No. 2992960

Alumasc Building Products Limited

Annual Report and Accounts

For the year ended 30 June 2020

Alumasc Building Products Limited

Registered no: 2992960

Registered Office

Station Road
Burton Latimer
Kettering
Northamptonshire
NN15 5JP

Directors

G P Hooper
G Jackson
M Leaf
P White
S Poë
S Lee
D Childs

Secretary

H Ashton

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 year ending 30 June 2019 therefore contains only the results from trade in the year of the businesses that previously comprised Alumasc Exterior Building Products Limited.

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

REVIEW OF BUSINESS

Water Management:
Despite the COVID-19/lockdown challenges in the final quarter this division produced a higher profit than the year before.

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

During the prior 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.

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

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

New product development continues to be an important factor in Timloc's success and it launched a new product virtually in every month of the first half year including AdaptAir, the Ducting to Airbrick Adaptor, which not only has a cost saving benefit for housebuilders but also improves Health and Safety on site by taking out the requirement for core drilling. Timloc receives very positive feedback from its customers on its excellent service and promotes this through its #TrustTimloc to deliver strapline.

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

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.

Outlook
In line with other businesses, Alumasc Building Products Limited was affected by COVID-19 particularly in April and May during lockdown, but is pleased to report a recovery from June onwards so far. However, the Board remains appropriately cautious given the unknowns ahead with regards to the macroeconomic climate. Further details on the board's review of COVID-19 is provided in note 1.

REVIEW OF BUSINESS (CONTINUED)

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

- the formation of Alumasc Group's Building Envelope division which will help drive cross selling between the company and Levolux Limited;
- focussed investments in new products, manufacturing capability and automation;
- selective investment in sales resource to grow the business;
- lower fixed costs and actions taken to deliver operating efficiencies across the business; and
- close alignment to the sustainability agenda

makes Alumasc Building Products Limited well positioned to grow organically 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:

	2020	2019	Change
	£'000	£'000	%
Revenue	**59,065**	40,679	45%
Operating profit	**4,332**	3,460	25%
Capital expenditure and investment	**1,290**	350	100%+

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:

COVID-19

The company took swift action and closely monitored its working capital and introduced a number of prudent cost control measures to conserve cash. This included delaying capital expenditure and temporarily freezing non-essential new hires. The business also utilised the UK Government job retention scheme as needed. The health and wellbeing of staff was a primary concern and additional communication channels were established, with the ongoing monitoring of COVID-19 to ensure compliance with Government regulation and best practice. Further details of the impact on the future trading and liquidity is provided in more detail in note 1 under Going Concern.

UK economy

All of ABP's operations are based in the UK and 89% 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 7% 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.

RISK REVIEW (CONTINUED)

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.

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.

SECTION 172 STATEMENT

The Directors consider that they have performed their duty in good faith to engage under section 172 of the Companies Act 2006 (the "Act"), to promote the success of the Company for the benefit of the stakeholders as a whole, while taking into consideration, amongst other matters:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Company is a subsidiary company within The Alumasc Group Plc ("Group"), and therefore key decisions which affect the Group, this company and stakeholders are principally made by the Board of the ultimate parent company The Alumasc Group plc. Further details of how the Board of The Alumasc Group plc have had regard to s172 in the current financial year can be found in those consolidated financial statements, key elements of which include:

Employees

Health & Safety decisions are taken and implemented to protect the wellbeing and safety of employees. The importance of Health & Safety is demonstrated by the fact that it is always the first agenda item for Board meetings. Communications and career development/succession planning meetings have been held. Site-based meetings and/or virtual meetings, regular communications and updates are provided for staff.

Customers

We establish good relationships with our customers and have dedicated accounts management for larger accounts. We strive to understand what products our customers require and how to improve our customer service.

Suppliers

Key supplier relationship updates are received from our procurement team. Site visits and questionnaires on ethics and modern slavery are provided by our suppliers.

Pension Trustees

Our relationship with the Trustees of The Alumasc Group Pension Scheme is excellent, and we know how important it is to work in partnership with the Scheme to make sure that the Trustees are consulted on significant developments.

Bankers

We recognize the importance of having an excellent working relationship with our bank, to ensure we have the support and financial resilience needed.

Communities and the Environment

We are focused on developing and providing new durable and sustainable products where possible. Our strategy is increasingly to provide "green products" that are better for the environment. We also support our communities and to continue to build strong relationships with our local sports teams and organisations.

By order of the board

G P Hooper
Director

The directors present their report and financial statements for the year ended 30 June 2020.

RESULTS AND DIVIDEND
The profit before tax for the year from continuing operations to 30 June 2020 was £4,164,000 (2019: £3,260,000). Dividends of 3,000,000 were approved by the directors and paid during the period (2019: £2,500,000).

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

G P Hooper
G Jackson
P White
S Poë
S Lee
M Leaf (appointed 2 September 2019)
D Childs (appointed 21 July 2020)
A Magson (resigned 6 February 2020)

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 £3,625 during the year (2019: £1,247) and made no political donations (2019: £nil).

AUDITOR
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.

STRATEGIC REPORT
The company has taken advantage of section 414C (11) of the CA 2006 to include disclosures in the Strategic Report that would otherwise be required to be included in the Directors' report where it is of strategic importance to the company. SECR reporting is disclosed within the company's parent undertaking consolidated financial statements and therefore exemption has been taken in these accounts.

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

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 2020 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 2020 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.

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

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.

BDO LLP

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
18 December 2020

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 2020

	Notes	2020	2019
Continuing operations:		**£'000**	£'000
Revenue	**2**	**59,065**	40,679
Cost of sales		**(39,173)**	(26,069)
Gross profit		**19,892**	14,610
Selling and distribution costs		**(6,571)**	(5,303)
Administrative expenses		**(10,193)**	(5,847)
Other operating income		**1,204**	-
Operating profit	**3**	**4,332**	3,460
Interest payable and similar costs	**5**	**(168)**	(200)
Profit before taxation		**4,164**	3,260
Taxation charge	**6**	**(485)**	(599)
Profit for the period from continuing operations		**3,679**	2,661
Discontinued operations:			
Profit after taxation for the period from discontinued operations	**7**	**339**	2,912
Profit for the period		**4,018**	5,573
Other comprehensive income			
Items that will not be recycled subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme (net of tax)	**19, 6**	**(765)**	45
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**	**99**	62
Total other comprehensive (loss)/income, net of tax		**(666)**	107
Total comprehensive income for the year		**3,352**	5,680

The notes from pages 13 to 32 form part of these financial statements.

BALANCE SHEET
at 30 June 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible assets – owned assets	10		9,521		9,981
Tangible assets – right-of-use assets	10		5,380		-
Intangible assets	9		418		215
Deferred tax assets	6		430		259
			15,749		10,455
Current assets					
Stocks	11	8,279		10,064	
Debtors	12	11,833		15,773	
Derivative financial assets	17	233		109	
Cash		8,739		7,584	
		29,084		33,530	
Creditors: amounts falling due within one year	13	(9,809)		(15,755)	
Lease liability falling due within one year	15	(678)		-	
		(10,487)		(15,755)	
Net current assets			18,597		17,775
Total assets less current liabilities			34,346		28,230
Creditors: amounts falling due after more than one year	14		(19,778)		(19,210)
Lease liability falling due after more than one year	15		(4,764)		-
Provisions for liabilities	16		(868)		(1,274)
Deferred tax liabilities	6		(452)		(357)
Pension liability	19		(2,265)		(1,522)
Net assets			6,219		5,867
Capital and reserves					
Called up share capital	18		500		500
Hedging reserve	18		189		90
Profit and loss account			5,530		5,277
Shareholder's funds			6,219		5,867

Approved by the Board and authorised for issue on 17 December 2020

G P Hooper
Director

The notes from pages 13 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss account reserve £'000	Total equity £'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	**8**	-	-	(2,500)	(2,500)
At 1 July 2019		500	90	5,277	5,867
Profit for the period		**-**	**-**	**4,018**	**4,018**
Gain on cash flow hedges	**17**	**-**	**124**	**-**	**124**
Tax on derivative financial asset	**6**	**-**	**(25)**	**-**	**(25)**
Actuarial loss on defined benefit pension scheme	**19**	**-**	**-**	**(980)**	**(980)**
Tax on actuarial loss on pension movement	**6**	**-**	**-**	**215**	**215**
Dividends paid	**8**	**-**	**-**	**(3,000)**	**(3,000)**
At 30 June 2020		**500**	**189**	**5,530**	**6,219**

1. ACCOUNTING POLICIES

Basis of accounting

Alumasc Building Products Limited is incorporated in the UK. 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 2019 and have been adopted for these financial statements:

IFRIC 23 Uncertainty over Income Tax Treatments

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

IFRS 16 Leases

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

- The recognition of a right of use asset and lease liability of £4,542,000 on the date of adoption with no impact on reserves at that stage;
- The total annual charge to the income statement increased by £62,000, reducing profit before tax by this figure in the current financial year to 30 June 2020; and
- EBITDA increased by £402,000 as the former lease expense was re-classified as a depreciation charge and interest cost in the year.

1 **ACCOUNTING POLICIES (CONTINUED)**

The Company has applied the practical expedients whereby a single discount rate can be used across a portfolio of leases with reasonably similar characteristics and applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the lease term remaining as of the date of initial application. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 23.

Significant accounting policy

i) **Identification of a lease**

Policy applicable for contracts entered into from 1 July 2019

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

- the contract involves the sole use of a specific identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has the right to substitute the identified asset for a similar asset then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Policy applicable for contracts entered into prior to 1 July 2019

For contracts entered into before 1 July 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the Company had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the Company had the ability or right to control the physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

ii) As a lessee

Policy applicable for contracts entered into from 1 July 2019:

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

1 **ACCOUNTING POLICIES (CONTINUED)**

ii) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise fixed payments. The Company does not make other types of payment referred to in IFRS 16 for its leases.

Generally the lease liability represents the present value of contractual future lease payments including optional renewal periods where the group is reasonably certain to exercise the extension option. The Company does not typically enter into purchase options or variable lease payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and discloses the corresponding lease liability in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Further to this, the Group has taken advantage of the practical expedient within IFRS 16 and excluded leases with a remaining term of less than 12 months at the date of adoption. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable for contracts entered into prior to 1 July 2019

In the comparative period, as a lessee the Company classified none of its leases as finance leases as none were deemed to transfer substantially all of the risks and rewards of ownership.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

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.

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The company responded quickly to the Covid-19 outbreak to protect the business, its employees and other stakeholders and temporarily closed the Timloc manufacturing facility and the AWMS and Wade manufacturing facilities. The remaining parts of the company continued to trade, serving customers from existing inventories and supplies from overseas and, in accordance with Government guidelines, all facilities were re-opened by 27 April 2020. All of the company's employees are now back at work (including working from home where possible) and the company has begun the new financial year to 30 June 2021 well with a strong profit performance and cash generation.

In assessing going concern to take account of the uncertainties caused by Covid-19, the company's parent company modelled a group Base Case (BC) trading scenario on a "bottom up" basis during the group's year end process for the 13 months to September 2021, with the process including the modelling of increasingly stressed scenarios to reflect 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. Under the lowest point in these stress tested scenarios the group retained sufficient headroom against its total banking facilities. Since the forecasts were prepared 3 months ago, despite a further lockdown period, trading has been above the base case scenario.

1 **ACCOUNTING POLICIES (CONTINUED)**

Given the unprecedented nature of the Covid-19 events, it is difficult to predict future trading and cashflows with certainty. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled. In the event that the actual position is worse than modelled in the BC, the directors consider that the headroom in the group's banking facilities would enable the company to respond to such a downside. Having taken into account all of the aforementioned factors in relation to going concern and the potential impact of Covid-19, and in light of the group's bank facility headroom under various scenarios, the directors 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, being at least one year from the approval of the financial statements. 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 and the recognition of revenues and profit on contracts with customers where revenue is recognise over time.

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.

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

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

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.

1 ACCOUNTING POLICIES (CONTINUED)

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.

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.

Leases

i) Identification of a lease
At inception of a contact the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

- the contract involves the sole use of a specific identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

1 **ACCOUNTING POLICIES (CONTINUED)**

ii) As a lessee
The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot not readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments. The Company does not make other types of payment referred to in IFRS 16 for its leases.

Generally the lease liability represents the present value of contractual future lease payments including optional renewal periods where the group is reasonably certain to exercise the extension option. The Company does not typically enter into purchase options or variable lease payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and discloses the corresponding lease liability in the statement of financial position.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets which it defines as having a purchase cost of £5,000. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

1 **ACCOUNTING POLICIES (CONTINUED)**

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.

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.

1 **ACCOUNTING POLICIES (CONTINUED)**

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 £1.0 million relating to supply and install contracts at Blackdown Greenroofs was recognised over time using an input method during the 2019/20 financial year.

The performance obligations and transaction price are defined within signed contracts between the customer and ABP. These contracts contain one performance obligation as the scope of work and pricing of the contract is to deliver an interrelated service. The revenue for the performance obligation is recognised on an input cost method over time, measured by reference to the stage of completion of the contract. Revenue and associated profit are therefore recognised progressively as costs are incurred and having regard to latest estimates of cost to complete and expected project margins.

Due to the nature of the services provided, instructed variations to contracts are usually accounted for as if it was part of the existing contract, as the variations do not result in a distinct good or service being delivered. Where the variation to the original contract is for extra goods or services which are distinct from the original performance obligations under the contract, this is accounted for as a separate contract. Claims for extra revenue for variations or extra work over and above the original contract are only recognised when management determines the revenue to be highly probable.

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.

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.

1 **ACCOUNTING POLICIES (CONTINUED)**

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

- 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.

Other income
Government grant income is shown gross in other income to match the costs as incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

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:

	2020	2019
	£'000	£'000
United Kingdom	**52,656**	39,868
Europe	**3,717**	811
Middle East	**1,485**	-
Far East	**352**	-
Rest of World	**855**	-
	59,065	40,679

Included within the above revenue figure is revenue to customers in the United Kingdom of £1,036,000 (2018/19: £1,100,000) that is recognised over time using the input method under IFRS 15.

3. EXPENSES AND AUDITOR'S REMUNERATION

Included in operating profit from continuing operations are the following:

	2020	2019
	£'000	£'000
Cost of inventory in cost of sales	**28,114**	19,547
Research and development expensed as incurred	**104**	55
Auditor's remuneration – audit of financial statements	**19**	19
Loss/(profit) on sale of tangible fixed assets	**4**	(5)
IAS 19 Past service cost – GMP equalisation (note 19)	**-**	100
Job retention scheme government support	**(857)**	-

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

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

	2020	2019
	£'000	£'000
Wages and salaries	**13,299**	8,132
Social security costs	**1,280**	845
Other pension costs		
- defined contribution plans	**476**	316
- defined benefit plans (inc. finance costs, see note 19)	**30**	51
	15,085	9,344

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

	2020	2019
	Number	Number
Production operatives	**148**	80
Executive and staff	**224**	120
	372	200

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (CONTINUED)

Directors' remuneration was as follows:

	2020	2019
	£'000	£'000
Remuneration	**765**	645
Pension paid to a defined contribution pension scheme	**49**	27

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:

	2020	2019
	£'000	£'000
Total remuneration	**211**	287

Retirement benefits accrued to six directors during the year (2019: four directors) under money purchase pension schemes.

5. INTEREST PAYABLE AND SIMILAR COSTS

	2020	2019
	£'000	£'000
Interest on amounts owed to group undertakings	**2**	149
Net pension scheme finance costs	**30**	51
Interest on lease liabilities	**136**	-
	168	200

6. TAXATION

a. Tax on profit on ordinary activities

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

	2020	2019
	£'000	£'000
Current tax:		
UK Corporation tax – Continuing operations	**22**	-
UK Corporation tax – Discontinued operations	**-**	33
Amounts under/(over) provided in previous years	**81**	(21)
Group relief payable	**268**	605
Total current tax	**371**	617

6. **TAXATION (CONTINUED)**

Deferred tax:		
Origination and reversal of timing differences	**122**	(4)
Movement in pension scheme related asset	**44**	37
Amounts over provided in previous years	**(52)**	(18)
Total deferred tax	**114**	15
Total tax charge	**485**	632
Tax charge on continuing operations	**485**	599
Tax charge on discontinued operations	**-**	33
Total tax charge	**485**	632

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

	2020 £'000	2019 £'000
Deferred tax:		
Actuarial (loss)/gain on pension scheme	**(215)**	9
Tax on cash flow hedges	**25**	13
Tax charge in Other Comprehensive Income	**(190)**	22

b. Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

The tax charge is made up as follows:

	2020 £'000	2019 £'000
Profit before tax from continuing operations	**4,164**	3,260
Profit before tax from discontinued operations	**339**	2,945
	4,503	6,205
Profit on ordinary activities multiplied by the standard rate of 19% (2019: 19%)	**856**	1,179
Expenses not deductible for tax purposes	**24**	26
Use of capital losses	**(64)**	(529)
Income not taxable	**(360)**	-
Rate change adjustment	**-**	(5)
Amounts under/(over) provided in previous years	**29**	(39)
Total tax	**485**	632

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 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
(Charged)/credited to profit and loss account	**(120)**	**50**	**-**	**(70)**	**(44)**
Charged to equity	**-**	**-**	**(25)**	**(25)**	**215**
At 30 June 2020	**(462)**	**54**	**(44)**	**(452)**	**430**

d. Factors affecting the tax charge in future periods

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

7 DISCONTINUED OPERATIONS

Discontinued operations in 2019/20 relate to the sale of the trade and assets of the Alumasc Facades business on 31 October 2018. The results of discontinued operations included in the consolidated statement of comprehensive income are as follows:

	2020 £'000	2019 £'000
Revenue	-	3,763
Cost of sales	-	(2,869)
Gross profit	-	894
Net operating expenses	-	(731)
Operating profit	-	163
Net gain on disposal of discontinued operations	339	2,782
Profit before taxation	339	2,945
Tax charge	-	(33)
Profit after taxation	339	2,912

7 **DISCONTINUED OPERATIONS (CONTINUED)**

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

	£'000	£'000
Operating cash flows	-	223
Movement in working capital	-	(396)
Investing cash flows – proceeds from sale of business	339	3,886
Investing cash flows – purchase of property, plant and equipment	-	(15)
Net cash inflow	339	3,698

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

	£'000	£'000
Sales proceeds	339	4,500
Transaction costs of disposal	-	(100)
Cash cost of consequential restructuring/decommissioning	-	(514)
Net sales proceeds at 30 June	339	3,886
Provisions for restructuring and plant decommissioning costs	-	(343)
Sales proceeds after restructuring and plant decommissioning	339	3,543
Net assets disposed of:		
Plant and equipment	-	(84)
Working capital	-	(677)
Net gain on disposal	339	2,782

The sales proceeds recognised in the current financial year relate to the contingent consideration earned and received in cash in the year, based on the sales revenues of the business in its first twelve month period under new ownership, in accordance with the business sale agreement.

8. **DIVIDENDS**

Dividends of £3,000,000 were declared and paid in the year to 30 June 2020 (2019: £2,500,000).

9. **INTANGIBLE FIXED ASSETS**

	Computer Software £'000
Cost:	
At 1 July 2019	1,136
Additions	299
Disposals	(32)
At 30 June 2020	1,403
Amortisation and impairment:	
At 1 July 2019	921
Charge for the year	71
Disposals	(7)
At 30 June 2020	985
Net book value at 30 June 2020	418
Net book value at 30 June 2019	215

10. TANGIBLE FIXED ASSETS

	Right-of-use asset (property) £'000	Freehold land and buildings £'000	Long leasehold improvements £'000	Short leasehold improvements £'000	Plant, equipment & motor vehicles £'000	Total £'000
Cost:						
At 1 July 2019 (as reported)	-	4,871	904	106	8,863	14,744
Impact of adoption of IFRS 16	4,542	-	-	-	-	4,542
Adjusted as at 1 July 2019	4,542	4,871	904	106	8,863	19,286
Additions	1,243	6	5	6	974	2,234
Disposals	-	(11)	-	-	(833)	(844)
At 30 June 2020	5,785	4,866	909	112	9,004	20,676
Depreciation:						
At 1 July 2019	-	1,022	-	40	3,701	4,763
Charge for the year	405	135	66	17	1,087	1,710
Disposals	-	(11)	-	-	(687)	(698)
At 30 June 2020	405	1,146	66	57	4,101	5,775
Net book value at 30 June 2020	**5,380**	**3,720**	**843**	**55**	**4,903**	**14,901**
Net book value at 30 June 2019	-	3,849	904	66	5,162	9,981

11. STOCKS

	2020 £'000	2019 £'000
Raw materials	**2,180**	2,543
Work in progress	**142**	193
Finished goods	**5,957**	7,328
	8,279	10,064

During the year the company's inventory provision increased by £235,000 (2019: reduced by £39,000). At 30 June 2020 the company's inventory provision was £1,067,000 (2019: £832,000).

12. DEBTORS

	2020 £'000	2019 £'000
Trade debtors	**10,332**	14,115
Other debtors	**225**	239
Prepayments and accrued income	**952**	1,092
Corporation tax	**324**	327
	11,833	15,773

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	**7,299**	12,309
Other taxes and social security	**1,265**	1,950
Other creditors	**89**	99
Accruals and deferred income	**1,156**	1,397
	9,809	15,755

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

	2020 £'000	2019 £'000
Amounts owed to group undertakings	**19,778**	19,210

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.

15. LEASE LIABILITIES

	2020 £'000	2019 £'000
Lease liabilities falling due within one year	**678**	-
Lease liabilities falling due after more than one year	**4,764**	-
Total lease liabilities	**5,442**	-

Lease liabilities are initially measured at the present value of future lease payments, discounted using the Company's incremental borrowing rate. See note 23 for further disclosure on lease liabilities.

16. PROVISIONS FOR LIABILITIES

	Warranty provision £'000	Dilapidations provision £'000	Restructuring provision £'000	Total £'000
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	25	661	222	908
At 1 July 2019	154	691	429	1,274
Charged to profit and loss account	**61**	**75**	**38**	**174**
Utilised	**(53)**	**(198)**	**(329)**	**(580)**
At 30 June 2020	**162**	**568**	**138**	**868**

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 2020 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:

	2020	2019
	£'000	£'000
Forward foreign exchange contracts	**233**	109

At 30 June 2020 the company had forward foreign exchange contracts with principal amounts equivalent to £6,597,000 (2019: £6,351,000). 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

	2020	2019
	£'000	£'000
Allotted, called up and fully paid:		
500,000 (2019: 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.

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 2019 triennial actuarial review in the 2019/20 financial year, deficit reduction contributions decreased from £371,000 to £267,000 per year, with effect from 1 January 2020.

19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal assumptions used by the independent actuary in valuing the assets and liabilities of the Scheme for IAS 19 purposes at 30 June 2020 and 2019 were:

	2020	2019
Discount rate	**1.45**	2.25
Rate of increase of pensions in deferment	**2.10**	2.25
Rate of increase of pensions in payment	**2.75-3.45**	1.90-3.70
Retail Price Index inflation rate	**2.80**	3.25
Consumer Price Index inflation rate	**2.10**	2.25
Post retirement mortality	**Years**	Years
Current pensioners at 65 – male	**21.5**	20.9
Current pensioners at 65 – female	**23.4**	22.6
Future pensioners at 65 in 2040 – male	**22.8**	22.2
Future pensioners at 65 in 2040 – female	**24.8**	23.8

A discount rate of 1.45% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2020. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £191,000 before tax.

A Retail Price Index inflation rate of 2.80% and a Consumer Price Index inflation rate of 2.10% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2020. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £92,000 before tax.

In valuing the liabilities of the pension scheme at 30 June 2020, 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 2020 would have increased by approximately £694,000 before tax. The following information relates to the company's share of the assets and liabilities of the schemes.

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Equities	**4,422**	4,350	3,825	3,748	3,215
Liability driven investment funds	**1,792**	1,611	-	-	-
Gilts	**-**	-	1,369	1,347	1,025
Bonds and insured annuities	**1,313**	1,242	1,112	1,133	1,120
Multi-asset fund	**1,958**	1,959	2,264	2,318	2,406
Property and cash	**861**	830	733	762	921
Total market value of assets	**10,346**	9,992	9,303	9,308	8,687
Actuarial value of liability	**(12,611)**	(11,514)	(11,099)	(11,555)	(11,174)
Pension liability	**(2,265)**	(1,522)	(1,796)	(2,247)	(2,487)

Of the above assets, all have a quoted market price with the exception of £176,000 of insured annuities (2019: £175,000) and £100,000 of property (2019: £80,000).

19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2020 £'000	2019 £'000
Past service pension costs included in admin expenses – GMP equalisation	-	(100)
Net pension scheme finance costs	(30)	(51)
Included in other comprehensive income:		
Actuarial gain on plan assets	499	546
Actuarial loss on retirement benefit obligations	(1,479)	(492)
	(980)	54
Total recognised in the profit and loss account and other comprehensive income	(1,010)	(97)

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

	2020 £'000	2019 £'000
As at 1 July	9,992	9,303
Movement in year:		
Expected return on plan assets	261	317
Contributions by employer	267	371
Benefits paid	(673)	(545)
Actuarial gain	499	546
At 30 June	10,346	9,992

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

	2020 £'000	2019 £'000
As at 1 July	(11,514)	(11,099)
Movement in year:		
Past service cost – GMP equalisation	-	(100)
Interest cost	(291)	(368)
Benefits paid	673	545
Actuarial loss	(1,479)	(492)
At 30 June	(12,611)	(11,514)

The cumulative amount of actuarial gains and losses recognised since 1 July 2014 in Other Comprehensive Income is a loss of £1,774,000 (2019: £794,000). The actual return on plan assets for 2019/20 was a gain of £760,000 (2018/19: £863,000).

Defined contribution schemes
During the year £476,000 was charged to the profit and loss account from continuing operations in respect of such schemes (2019: £316,000). At 30 June 2020 contributions of £nil were outstanding (2019: £nil).

20. CAPITAL COMMITMENTS

At 30 June 2020 £420,000 capital expenditure had been authorised (2019: £325,000).

21. CONTINGENT LIABILITIES

At the balance sheet date contingent liabilities existed in relation to outstanding Performance Bonds amounting to £87,000 (2019: £nil) and outstanding guarantees amounting to £533,000 (2019: £530,000).

Cross guarantees are in existence between the company and other group undertakings in respect of The Alumasc Group plc's composite banking arrangements, details of which are disclosed in The Alumasc Group plc's financial statements.

22. 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.

23. IFRS 16 IMPACT OF TRANSITION

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

Impact on year to 30 June 2020
On transition to IFRS 16, the Company recognised an additional £4,542,000 of right-of-use assets (see note 15) and lease liabilities with no net amount required to be recognised in retained earnings. In summary, the impact on the statement of financial position at the date of adoption is set out below. Further details of the impact are shown within note 1.

As at 30 June 2020:	As would have been reported £'000	Effect £'000	As reported under IFRS 16 £'000
Property, plant & equipment	9,521	5,380	14,901
Lease liabilities	-	(5,442)	(5,442)
Other net assets	(3,240)	-	(3,240)
Net Assets	6,281	(62)	6,219

When measuring lease liabilities, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.0%.

	1 July 2019 £'000
Operating lease commitment at 30 June 2019 as disclosed in the Company's financial statements	**6,622**
Lease commitment adjustment*	**(652)**
Discounted using the incremental borrowing rate at 1 July 2019	**(1,015)**
Recognition exemption for:	
- Short term leases	**(383)**
- Leases of low-value assets	**(30)**
Lease liabilities recognised at 1 July 2019	**4,542**

*On adoption of IFRS16 management conducted a review of lease commitments and identified an overstatement of lease commitments of £652,000 which has been adjusted in the reconciliation above