time using an output method during the 2018/19 financial year but will move to an input method going forwards.

1 **ACCOUNTING POLICIES (CONTINUED)**

Research and development
Expenditure on research and development is written off in the year in which it is incurred.

Pension costs
The company operates both a defined benefit and a defined contribution pension scheme as follows:

(i) Defined benefit pensions
The company operates a defined benefit scheme which requires deficit reduction contributions to be made to a separately administered fund which was closed to future benefit accrual in 2010, with the closure resulting in no curtailment gain or loss. Prior to this, benefits were accrued under the career average revalued earnings (CARE) basis.

Prior to the closure of the scheme to future benefit accrual, the cost of providing benefits under the defined benefit plan was determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and is based on actuarial advice.

The company determines finance income/expense for the period relating to the defined benefit pension scheme by applying the discount rate used for valuing the schemes liabilities to the value of the net pension liability at the beginning of the year. The net pension scheme finance costs are charged to finance costs within the profit and loss account.

Following the 2016 triennial review and agreement of the revised deficit recovery plan, pension scheme administration costs are now paid directly by the pension scheme rather than being reimbursed by the company.

Actuarial gains and losses are recognised in full in other comprehensive income. These comprise, for scheme assets, the difference between the expected and actual return on assets, and, for scheme liabilities, the difference between the actuarial assumptions and actual experience, and the effect of changes in actuarial assumptions.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

(ii) Defined contribution pensions
The pension cost charge to the profit and loss account of the company's defined contribution scheme represents the contributions payable by the company to the fund. The assets of the scheme are held separately from those of the company in an independently administered fund.

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

1 **ACCOUNTING POLICIES (CONTINUED)**

Income taxes (continued)

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the profit and loss account.

Foreign currencies

The company partakes in The Alumasc Group hedging function whereby a combination of derivative financial instruments and internal natural hedges are utilised to mitigate foreign currency risks inherent with exchange rate fluctuations. Where derivative financial instruments are utilised these are accounted for in accordance with the Derivative financial instruments and hedging policy above.

Unhedged transactions in foreign currencies are translated into the company's functional currency using exchange rates prevailing at the date of the transactions. The resulting monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

2. REVENUE

Geographical analysis

All business operations are located in the United Kingdom and all revenue is generated there. Revenue by destination from continuing operations is as follows:

	2019	2018
	£'000	£'000
United Kingdom	**39,868**	38,950
Europe	**811**	831
Rest of World	**-**	12
	40,679	39,793

Included within the above revenue figure is revenue to customers in the United Kingdom of £1,100,000 that is recognised over time using the output method under IFRS 15.

3. EXPENSES AND AUDITOR'S REMUNERATION

Included in operating profit from continuing operations are the following:

	2019	2018
	£'000	£'000
Cost of inventory in cost of sales	**19,547**	25,743
Operating lease rentals – hire of plant and machinery	**25**	33
– land and buildings	**388**	465
– other	**173**	176
Research and development expensed as incurred	**55**	68
Auditor's remuneration – audit of financial statements	**19**	21
(Profit)/loss on sale of tangible fixed assets	**(5)**	1
IAS 19 Past service cost – GMP equalisation (note 19)	**100**	-

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

Employee costs from continuing operations, including directors, during the year were:

	2019	2018
	£'000	£'000
Wages and salaries	**8,132**	8,141
Social security costs	**845**	848
Other pension costs		
- defined contribution plans	**316**	269
- defined benefit plans (inc. finance costs, see note 19)	**51**	53
	9,344	9,311

The average monthly number employed by the company during the year, including directors, was as follows:

	2019	2018
	Number	Number
Production operatives	**80**	84
Executive and staff	**120**	127
	200	211

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (CONTINUED)

Directors' remuneration was as follows:

	2019 £'000	2018 £'000
Remuneration	**645**	607
Pension paid to a defined contribution pension scheme	**27**	47

The remuneration of all Directors who served during the financial year is borne by the company, except for Mr Hooper, Mr Magson and Ms Lee, which are borne by The Alumasc Group plc. Mr Hooper and Mr Magson's remuneration details are disclosed in The Alumasc Group plc's Annual Report with neither remunerated for services to Alumasc Building Products Limited.

The aggregate of remuneration and company pension contributions of the highest paid Director was as follows:

	2019 £'000	2018 £'000
Total remuneration	**287**	197

Retirement benefits accrued to four directors during the year (2018: four directors) under money purchase pension schemes.

5. INTEREST PAYABLE AND SIMILAR COSTS

	2019 £'000	2018 £'000
Interest on amounts owed to group undertakings	**149**	206
Net pension scheme finance costs	**51**	53
	200	259

6. TAXATION

a. Tax on profit on ordinary activities

The tax charge in the profit and loss account is made up as follows:

	2019 £'000	2018 £'000
Current tax:		
UK Corporation tax – Continuing operations	**-**	346
UK Corporation tax – Discontinued operations	**33**	90
Amounts over provided in previous years	**(21)**	(8)
Group relief payable	**605**	187
Total current tax	**617**	615

6. TAXATION (CONTINUED)

Deferred tax:		
Origination and reversal of timing differences	**(4)**	-
Movement in pension scheme related asset	**37**	44
Amounts over provided in previous years	**(18)**	(13)
Total deferred tax	**15**	31
Total tax charge	**632**	646
Tax charge on continuing operations	**599**	556
Tax charge on discontinued operations	**33**	90
Total tax charge	**632**	646

Tax relating to items charged to equity is made up as follows:

	2019 £'000	2018 £'000
Deferred tax:		
Actuarial gain on pension scheme	**9**	33
Tax on cash flow hedges	**13**	4
Tax charge in Other Comprehensive Income	**22**	37

b. Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

The tax charge is made up as follows:

	2019 £'000	2018 £'000
Profit before tax from continuing operations	**3,260**	2,673
Profit before tax from discontinued operations	**2,945**	444
	6,205	3,117
Profit on ordinary activities multiplied by the standard rate of 19% (2018: 19%)	**1,179**	592
Expenses not deductible for tax purposes	**26**	80
Use of capital losses	**(529)**	-
Rate change adjustment	**(5)**	(5)
Amounts over provided in previous years	**(39)**	(21)
Total tax	**632**	646

6. **TAXATION (CONTINUED)**

c. Deferred taxation

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

	Accelerated capital allowances £'000	Short term temporary differences £'000	Cash flow hedges £'000	Total deferred tax liability £'000	Pension deferred tax asset £'000
At 1 July 2017	(104)	-	(2)	(106)	382
Credited/(charged) to profit and loss account	13	-	-	13	(44)
Charged to equity	-	-	(4)	(4)	(33)
At 30 June 2018	(91)	-	(6)	(97)	305
Credited/(charged) to profit and loss account	22	-	-	22	(37)
Charged to equity	-	-	(13)	(13)	(9)
Transferred from fellow subsidiary (note 8)	(273)	4	-	(269)	-
At 30 June 2019	(342)	4	(19)	(357)	259

d. Factors affecting the tax charge in future periods

In the Budget on 16 March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate. This rate change was substantively enacted at the 30 June 2018 balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at the 30 June 2018 and 30 June 2019 balance sheet dates.

7 **DISCONTINUED OPERATIONS**

Discontinued operations in 2018/19 relate to the sale of the trade and assets of the Alumasc Facades business on 31 October 2018. Further details are provided in the Strategic Report on page 2. The results of discontinued operations included in the consolidated statement of comprehensive income are as follows:

	2019 £'000	2018 £'000
Revenue	**3,763**	11,071
Cost of sales	**(2,869)**	(7,915)
Gross profit	**894**	3,156
Net operating expenses	**(731)**	(2,712)
Operating profit	**163**	444
Net gain on disposal of discontinued operations	**2,782**	-
Profit before taxation	**2,945**	444
Tax charge	**(33)**	(90)
Profit after taxation	**2,912**	354

7 **DISCONTINUED OPERATIONS (CONTINUED)**

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

	£'000
Operating cash flows	223
Movement in working capital	(396)
Investing cash flows – proceeds from sale of business	3,886
Investing cash flows – purchase of property, plant and equipment	(15)
Net cash inflow	**3,698**

Details of the sale of the trade and assets of discontinued operations are as follows:

	£'000
Sales proceeds	4,500
Transaction costs of disposal	(100)
Cash cost of consequential restructuring/decommissioning	(514)
Net sales proceeds at 30 June 2019	3,886
Provisions for restructuring and plant decommissioning costs	(343)
Sales proceeds after restructuring and plant decommissioning	3,543
Net assets disposed of:	
Plant and equipment	(84)
Working capital	(677)
Net gain on disposal	**2,782**

The business sale agreement included a clause that deferred consideration could become payable to Alumasc based on the sales revenue of the business in its first twelve month period under new ownership of up to £1.5 million. This period ended on 31 October 2019. On the basis of the limited data that the Buyer was required to provide at 30 June 2019 and therefore the degree of remaining uncertainty as to the level of sales to be achieved in the period to 31 October, no accrual for deferred consideration was made in these financial statements. See the post balance sheet event update in note 22.

8. **BUSINESS TRANSFER**

On 30 June 2019, the company acquired the trade and net assets of Wade International Limited and of Alumasc Limited (save for net pension liability). Both companies were fellow subsidiaries of The Alumasc Group plc. The intercompany transfer of net assets has been accounted for at book value. The values acquired are set out below:

Net assets transferred:	£'000
Intangible fixed assets	200
Tangible fixed assets	8,406
Stocks	4,010
Debtors	7,034
Cash	3,709
Creditors: Amounts falling due within one year	(5,969)
Provisions	(908)
Deferred tax liabilities	(269)
Net assets	**16,213**
Consideration represented by intercompany payable (note 15)	**16,213**

Alumasc Limited and Wade International Limited's financial statements showed a net operating profit of £1,324,000 and £1,055,000 respectively.

9. DIVIDENDS

Dividends of £2,500,000 were declared and paid in the year to 30 June 2019 (2018: £3,000,000).

10. INTANGIBLE FIXED ASSETS

	Computer Software £'000
Cost:	
At 1 July 2018	1,151
Additions	-
Transferred from fellow subsidiary (note 8)	200
Disposals	(215)
At 30 June 2019	1,136
Amortisation and impairment:	
At 1 July 2018	1,025
Charge for the year	13
Disposals	(117)
At 30 June 2019	921
Net book value at 30 June 2019	**215**
Net book value at 30 June 2018	126

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Long leasehold improvements £'000	Short leasehold improvements £'000	Plant, equipment & motor vehicles £'000	Total £'000
Cost:					
At 1 July 2018	1,513	-	174	5,756	7,443
Additions	12	-	4	334	350
Transferred from fellow subsidiary (note 8)	3,359	904	-	4,143	8,406
Disposals	(13)	-	(72)	(1,370)	(1,455)
At 30 June 2019	4,871	904	106	8,863	14,744
Depreciation:					
At 1 July 2018	961	-	27	4,574	5,562
Charge for the year	71	-	31	386	488
Disposals	(10)	-	(18)	(1,259)	(1,287)
At 30 June 2019	1,022	-	40	3,701	4,763
Net book value at 30 June 2019	**3,849**	**904**	**66**	**5,162**	**9,981**
Net book value at 30 June 2018	552	-	147	1,182	1,881

12. STOCKS

	2019 £'000	2018 £'000
Raw materials	**2,543**	300
Work in progress	**193**	-
Finished goods	**7,328**	5,533
	10,064	5,833

During the year the company's inventory provision reduced by £39,000 (2018: reduced by £163,000). As a result of the transfer of the trade and assets of Alumasc Limited and Wade International Limited on 30 June 2019 a further provision of £442,000 was transferred into Alumasc Building Products Limited. At 30 June 2019 the company's inventory provision was £832,000 (2018: £429,000).

13. DEBTORS

	2019 £'000	2018 £'000
Trade debtors	**14,115**	8,792
Other debtors	**239**	263
Prepayments and accrued income	**1,092**	655
Amounts owed by group undertakings	**-**	3,959
Derivative financial asset (see note 17)	**109**	34
Corporation tax	**327**	-
	15,882	13,703

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	**12,309**	7,892
Other taxes and social security	**1,950**	1,718
Other creditors	**99**	93
Accruals and deferred income	**1,397**	428
Corporation tax	**-**	217
	15,755	10,348

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Amounts owed to group undertakings	**19,210**	11,876

Amounts owed to group undertakings have no fixed repayment date and accrue interest at a rate equivalent to the Alumasc Group's effective rate of interest. £16,213,000 of the amounts owed to group undertakings arose upon intercompany transfer of the net assets of Alumasc Limited and Wade International Limited (see note 8) on 30 June 2019.

16. PROVISIONS FOR LIABILITIES

	Warranty provision £'000	Dilapidations provision £'000	Restructuring provision £'000	Total £'000
At 1 July 2017	205	144	-	349
Charged to profit and loss account	20	12	-	32
Utilised	(45)	-	-	(45)
At 1 July 2018	180	156	-	336
Charged to profit and loss account	**5**	**-**	**207**	**212**
Utilised	**(56)**	**(126)**	**-**	**(182)**
Transferred in from fellow subsidiary (note 8)	**25**	**661**	**222**	**908**
At 30 June 2019	**154**	**691**	**429**	**1,274**

Warranty provision
Warranty provisions are mainly utilised within five years, and relate to certain products supplied by the company.

Dilapidations provision
This relates to the anticipated cost to make good dilapidations of leased property.

Restructuring provision
This relates to the restructuring that was announced during the 30 June 2019 financial year.

17. FINANCIAL INSTRUMENTS

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

	2019 £'000	2018 £'000
Forward foreign exchange contracts	**109**	34

At 30 June 2019 the company had forward foreign exchange contracts with principal amounts equivalent to £6,351,000 (2018: £5,225,000). The forward foreign exchange contracts hedge foreign currency price risks of currency purchases and sales. The cash flows associated with the forward foreign exchange hedges are generally expected to occur within the next 12 months.

The derivative financial instruments carried at fair value have been valued using directly observable market inputs and therefore they are all considered to have been valued at Level 2, as described in the amendments to IFRS 7 and IAS 39.

18. CALLED UP SHARE CAPITAL AND MOVEMENTS IN EQUITY

Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
500,000 (2018: 500,000) Ordinary shares of £1 each	**500**	500

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.

19. RETIREMENT BENEFIT OBLIGATIONS

The company participates in both defined benefit and defined contribution schemes managed by The Alumasc Group plc, funded by the payment of contributions into separately administered trust funds.

The defined benefit scheme, The Alumasc Group Pension Scheme, which was closed to new members in 1999 and to future accrual in 2010, provided defined benefits based on career average pensionable pay. External professional actuaries value the scheme triennially using the projected unit method in order to determine the necessary deficit reduction funding contributions to be paid. Details of the scheme can be found in the accounts of The Alumasc Group plc. Disclosures in accordance with IAS 19 are set out below.

During the year ending 30 June 2019 a bulk transfer of members from the Benjamin Priest Group Pension Scheme ("BPGPS") to The Alumasc Group Pension Scheme took place on 5 March 2019 and the intention is for the BPGPS to be wound up.

The defined benefit scheme maintained by the company is a part of a plan that shares risks between various group entities under common control. In determining the net defined benefit cost and contributions between the various sponsoring employers, the Directors have used as a basis the sponsoring employer at the date the scheme was closed to future accrual.

Following the conclusion of the 2016 triennial actuarial review, deficit reduction contributions increased from £232,000 to £312,000 per year, with effect from 1 July 2016. Following the 2016 triennial review and agreement of the revised deficit recovery plan, pension scheme administration costs are now paid directly by the pension scheme rather than being reimbursed by the company. The 2019 triennial actuarial valuation and deficit reduction plan is currently being discussed with the pension trustees.

The principal assumptions used by the independent actuary in valuing the assets and liabilities of the Scheme for IAS 19 purposes at 30 June 2019 and 2018 were:

	2019	2018
Discount rate	**2.25**	2.75
Rate of increase of pensions in deferment	**2.25**	2.10
Rate of increase of pensions in payment	**1.90-3.70**	1.80-3.60
Retail Price Index inflation rate	**3.25**	3.10
Consumer Price Index inflation rate	**2.25**	2.10
Post retirement mortality	**Years**	Years
Current pensioners at 65 – male	**20.9**	21.7
Current pensioners at 65 – female	**22.6**	23.1
Future pensioners at 65 in 2039 – male	**22.2**	23.5
Future pensioners at 65 in 2039 – female	**23.8**	24.8

A discount rate of 2.25% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2019. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £160,000 before tax.

A Retail Price Index inflation rate of 3.25% and a Consumer Price Index inflation rate of 2.25% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2019. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £62,000 before tax.

In valuing the liabilities of the pension scheme at 30 June 2019, mortality assumptions have been assumed as indicated above. If life expectancy had been changed to assume that all members of the scheme live for one year longer on average, the value of the reported liabilities at 30 June 2019 would have increased by approximately £546,000 before tax. The following information relates to the company's share of the assets and liabilities of the schemes.

19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Equities	**4,350**	3,825	3,748	3,215	3,928
Liability driven investment funds	**1,611**	-	-	-	-
Gilts	**-**	1,369	1,347	1,025	836
Bonds and insured annuities	**1,242**	1,112	1,133	1,120	1,003
Multi-asset fund	**1,959**	2,264	2,318	2,406	1,839
Property and cash	**830**	733	762	921	751
Total market value of assets	**9,992**	9,303	9,308	8,687	8,357
Actuarial value of liability	**(11,514)**	(11,099)	(11,555)	(11,174)	(10,440)
Pension liability	**(1,522)**	(1,796)	(2,247)	(2,487)	(2,083)

Of the above assets, all have a quoted market price with the exception of £175,000 of insured annuities (2018: £190,000) and £80,000 of property (2018: £72,000).

Amounts recognised in the profit and loss account and other comprehensive income in respect of the defined benefit plan, before taxation, are as follows:

	2019	2018
	£'000	£'000
Past service pension costs included in admin expenses – GMP equalisation	**(100)**	-
Net pension scheme finance costs	**(51)**	(53)
Included in other comprehensive income:		
Actuarial gain/(loss) on plan assets	**546**	(49)
Actuarial (loss)/gain on retirement benefit obligations	**(492)**	241
	54	192
Total recognised in the profit and loss account and other comprehensive income	**(97)**	139

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

	2019	2018
	£'000	£'000
As at 1 July	**9,303**	9,308
Movement in year:		
Expected return on plan assets	**317**	229
Contributions by employer	**371**	312
Benefits paid	**(545)**	(497)
Actuarial gain/(loss)	**546**	(49)
At 30 June	**9,992**	9,303

Changes in the present value of the scheme liabilities are as follows:

	2019	2018
	£'000	£'000
As at 1 July	**(11,099)**	(11,555)
Movement in year:		
Past service cost – GMP equalisation	**(100)**	-
Interest cost	**(368)**	(282)
Benefits paid	**545**	497
Actuarial (loss)/gain	**(492)**	241
At 30 June	**(11,514)**	(11,099)

19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The cumulative amount of actuarial gains and losses recognised since 1 July 2014 in Other Comprehensive Income is a loss of £794,000 (2018: £848,000). The actual return on plan assets for 2018/19 was a gain of £863,000 (2017/18: £180,000).

Defined contribution schemes
During the year £316,000 was charged to the profit and loss account from continuing operations in respect of such schemes (2018: £269,000). At 30 June 2019 contributions of £nil were outstanding (2018: £nil).

20. FINANCIAL COMMITMENTS

Capital commitments
At 30 June 2019 £325,000 capital expenditure had been authorised (2018: £nil).

Annual operating lease commitments
Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		**Other operating leases**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Less than one year	**815**	526	**307**	186
Between one and five years	**1,757**	943	**398**	102
Greater than five years	**3,345**	-	-	-
	5,917	1,469	**705**	288

Included within the above commitments are lease commitments from the Alumasc Limited and Wade International Limited businesses transferred in on 30 June 2019. Land and buildings commitments of £5,375,000 and Other operating leases of £248,000 were transferred in on that date.

21. CONTINGENT LIABILITIES

Cross guarantees are in existence between the company and other group undertakings in respect of a composite banking arrangement.

22. POST BALANCE SHEET EVENT

With regard to the disposal of the Facades business, see note 7, the Company received confirmation from the Buyer in December 2019 that the deferred consideration of £0.3m was payable to Alumasc. This will be recognised in the 2019/20 financial statements.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate and ultimate holding company and controlling party is The Alumasc Group plc, a company registered in England. Copies of the accounts of The Alumasc Group plc can be obtained from The Group Secretary, The Alumasc Group plc, Station Road, Burton Latimer, Kettering, Northants NN15 5JP, being the registered address.