

*Company No. 154159*

*Altro Limited*

*Report and Accounts*

*30 September 2004*



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## *Directors' Report*

The directors present their annual report together with the audited financial statements of the Company for the year ended 30 September 2004.

### **ACTIVITIES**

The main activities of the Company are as follows:

- \* the manufacture and marketing of Altro safety flooring - slip resistant flooring for commercial and industrial use;
- \* the manufacture and marketing of Altro resin systems for commercial and industrial floors;
- \* the distribution of specialist floorings from other leading manufacturers;
- \* the manufacture and distribution of wall and ceiling finishes; and
- \* the manufacture and distribution of Autoglym and Kanor vehicle care products and car wash chemicals.

A review of the divisions in the Company, including their future prospects, is contained in the consolidated financial statements of The Altro Group plc (the 'Group') and subsidiary companies for the year ended 30 September 2004.

### **RESULTS AND EQUITY DIVIDEND**

Profit for the year after taxation was £7.1 million (2003: £5.3 million).

The directors recommend an equity dividend of £1.9 million (2003: £1.4 million) which will leave £5.2 million of retained profits to be taken to reserves (2003: £3.9 million).

### **EMPLOYEES**

There are now 489 employees in the Company. Our success is due to the teamwork and co-operation of all these people. The directors thank all those who have worked and contributed so much to achieve these results in a demanding year. We are proud that so many employees choose to remain with us over so many years. Altro continues to develop and maintain a culture which encourages long service.

Staff are encouraged to plan their careers within the Company and to participate in ongoing training. The Company's employment policies are designed to attract, retain and motivate the very best people, recognising that this can only be achieved through offering equal opportunities regardless of age, disability, gender, race or religion.

All divisions are encouraged to develop their own internal communication procedures.

## *Directors' Report*

### **DIRECTORS AND THEIR INTERESTS**

The directors of the Company during the year were as follows:

DJ Kahn      *Chairman and Managing Director*

G Cleverdon

MP Fincham   \*

AM Harrison   \* *(retired 30 June 2004)*

PCS Hodgson *FCA*

RJ Kahn

JFH Park      \*

\* *Non-executive*

Ed Boyle and Paul Caller were appointed directors with effect from 1 April 2005. Philip Hodgson retired and resigned as Finance Director and Secretary on 1 May 2005. Ed Boyle was appointed Secretary on 1 May 2005.

No director has any interest in the shares of the Company. They are also directors of The Altro Group plc, the ultimate parent company, and their interests in the shares of The Altro Group plc and other Group companies are shown in the financial statements of that company.

### **RESEARCH AND DEVELOPMENT**

We continue to strengthen this essential element of our business. The research teams are based at the Altro Floors and Autoglym laboratories in Letchworth and at the Resins laboratory in our manufacturing facility in Dorset. They are responsible for the development of new products, the improvement of existing products and the testing programmes required for certifications as well as maintaining quality and competitiveness. Where appropriate, work is outsourced. We also work closely with many of our suppliers. All research and development expenditure is charged to the profit and loss account as incurred.

### **PAYMENT TO SUPPLIERS**

The Company does not follow any published code or standard on payment practice for suppliers of goods and services. However, in respect of regular suppliers our policy is generally to establish agreed payment terms which apply to normal transactions, subject to review as appropriate. For occasional suppliers the policy is to pay in accordance with prevailing practice for the particular country and industry or market concerned, subject to any specific agreement. Creditor days were 63 at 30 September 2004 (2003: 53).

### **ENVIRONMENTAL AND HEALTH & SAFETY POLICIES**

Health and safety and environmental issues are always of prime importance to the Company and there are continuing improvement initiatives in place.

The Company supports local recycling and is also very active in a Europe wide programme for the recycling of post consumer waste for the vinyl flooring industry.

Written policies on health & safety and the environment for Altro Floors and Autoglym are available on request from the Company Secretary.

## *Directors' Report*

### **DIRECTORS' RESPONSIBILITIES**

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- \* Select suitable accounting policies and then apply them consistently
- \* Make judgements and estimates that are reasonable and prudent
- \* State whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in financial statements, and
- \* 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 proper accounting records which 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 1985. 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.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### **AUDITORS**

RSM Robson Rhodes LLP have expressed their willingness to continue as auditors.

A resolution to re-appoint them was proposed at the Annual General Meeting.

By order of the Board



EP Boyle

*Secretary*

*25 July 2005*

**Independent Auditors' Report  
to the shareholders of Altro Limited  
for the year ended 30 September 2004**

We have audited the financial statements on pages 5 to 20

This report is made solely to the Company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other shareholders of the Group is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

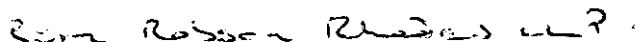
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 September 2004 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
London, England

25 July 2005

*Profit and Loss Account*  
*Year ended 30 September 2004*

	Notes	2004 £'000	2003 £'000
<b>Turnover</b>	<b>2</b>	<b>70,438</b>	<b>64,910</b>
Cost of sales		(28,878)	(26,784)
<b>Gross Profit</b>		<b>41,560</b>	<b>38,126</b>
Operating expenses	5	(33,204)	(29,711)
Exceptional cost	5	-	(654)
<b>Operating Profit</b>		<b>8,356</b>	<b>7,761</b>
Income from shares in subsidiary undertaking		1,148	-
Net interest	6	259	211
<b>Profit on Ordinary Activities before Taxation</b>	<b>8</b>	<b>9,763</b>	<b>7,972</b>
Taxation on profit on ordinary activities	9	(2,688)	(2,631)
<b>Profit on Ordinary Activities after Taxation</b>		<b>7,075</b>	<b>5,341</b>
Dividends paid and proposed	10	(1,875)	(1,400)
<b>Retained Profit for the Year</b>		<b>5,200</b>	<b>3,941</b>
<b>Retained Earnings at Beginning of Year</b>		<b>27,372</b>	<b>23,431</b>
<b>Retained Earnings at End of Year</b>		<b>32,572</b>	<b>27,372</b>

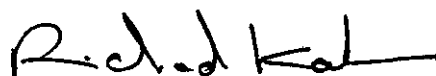
All the above results derive from continuing operations.

There are no recognised gains or losses other than the profit for the current financial year and the previous financial year. Accordingly no Statement of Total Recognised Gains and Losses is given.

*Balance Sheet*  
*At 30 September 2004*

	Notes	2004 £'000	2003 £'000
<b>Fixed Assets</b>			
Intangible assets	11	211	249
Tangible assets	12	8,822	9,155
Investments	13	6,620	4,547
		<b>15,653</b>	<b>13,951</b>
<b>Current Assets</b>			
Stocks	15	5,985	5,950
Debtors due within one year	16	17,775	15,151
Debtors due after more than one year	16	832	883
Cash at bank and in hand		10,959	10,898
		<b>35,551</b>	<b>32,882</b>
<b>Creditors</b>			
Creditors: amounts falling due within one year	17	(17,631)	(18,606)
		<b>17,920</b>	<b>14,276</b>
<b>Net Current Assets</b>			
		<b>33,573</b>	<b>28,227</b>
<b>Total Assets less Current Liabilities</b>			
		<b>(775)</b>	<b>(629)</b>
<b>Provisions for Liabilities and Charges</b>			
		<b>32,798</b>	<b>27,598</b>
<b>Net Assets</b>			
<b>Capital and Reserves</b>			
Called up share capital	19	180	180
Share premium account	22	46	46
Profit and loss account	22	32,572	27,372
		<b>32,798</b>	<b>27,598</b>
<b>Equity Shareholders' Funds</b>			
	20	<b>32,798</b>	<b>27,598</b>

These financial statements were approved by the board on 25 July 2005 and signed on its behalf by:



RJ Kahn  
Director



## *Notes to the Accounts*

### **1. ACCOUNTING POLICIES**

#### **(a) Accounting convention**

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings.

In preparing the financial statements for the current year, the Company has adopted the transitional arrangements for FRS 17: Retirement Benefits, which does not need to be applied in full until the 2006 accounts. As in previous years, expenses have been charged under SSAP 24 but additional disclosures are given as required by FRS 17 (see note 23).

#### **(b) Intangible fixed assets**

Purchases of intangible fixed assets are included in the balance sheet at cost less accumulated amortisation. Goodwill and intangible fixed assets are amortised in equal instalments over their estimated useful economic lives, up to a maximum of 20 years. The useful economic lives are reviewed annually and revised if necessary. Provision is made for any impairment.

#### **(c) Tangible fixed assets and depreciation**

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The rates of depreciation used are as follows:

Short leaseholds	- 5% or term of the lease if under 20 years.
Plant, equipment and vehicles	- 10% to 50% according to type of asset.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount.

#### **(d) Deferred tax**

Deferred tax is provided, except as noted below, on timing differences that have arisen which have not been reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS: 19 Deferred Tax, deferred tax is not provided on timing differences arising from:

- \* revaluation gains on land and buildings, unless there is a binding agreement to sell them at a balance sheet date
- \* gains on the sale of non-monetary assets, where on the basis of all available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets
- \* extra tax payable on the unremitted earnings of the overseas subsidiaries and associates where there is no commitment to remit these earnings
- \* fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

## *Notes to the Accounts*

### **1. ACCOUNTING POLICIES (continued)**

#### **(e) Foreign currencies**

Transactions of UK companies denominated in foreign currencies are translated into sterling at either:

\* the rate ruling at the date of the transactions

\* or at the contracted rate if the transactions are covered by a forward exchange contract

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date, or if appropriate at the forward contract or option rate. These translation differences are dealt with in the profit and loss account.

#### **(f) Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost represents all direct costs incurred in bringing stocks to their present state and location, including an appropriate proportion of manufacturing overheads.

#### **(g) Research and development**

Research and development expenditure is taken to the profit and loss account as incurred.

#### **(h) Pension costs**

The Company operates a defined benefit scheme and a defined contribution scheme. The assets of the schemes are invested and managed independently of the finances of the Company. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

The Company operates a defined contribution scheme for a number employees in a subsidiary division. The pension costs for that scheme represent contributions payable by the Company in the year.

#### **(i) Investments**

Investments held as fixed assets are stated in the balance sheet at cost less provision for impairment in value.

#### **(j) Operating leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

## *Notes to the Accounts*

### 1. ACCOUNTING POLICIES (continued)

#### (k) Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 'Cash flow statements' not to produce a cash flow statement. The Company is a wholly owned subsidiary of a parent company incorporated in the United Kingdom which prepares a consolidated cash flow statement incorporating the cash flows of the Company.

### 2. TURNOVER

Turnover represents the invoiced value of goods sold to external customers and completed contracts, excluding value added tax.

Turnover by geographical area was:

	2004		2003	
	£'000	%	£'000	%
<b>Territory</b>				
United Kingdom	53,461	76	47,696	73
Europe	9,193	13	9,400	15
North America	3,848	5	4,057	6
Other	3,936	6	3,757	6
	<b>70,438</b>	<b>100</b>	<b>64,910</b>	<b>100</b>

The directors have elected not to show an analysis of turnover, profit before taxation or net assets by activity, as in their opinion it would be prejudicial to the interests of the Company.

An analysis of profit and net assets by geographical area has been omitted for the same reason.

### 3. EMPLOYEES

(a) The average number of employees including directors during the year was:

	2004	2003
Manufacturing	124	109
Sales and marketing	195	188
Warehouse and distribution	48	46
Administration and management	122	117
	<b>489</b>	<b>460</b>

(b) Employee costs including directors during the year were:

	2004	2003
	£'000	£'000
Wages and salaries	13,120	12,249
Social security costs	1,145	1,016
Pension costs	1,760	1,577
Other staff benefits	457	466
	<b>16,482</b>	<b>15,308</b>

## *Notes to the Accounts*

### 4. DIRECTORS' REMUNERATION

	2004	2003
	£	£
Emoluments	599,355	607,058
Pension scheme contributions	61,799	53,513
	<u>661,154</u>	<u>660,571</u>

Retirement benefits are accruing to three directors (2003: three) under a defined benefit scheme at 30 September 2004.

	2004	2003
	£	£
Highest paid director:		
emoluments	173,390	165,068
pension scheme contribution	21,795	19,137
	<u>195,185</u>	<u>184,205</u>

The amount of the accrued pension of the highest paid director at 30 September 2004 is £40,947 (2003: £35,550).

### 5. OPERATING EXPENSES

	2004	2003
	£'000	£'000
Distribution costs	20,301	18,787
Administrative expenses	12,903	10,924
Exceptional cost	-	654
	<u>33,204</u>	<u>30,365</u>

The exceptional cost relates to the impairment of investments in subsidiaries, following the transfer of investments from Adamite BV to the Company and the subsequent liquidation of this company.

### 6. NET INTEREST

	2004	2003
	£'000	£'000
Interest payable:		
bank loans and overdrafts	-	-
other	-	(27)
Interest receivable:		
short term deposits	203	181
loans to subsidiary companies	56	57
	<u>259</u>	<u>211</u>

## *Notes to the Accounts*

### 7. OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating leases are:

	Land and Buildings 2004 £'000	Other 2004 £'000	Land and Buildings 2003 £'000	Other 2003 £'000
Leases expiring:				
within one year	9	38	1	-
between two and five years	371	427	510	237
after five years	153	-	147	-
	<b>533</b>	<b>465</b>	<b>658</b>	<b>237</b>

### 8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit for the year before taxation is arrived at after charging:

	2004 £'000	2003 £'000
Depreciation	2,070	1,990
Amortisation of intangibles	13	13
Auditors' remuneration:		
audit fees	75	61
other services	266	39
Research and development	920	861
Foreign exchange losses	168	320
Rentals under operating leases:		
hire of plant and machinery	122	52
other operating leases	396	405
(Profit)/loss on disposal of fixed assets	(96)	(62)

### 9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge based on the profit for the year is made up as follows:

	2004 £'000	2003 £'000
Current taxation:		
United Kingdom corporation tax at 30% (2003: 30%)	2,512	2,433
Double tax relief	-	-
UK (over)/under provision in respect of prior years	26	(106)
	<b>2,538</b>	<b>2,327</b>
Deferred taxation		
timing differences - origination and reversal	188	293
adjustment in respect of prior years	(38)	11
	<b>150</b>	<b>304</b>
	<b>2,688</b>	<b>2,631</b>

# Notes to the Accounts

## 9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2004 £'000	2003 £'000
<b>Reconciliation of current taxation charge for the year</b>		
Profit before taxation	9,763	7,972
Tax charge on profit at a standard rate of 30% (2003: 30%)	2,929	2,392
Expenses not deductible for tax purposes	115	335
Income not subject to tax	(311)	-
Capital allowances in excess of depreciation	(69)	(129)
Movement in short-term timing differences	(119)	(164)
Other	(33)	-
Prior period adjustments	26	(107)
<b>Current Tax Charge for the Year</b>	<b>2,538</b>	<b>2,327</b>

### Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to capital losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is: £86,267 (2003: £86,267). The asset would be recovered if the Company made sufficient gains in future periods to utilise the capital losses brought forward.

## 10. DIVIDENDS PAID AND PROPOSED

	2004 £'000	2003 £'000
Proposed £10.39 per share (2003: £7.76)	1,875	1,400

## 11. INTANGIBLE FIXED ASSETS

	Distribution rights £'000	Franchise £'000	Total £'000
<b>Cost</b>			
At 1 October 2003	100	166	266
Disposals	-	(25)	(25)
<b>At 30 September 2004</b>	<b>100</b>	<b>141</b>	<b>241</b>
<b>Accumulated amortisation</b>			
At 1 October 2003	9	8	17
Charged during the year	5	8	13
<b>At 30 September 2004</b>	<b>14</b>	<b>16</b>	<b>30</b>
<b>Net book value</b>			
<b>At 30 September 2004</b>	<b>86</b>	<b>125</b>	<b>211</b>
At 30 September 2003	91	158	249

*Notes to the Accounts*

**12. TANGIBLE FIXED ASSETS**

	Land and Buildings Short Leasehold £'000	Plant, Equipment and Vehicles £'000	Total £'000
<b>Cost</b>			
At 1 October 2003	409	20,832	21,241
Additions	7	1,953	1,960
Disposals	-	(1,190)	(1,190)
<b>At 30 September 2004</b>	<b>416</b>	<b>21,595</b>	<b>22,011</b>
<b>Accumulated depreciation</b>			
At 1 October 2003	256	11,830	12,086
Charged during the year	26	2,044	2,070
Disposals	-	(967)	(967)
<b>At 30 September 2004</b>	<b>282</b>	<b>12,907</b>	<b>13,189</b>
<b>Net book value</b>			
<b>At 30 September 2004</b>	<b>134</b>	<b>8,688</b>	<b>8,822</b>
<b>At 30 September 2003</b>	<b>153</b>	<b>9,002</b>	<b>9,155</b>

**13. INVESTMENTS HELD AS FIXED ASSETS**

	Cost £'000	Provisions £'000	Total £'000
<b>Shares in Subsidiary Undertakings</b>			
At 1 October 2003	5,265	(718)	4,547
Additions	2,114	-	2,114
Revision of deferred consideration	(41)	-	(41)
<b>At 30 September 2004</b>	<b>7,338</b>	<b>(718)</b>	<b>6,620</b>

As required by FRS 7: Fair Values in Acquisition Accounting, the deferred consideration in respect of Kanor Chemicals Limited has been revised from £864,180 to £823,459. This is based on actual sales to 30 September 2004 compared to the original estimate.

## *Notes to the Accounts*

### 13. INVESTMENTS HELD AS FIXED ASSETS (continued)

At 30 September 2004 the following were the principal trading subsidiaries:

Company	Country of incorporation	Class of Shares	Proportion of shares held	Activity
Altro GmbH	Germany	-	100%	Distribution
Altro Nordic AB	Sweden	Ordinary	100%	Distribution
Compass Flooring Ltd	Canada	Common	100%	Distribution
Compass Flooring Solutions Inc.	USA	Common	100%	Distribution
Compass Concepts Inc.	USA	-	50%	Distribution

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of The Altro Group plc, incorporated in Great Britain and therefore these financial statements present information about the Company as an individual entity and not as a group (see note 24).

### 14. ACQUISITION

On 1 June 2004, the Company purchased the remaining 50% of the issued share capital (50% already owned by other companies within the Altro Group) of Compass Concepts Inc. Such that Compass Concepts Inc was subsequently a wholly owned subsidiary of the group headed up by The Altro Group plc.

The fair values of the assets and liabilities of Compass Concepts Inc as at 31 May are set out in the table below:

	Book and Fair Value £'000
Tangible fixed assets	61
Stock	3,003
Debtors	1,125
Bank overdraft	(1,266)
Creditors (amounts falling due within one year)	(988)
Net assets	1,935
Less reserves consolidated by the Group up to 31 May	(616)
Net assets acquired	1,319
Goodwill	1,144
	<b>2,463</b>
<b>Satisfied by:</b>	
investment brought forward	351
cash paid	1,032
deferred consideration	1,080
	<b>2,463</b>

The amount of deferred consideration to be paid (in cash) is calculated based on the performance of a specific contract during the three year period commencing 31 January 2005. There is no upper limit on the consideration payable, the amount disclosed above is the current best estimate of the amount that will be payable over the the duration of the earn out period.



## *Notes to the Accounts*

### 14. ACQUISITION (continued)

The summarised results of Compass Concepts Inc for the period prior to acquisition are set out below:

	1 October 2003 to 31 May 2004 £'000
Turnover	6,444
Cost of sales	(3,996)
Administrative expenses	(2,134)
Profit on ordinary activities before taxation	314
Taxation	(14)
Profit on ordinary activities after taxation	300

The profit after taxation for the year ended 30 September 2003 was £12,722.

Up until the date of acquisition (1 June 2004) Compass Concepts was 50% owned by The Altro Group plc and accounted for as an associated undertaking under the equity method of accounting in the consolidated financial statements of that company. The results of Compass Concepts Inc are now consolidated into the Group accounts as a subsidiary undertaking using the acquisition method of accounting.

### 15. STOCKS

	2004 £'000	2003 £'000
Raw materials	2,012	1,514
Work in progress	216	270
Finished goods	3,757	4,166
	5,985	5,950

### 16. DEBTORS

	2004 £'000	2003 £'000
Trade debtors	11,174	10,194
Owed by subsidiary undertakings within one year	3,988	2,142
Owed by subsidiary undertakings greater than one year	832	883
Owed by associated undertaking	-	260
Other debtors	453	218
Prepayments and accrued income	2,160	2,337
	18,607	16,034

*Notes to the Accounts*

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004 £'000	2003 £'000
Trade creditors	7,499	6,657
Owed to subsidiary undertakings	355	3,997
Owed to associated undertaking	-	7
Corporation tax	1,241	1,295
Other taxation and social security	1,231	1,138
Other creditors	33	24
Accruals	5,397	4,083
Proposed dividend	1,875	1,400
HP agreements	-	5
	<b>17,631</b>	<b>18,606</b>

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

	2004 £'000	2003 £'000
<b>Deferred taxation</b>		
Capital allowances in excess of depreciation	591	685
Other	169	(75)
	<b>760</b>	<b>610</b>
Other provisions	15	19
	<b>775</b>	<b>629</b>
<b>Movements in deferred taxation</b>		
At 1 October	610	306
Charge for year	188	304
Adjustments in respect of prior years	(38)	-
<b>At 30 September</b>	<b>760</b>	<b>610</b>

**19. CALLED UP SHARE CAPITAL**

	2004 £'000	2003 £'000
Authorised:		
200,000 Ordinary Shares of £1 each	200	200
Called up allotted and fully paid:		
180,435 Ordinary Shares of £1 each	180	180

## *Notes to the Accounts*

### 20. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Profit attributable to shareholders of the Company	7,075	5,341
Dividend	(1,875)	(1,400)
	5,200	3,941
Opening equity shareholders' funds	27,598	23,657
<b>Closing equity shareholders' funds</b>	<b>32,798</b>	<b>27,598</b>

### 21. CAPITAL COMMITMENTS

	2004 £'000	2003 £'000
Contracted but not provided for	957	633

### 22. RESERVES

	Share Premium £'000	Profit and Loss Account £'000
At 1 October 2003	46	27,372
Retained profit	-	5,200
<b>At 30 September 2004</b>	<b>46</b>	<b>32,572</b>

### 23. PENSION SCHEMES

#### a) Defined benefit scheme

The Company operates a defined benefit pension scheme for the majority of its UK employees. The assets of the defined benefit scheme are held in separate, trustee administered funds. The Scheme is subject to triennial valuation by independent actuaries. The last valuation was carried out as at 1 May 2002 using the projected unit method, in which the actuarial liability makes allowances for projected earnings.

The following actuarial assumptions were applied:

investment return - pre-retirement	6.5% per annum
investment return - post-retirement	5.5% per annum
salary growth	4.0% per annum
pension increases -pre 1997	3.0% per annum
pension increases -post 1997	3.25% per annum

## *Notes to the Accounts*

### 23. PENSION SCHEMES (continued)

#### a) Defined benefit scheme (continued)

At the 2002 valuation the market value of the assets of the Scheme was £23,297,892. The actuarial value of the assets was sufficient to cover 78% of the benefits which had accrued to members, after allowing for expected future increases in earnings and agreed benefit improvements; the Scheme was 88% funded based on the method and assumptions for the purposes of the minimum funding requirement. Consequently, the Company made a cash injection of £2 million into the fund in January 2003 and increased its contribution rate to 15% from 12.75% of salaries of salaries with effect from 1 October 2002. The actuary calculated that this together with the 1% increase in employee contributions would bring the Scheme back to a fully funded condition within fifteen years.

The pension cost for the Company for the year was £1,751,990 (2003: £1,706,759) which includes £129,300 (2003: £129,300) in respect of amortisation of the experience deficit. An amount of £1,567,245 (2003: £1,715,106) is included in prepayments, being the excess amount funded over the amount charged to the profit and loss account. This is being amortised over the average remaining service lives of the members.

#### b) Defined contribution scheme

A small number of employees in a recently acquired division remain in a defined contribution scheme. The assets of the defined contribution scheme are held in a separate trustee administered fund. Total contributions payable by the Company in the year in respect of this scheme were £8,304 (2003: £3,377). There were no prepaid or accrued contributions at the year end.

c) The information included in the disclosure note (a) above follows the requirements of the existing standard of accounting for pension costs: SSAP24: Pension Costs. However, SSAP24 is going to be replaced by a new accounting standard FRS17: Retirement Benefits. The information below is disclosed in accordance with the transitional provisions of FRS 17, in preparation for the adoption of this standard.

i) The assets and liabilities and expected rate of return at 30 September, as determined by an independent actuary, are as follows:

	2004		2003		2002	
	Expected Rate of Return	£' 000	Expected Rate of Return	£' 000	Expected Rate of Return	£' 000
Equities	7.5%	22,881	7.30%	20,059	7.45%	14,381
Government bonds	4.50%	5,763	4.30%	4,798	4.45%	4,029
Cash		82		199		399
Total market value of assets		<u>28,726</u>		<u>25,056</u>		<u>18,809</u>
Present value of scheme liabilities		<u>(40,598)</u>		<u>(38,455)</u>		<u>(33,420)</u>
Deficit in the scheme		<u>(11,872)</u>		<u>(13,399)</u>		<u>(14,611)</u>
Related deferred taxation asset		<u>3,562</u>		<u>4,020</u>		<u>4,383</u>
Net Scheme Deficit		<u>(8,310)</u>		<u>(9,379)</u>		<u>(10,228)</u>

## Notes to the Accounts

### 23. PENSION SCHEMES (continued)

The major assumptions used by the actuary in assessing scheme liabilities on a FRS17 basis were:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
rate of increase in salaries	3.7%	3.5%	3.5%
rate of increase in pension payment (before April 1997)	3.0%	3.0%	3.0%
rate of increase in pension payment	2.7%	2.5%	3.0%
discount rate	5.5%	5.3%	5.4%
inflation assumption	2.7%	2.5%	2.5%

ii) The impact on profit and loss reserve and net assets at 30 September of adopting FRS17 would be as follows:

	Profit and loss Reserve 2004 £' 000	Profit and loss Reserve 2003 £' 000	Net Assets 2004 £' 000	Net Assets 2003 £' 000
As reported in accounts	32,572	27,372	32,798	27,598
SSAP 24 pensions debtor	(1,097)	(1,195)	(1,097)	(1,195)
Accounts excluding pension liability	31,475	26,177	31,701	26,403
FRS 17 pensions liability	(8,310)	(9,379)	(8,310)	(9,379)
Accounts including Pension Liability	23,165	16,798	23,391	17,024

iii) The amount that would be recognised in the Profit and Loss Account is as follows:

	<u>2004</u> £' 000	<u>2003</u> £' 000
Current service cost	1,575	1,697
<b>Total Operating Charge</b>	<b>1,575</b>	<b>1,697</b>
Expected return on plan assets	1,722	1,392
Interest on pension scheme liabilities	(2,071)	(1,864)
<b>Total Finance Loss</b>	<b>(349)</b>	<b>(472)</b>

iv) The amount that would be recognised in the Statement of Total Recognised Gains and Losses (STRGL) would be as follows:

	<u>2004</u> £' 000	<u>2003</u> £' 000
Expected return less actual return on pension scheme assets	657	1,205
Experience gains and losses arising on the scheme liabilities	-	(69)
Changes in assumptions underlying the present value of the scheme liabilities	1,170	(1,426)
<b>Actuarial Gain/(Loss) recognised in the STRGL</b>	<b>1,827</b>	<b>(290)</b>

## *Notes to the Accounts*

### 23. PENSION SCHEMES (continued)

#### v) Movement in the deficit during the year

	2004 £'000	2003 £'000
Deficit at 1 October	(13,399)	(14,611)
Current service cost	(1,575)	(1,697)
Contributions	1,624	3,671
Other finance charges	(349)	(472)
Actuarial gain/(loss)	1,827	(290)
Deficit at 30 September	(11,872)	(13,399)
Related deferred taxation asset	3,562	4,020
<b>Net Scheme Deficit</b>	<b>(8,310)</b>	<b>(9,379)</b>

#### vi) History of experience gains and losses

	2004 £'000		2003 £'000		2002 £'000	
		%		%		%
Difference between the expected and actual return on scheme assets	657	2	1,205	5	(5,449)	(30)
Experienced losses on scheme liabilities	-	-	(69)	-	(2,037)	(6)
Total amount recognised in statement of total recognised gains and losses	1,827	5	(290)	(1)	(12,104)	(36)

### 24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent company and controlling party is The Altro Group plc, for which group financial statements are prepared. The company is incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ. For the year ended 30 September 2004 the largest and smallest groups in which the results of the Company are consolidated is that headed by The Altro Group plc.