No. 2992960

Alumasc Exterior Building Products Limited

Annual Report and Accounts

For the year ended 30 June 2018

Registered Office

Station Road
Burton Latimer
Kettering
Northamptonshire
NN15 5JP

Directors

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

Secretary

K S Boynton (resigned 14 September 2018)
A Magson (appointed 14 September 2018)

ADVISORS

Auditor
KPMG LLP
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

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

PRINCIPAL ACTIVITIES

Alumasc Exterior Building Products Limited ("AEBP") is a subsidiary of The Alumasc Group plc. The principal activities of the company are the manufacture and marketing of high quality, specialist products for the building and construction industries.

REVIEW OF BUSINESS

Alumasc Exterior Building Products Limited comprises a number of distinct trading operations, described below:

Roofing

Alumasc Roofing experienced a challenging year with weaker than expected demand in the UK new build construction market, exacerbated by some of our contractor customers taking a cautious approach before committing to new developments in view of the broader economic uncertainties, and a number also experiencing credit issues either directly or indirectly in the months following the failure of Carillion.

Nonetheless, Alumasc Roofing has adapted well both in winning refurbishment work, particularly in the Academies sector, and in developing new products such as surfacing systems to exploit available market opportunities.

Alumasc has continued to invest in talented sales resources both to increase revenues in regions of the UK where we are currently under-represented and to develop increased specification system selling of a broader building envelope of Alumasc exterior building products, including water management systems, walling systems and balconies.

Facades

Following the £0.3 million overhead cost saving initiative of August 2017, Alumasc Facades posted a robust financial performance for the year despite reduced public funding for exterior wall insulation (EWI) systems in England and Wales and delays to projects in Scotland under the HEEPs and SEEP funding regimes due to adverse weather conditions in the third quarter of the year and with installing contractors challenging some awards of work by local authorities, causing further delay.

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 EWI 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 payable on 31 October 2019 dependant on sales performance over that time period.

Water Management

Alumasc Water Management Solutions (AWMS) had a resilient year despite some under recovery of input cost inflation in the first-half, with demand from building merchant customers remaining robust for solutions serving the new housebuilding and refurbishment sectors.

Pensions

The company bears a proportion of the deficit of The Alumasc Group defined benefit pension scheme. Further detail is provided in note 17 to the financial statements.

KEY PERFORMANCE INDICATORS

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

	2018	2017	Change
	£'000	£'000	%
Revenue	**50,864**	53,079	-4
Operating profit	**3,376**	4,895	-31
Capital expenditure and investment	**527**	524	+1

CREDITOR PAYMENT POLICY

Whilst the company does not follow a specific code of practice, it has due regard to suppliers' payment terms and generally settles all undisputed accounts within the due date for payment. Average creditor days in the year were 68 days (2017: 76 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 AEBP'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.

Liquidity risk

The company has a substantial cash balance and also has access to the £12.5 million committed funding facilities of its parent company, The Alumasc Group plc.

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.

Product quality

The reputation of AEBP'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.

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.

Supply chain

The loss or failure of key suppliers, or the prolonged loss of one of AEBP'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 and potential closure of foundries in China for environmental reasons.

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

RISK REVIEW (CONTINUED)

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 Exterior 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.

Pensions
Some of the risks associated with the funding of The Alumasc Group defined benefit pension scheme, of which AEBP 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

S Lee
Director

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2018.

RESULTS AND DIVIDEND

The profit before tax for the year to 30 June 2018 was £3,117,000 (2017: £4,680,000). Dividends of £3,000,000 were approved by the directors and paid during the period (2017: £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
S Poë
S Durdant-Hollamby (resigned 14 November 2018)
P White
J Strong (appointed 13 November 2017, resigned 21 December 2018)
S Lee (appointed 14 June 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 £1,864 during the year (2017: £983) and made no political donations (2017: £nil).

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG 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

S Lee
Director

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Alumasc Exterior Building Products Limited ("the company") for the year ended 30 June 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

C. Anderson

Charlotte Anderson (Senior Statutory Auditor) for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

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PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018	2017
		£'000	£'000
Revenue	**2**	**50,864**	53,079
Cost of sales		**(33,661)**	(34,201)
Gross profit		**17,203**	18,878
Selling and distribution costs		**(6,402)**	(6,821)
Administrative expenses		**(7,425)**	(7,162)
Operating profit	**3**	**3,376**	4,895
Interest payable and similar costs	**5**	**(259)**	(215)
Profit before taxation		**3,117**	4,680
Taxation charge	**6**	**(646)**	(932)
Profit for the financial year		**2,471**	3,748
Other comprehensive income			
Items that will not be recycled subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme (net of tax)	**17, 6**	**159**	(37)
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)	**15, 6**	**21**	4
Total other comprehensive income, net of tax		**180**	(33)
Total comprehensive income for the year		**2,651**	3,715

The notes from pages 12 to 27 form part of these financial statements.

BALANCE SHEET
at 30 June 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible assets	9		1,881		2,017
Intangible assets	8		126		90
Deferred tax assets	6		305		382
			2,312		2,489
Current assets					
Stocks	10	5,833		6,014	
Debtors	11	13,703		11,764	
Cash		5,292		10,533	
		24,828		28,311	
Creditors: amounts falling due within one year	12	(10,348)		(13,186)	
Net current assets			14,480		15,125
Total assets less current liabilities			16,792		17,614
Creditors: amounts falling due after more than one year	13		(11,876)		(11,876)
Provisions for liabilities	14		(336)		(349)
Deferred tax liabilities	6		(97)		(106)
Pension liability	17		(1,796)		(2,247)
Net assets			2,687		3,036
Capital and reserves					
Called up share capital	16		500		500
Hedging reserve	16		28		7
Profit and loss account			2,159		2,529
Shareholder's funds			2,687		3,036

Approved by the Board and authorised for issue on 18 December 2018.

S Lee
Director

The notes from pages 12 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Notes	Share capital £'000	Hedging reserve £'00	Profit and loss account reserve £'000	Total equity £'000
At 1 July 2016		500	3	1,818	2,321
Profit for the period		-	-	3,748	3,748
Gain on cash flow hedges	**15**	-	5	-	5
Tax on derivative financial liability	**6**	-	(1)	-	(1)
Actuarial loss on defined benefit pension scheme	**17**	-	-	(14)	(14)
Tax on actuarial loss on pension movement	**6**	-	-	(23)	(23)
Dividends paid	**7**	-	-	(3,000)	(3,000)
At 1 July 2017		500	7	2,529	3,036
Profit for the period		**-**	**-**	**2,471**	**2,471**
Gain on cash flow hedges	**15**	**-**	**25**	**-**	**25**
Tax on derivative financial liability	**6**	**-**	**(4)**	**-**	**(4)**
Actuarial gain on defined benefit pension scheme	**17**	**-**	**-**	**192**	**192**
Tax on actuarial gain on pension movement	**6**	**-**	**-**	**(33)**	**(33)**
Dividends paid	**7**	**-**	**-**	**(3,000)**	**(3,000)**
At 30 June 2018		**500**	**28**	**2,159**	**2,687**

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.

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 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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

1. **ACCOUNTING POLICIES (CONTINUED)**

Impairment of fixed assets (continued)
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.

Biological assets relate to the value of horticultural inventories at Blackdown greenroofs, which form part of the green roof systems supplied. The assets are measured at fair value, being discounted market value less estimated point-of-sale costs, with any change therein recognised in the profit and loss account. Point-of-sale costs include all costs that would be necessary to sell the assets.

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. Provision is made when there is objective evidence that the group will not be able to recover balances in full.

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.

1. **ACCOUNTING POLICIES (CONTINUED)**

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.

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.

1 **ACCOUNTING POLICIES (CONTINUED)**

Pension costs (continued)

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

- 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.

1 ACCOUNTING POLICIES (CONTINUED)

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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Construction contract revenue

Revenue from construction contracts is recognised by including in the profit and loss account revenue and related costs as contract activity progresses. Revenue calculated as the value of work undertaken up to the balance sheet date. Amounts receivable but not invoiced are included within accrued income.

Interest

Income is recognised as interest accrues using the effective interest method.

2. REVENUE

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

	2018 £'000	2017 £'000
United Kingdom	**49,992**	51,818
Europe	**860**	1,261
Rest of World	**12**	-
	50,864	53,079

3. EXPENSES AND AUDITOR'S REMUNERATION

Included in profit are the following:

	2018 £'000	2017 £'000
Operating lease rentals – hire of plant and machinery	**33**	22
– land and buildings	**518**	220
– other	**176**	351
Research and development expensed as incurred	**68**	56
Auditor's remuneration – audit of financial statements	**21**	20
Loss/(profit) on sale of tangible fixed assets	**1**	(2)

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

Employee costs, including directors, during the year were:

	2018 £'000	2017 £'000
Wages and salaries	**10,054**	10,304
Social security costs	**1,052**	1,051
Other pension costs		
- defined contribution plans	**348**	348
- defined benefit plans (note 17)	**53**	69
	11,507	11,772

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

	2018 Number	2017 Number
Works personnel	**106**	101
Executive and staff	**157**	167
	263	268

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (CONTINUED)

Directors' remuneration was as follows:

	2018	2017
	£'000	£'000
Remuneration	**607**	693
Pension paid to a defined contribution pension scheme	**47**	29

The remuneration of all Directors is borne by the company, except for Mr Hooper and Mr Magson, 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 Exterior Building Products Limited.

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

	2018	2017
	£'000	£'000
Total remuneration	**197**	292

Retirement benefits accrued to four directors during the year (2017: six directors) under money purchase pension schemes.

5. INTEREST PAYABLE AND SIMILAR COSTS

	2018	2017
	£'000	£'000
Interest on amounts owed to group undertakings	**206**	146
Net pension interest	**53**	69
	259	215

6. TAXATION

a. Tax on profit on ordinary activities

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

	2018	2017
	£'000	£'000
Current tax:		
UK Corporation tax	**436**	885
Amounts over provided in previous years	**(8)**	(22)
Group relief payable	**187**	-
Total current tax	**615**	863

6. TAXATION (CONTINUED)

Deferred tax:		
Origination and reversal of timing differences	**-**	12
Movement in pension scheme related asset	**44**	41
Amounts (over)/under provided in previous years	**(13)**	16
Total deferred tax	**31**	69
Total tax charge	**646**	932

Tax relating to items charged/(credited) to equity is made up as follows:

	2018	2017
	£'000	£'000
Deferred tax:		
Actuarial gain/loss on pension scheme	**33**	23
Tax on cash flow hedges	**4**	1
Tax charge in Other Comprehensive Income	**37**	24

b. Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are reconciled below:

The tax charge is made up as follows:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	**3,117**	4,680
Profit on ordinary activities multiplied by the standard rate of 19% (2017: 19.75%)	**592**	924
Expenses not deductible for tax purposes	**80**	26
Rate change adjustment	**(5)**	(12)
Amounts over provided in previous years	**(21)**	(6)
Total tax	**646**	932

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 2016	(80)	4	(1)	(77)	446
Charged to profit and loss account	(24)	(4)	-	(28)	(41)
Charged to equity	-	-	(1)	(1)	(23)
At 30 June 2017	(104)	-	(2)	(106)	382
Charged to profit and loss account	**13**	**-**	**-**	**13**	**(44)**
Charged to equity	**-**	**-**	**(4)**	**(4)**	**(33)**
At 30 June 2018	**(91)**	**-**	**(6)**	**(97)**	**305**

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 balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

7. DIVIDENDS

Dividends of £3,000,000 were declared and paid in the year to 30 June 2018 (2017: £3,000,000).

8. INTANGIBLE FIXED ASSETS

	Computer Software £'000
Cost:	
At 1 July 2017	1,316
Additions	64
Disposals	(229)
At 30 June 2018	1,151
Amortisation and impairment:	
At 1 July 2017	1,226
Charge for the year	28
Disposals	(229)
At 30 June 2018	1,025
Net book value at 30 June 2018	**126**
Net book value at 30 June 2017	90

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant, equipment & motor vehicles £'000	Total £'000
Cost:				
At 1 July 2017	1,513	118	5,596	7,227
Additions	-	56	407	463
Disposals	-	-	(247)	(247)
At 30 June 2018	1,513	174	5,756	7,443
Depreciation:				
At 1 July 2017	864	5	4,341	5,210
Charge for the year	97	22	459	578
Disposals	-	-	(226)	(226)
At 30 June 2018	961	27	4,574	5,562
Net book value at 30 June 2018	**552**	**147**	**1,182**	**1,881**
Net book value at 30 June 2017	649	113	1,255	2,017

10. STOCKS

	2018 £'000	2017 £'000
Raw materials	**300**	279
Work in progress	-	25
Finished goods	**5,533**	5,710
	5,833	6,014

During the year the company's inventory provision reduced by £163,000 (2017: reduced by £38,000). At 30 June 2018 the company's inventory provision was £429,000 (2017: £592,000). Included within raw materials are biological assets of £48,000 (2017: £76,000).

11. DEBTORS

	2018 £'000	2017 £'000
Trade debtors	**8,454**	8,952
Amounts recoverable on construction contracts	**338**	171
Other debtors	**263**	274
Prepayments and accrued income	**655**	625
Amounts owed by group undertakings	**3,959**	1,733
Derivative financial asset (see note 15)	**34**	9
	13,703	11,764

At 30 June 2018 aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £317,000 (2017: £145,000). These contracts were on average 90% complete at 30 June 2018 (2017: 73% complete).

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Trade creditors	**7,892**	10,319
Other taxes and social security	**1,718**	1,788
Other creditors	**93**	101
Accruals and deferred income	**428**	727
Corporation tax	**217**	251
	10,348	13,186

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

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	**11,876**	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.

14. PROVISIONS FOR LIABILITIES

	Warranty provision	**Dilapidations provision**	**Total**
	£'000	**£'000**	**£'000**
At 1 July 2016	351	55	406
(Credit)/charged to profit and loss account	(48)	89	41
Utilised	(98)	-	(98)
At 1 July 2017	205	144	349
Charged to profit and loss account	**20**	**12**	**32**
Utilised	**(45)**	-	**(45)**
At 30 June 2018	**180**	**156**	**336**

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.

15. 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:

	2018	2017
	£'000	£'000
Forward foreign exchange contracts	**34**	9

At 30 June 2018 the company had forward foreign exchange contracts with principal amounts equivalent to £5,225,000 (2017: £7,364,000). 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.

16. CALLED UP SHARE CAPITAL AND MOVEMENTS IN EQUITY

Share capital

	2018	2017
	£'000	£'000
Allotted, called up and fully paid:		
500,000 (2017: 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.

17. 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 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.

17. 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 were:

	2018	2017
Discount rate	**2.75**	2.60
Rate of increase of pensions in deferment	**2.10**	2.15
Rate of increase of pensions in payment	**1.80-3.60**	1.85-3.65
Retail Price Index inflation rate	**3.10**	3.15
Consumer Price Index inflation rate	**2.10**	2.15
Post retirement mortality	**Years**	Years
Current pensioners at 65 – male	**21.7**	21.9
Current pensioners at 65 – female	**23.1**	23.6
Future pensioners at 65 in 2038 – male	**23.5**	23.3
Future pensioners at 65 in 2038 – female	**24.8**	24.9

A discount rate of 2.75% has been used in calculating the present value of liabilities of the pension scheme at 30 June 2018. A 0.1% change to this rate would have changed the present value of the pension fund liabilities at that date by approximately £152,000 before tax.

A Retail Price Index inflation rate of 3.1% and a Consumer Price Index inflation rate of 2.1% have been used in calculating the present value of liabilities of the pension scheme at 30 June 2018. A 0.1% change to these rates would have changed the present value of the pension fund liabilities at that date by approximately £55,000 before tax.

In valuing the liabilities of the pension scheme at 30 June 2018, 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 2018 would have increased by approximately £518,000 before tax. The following information relates to the company's share of the assets and liabilities of the schemes.

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Equities	**3,825**	3,748	3,215	3,928	3,802
Gilts	**1,369**	1,347	1,025	836	764
Bonds and insured annuities	**1,112**	1,133	1,120	1,003	957
Multi-asset fund	**2,264**	2,318	2,406	1,839	2,002
Property and cash	**733**	762	921	751	513
Total market value of assets	**9,303**	9,308	8,687	8,357	8,038
Actuarial value of liability	**(11,099)**	(11,555)	(11,174)	(10,440)	(9,805)
Pension liability	**(1,796)**	(2,247)	(2,487)	(2,083)	(1,767)

Of the above assets, all have a quoted market price with the exception of £190,000 of insured annuities (2017: £218,000) and £72,000 of property (2017: £72,000).

17. 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:

	2018	2017
	£'000	£'000
Net pension scheme finance costs	**(53)**	(69)
Included in other comprehensive income:		
Actuarial (loss)/gain on plan assets	**(49)**	584
Actuarial gain/(loss) on retirement benefit obligations	**241**	(598)
	192	(14)
Total recognised in the profit and loss account and other comprehensive income	**139**	(83)

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

	2018	2017
	£'000	£'000
As at 1 July	**9,308**	8,687
Movement in year:		
Expected return on plan assets	**229**	240
Contributions by employer	**312**	323
Benefits paid	**(497)**	(526)
Actuarial (loss)/gain	**(49)**	584
At 30 June	**9,303**	9,308

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

	2018	2017
	£'000	£'000
As at 1 July	**(11,555)**	(11,174)
Movement in year:		
Interest cost	**(282)**	(309)
Benefits paid	**497**	526
Actuarial gain/(loss)	**241**	(598)
At 30 June	**(11,099)**	(11,555)

The cumulative amount of actuarial gains and losses recognised since 1 July 2014 in Other Comprehensive Income is a loss of £848,000 (2017: £1,040,000). The actual return on plan assets for 2017/18 was a gain of £180,000 (2016/17: gain of £824,000).

Defined contribution schemes
During the year £348,000 was charged to the profit and loss account in respect of such schemes (2017: £348,000). At 30 June 2018 contributions of £nil were outstanding (2017: £nil).

18. FINANCIAL COMMITMENTS

Capital commitments
At 30 June 2018 £nil capital expenditure had been authorised (2017: £205,000 authorised).

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

	Land and buildings		Other operating leases	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Less than one year	**526**	452	**186**	292
Between one and five years	**943**	1,168	**102**	257
	1,469	1,620	**288**	549

19. CONTINGENT LIABILITIES

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

20. POST BALANCE SHEET EVENT

The Facades business was sold on 31 October 2018 for initial cash consideration of £4.5 million. Further details are provided in the Strategic Report.

21. 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.