

Company No. 154159

Altro Limited

Reports and Accounts

30 September 1996



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Directors' Report

The directors present their report together with the audited accounts of the Company for the year ended 30 September 1996.

REVIEW OF THE BUSINESS

The principal activities of the Company are as follows:

(a) Altro Floors Division

- the manufacture and marketing of Altro safety flooring, the slip resistant sheet flooring for commercial, industrial and transport purposes;
- the manufacture and marketing of Altro Resin Systems floor and wall coatings;
- the marketing of Mondo rubber and other specialist floorings;
- the sale and installation of Altro Whiterock wall and ceiling cladding;

(b) Autoglym Division

- the manufacture and distribution of Autoglym vehicle care products to trade and retail markets;

(c) A review of the divisions in the Company including their future prospects is contained in the consolidated accounts of The Altro Group plc and subsidiary companies for the year ended 30 September 1996.

RESULTS AND DIVIDEND

Profit for the year after taxation is £3.9 million (1995: £3.2 million).

The directors recommend a dividend of £1.7million (1995: £1.4 million) which will leave £2.2 million of retained profits to be taken to reserves (1995: £1.8 million).

Directors' Report

DIRECTORS AND THEIR INTERESTS

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

DJ Kahn
G Cleverdon
MP Fincham
AM Harrison
PCS Hodgson
JFH Park
MJ Williams

No director has any interest in the shares of the Company. With the exception of MJ Williams they are also directors of The Altro Group plc, the ultimate parent company, and their interests in the shares of The Altro Group plc are shown in the report of that company. The interest of MJ Williams in the shares of The Altro Group plc are as follows:

30 September 1996		1 October 1995	
Ordinary 10p Shares	Options	Ordinary 10p Shares	Options
68,492	94,058	32,878	142,058

EMPLOYEES

The directors recognise that the contribution made by all employees is essential to our success in being a quality company in every area of our activities.

All divisions are encouraged to develop their own internal communication procedures. Regular meetings are held to keep employees informed of the Company's performance and future plans, at which employees can raise any questions they may have.

To encourage the involvement of all employees in contributing to the Company's performance the Group operates a Profit Sharing Share Scheme and a Savings Related Share Option Scheme for UK employees, through which they can become shareholders of The Altro Group plc. They are also afforded every opportunity to purchase shares in the Group.

It is Company policy that disabled persons should be considered for employment, career development and promotion on the basis of their aptitudes and abilities, in common with all other employees.

Directors' Report

RESEARCH AND DEVELOPMENT

The Company continues to expand its investment in the development of products and systems in all areas of its business. Expenditure on research and development is taken to the profit and loss account as incurred.

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period. It is also the directors' responsibility to maintain adequate accounting records, safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, that applicable accounting standards have been followed, and that the financial statements have been prepared on the going concerns basis.

AUDITORS

Deloitte & Touche have expressed their willingness to continue as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



PCS HODGSON

Secretary

26 June 1997

Auditors' Report

To the Members of Altro Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

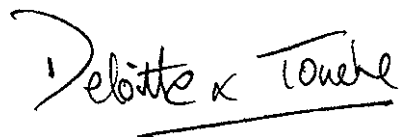
Basis on Opinion

We conducted our audit in accordance with 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 circumstances of the Company, 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 provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, 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 Company's affairs as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, reading "Deloitte & Touche", with a horizontal line underneath the text.

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors
London

26 June 1997

Profit and Loss Account

Year ended 30 September

	Notes	1996 £'000	1995 £'000
Turnover	2	46,472	43,608
Cost of sales		(21,999)	(21,155)
Gross Profit		24,473	22,453
Net operating expenses	5	(19,143)	(18,375)
Operating Profit		5,330	4,078
Income from shares in group undertakings		266	723
Income from investment		25	-
Profit on ordinary activities before interest		5,621	4,801
Net interest	6	(5)	(25)
Profit on ordinary activities before taxation	8	5,616	4,776
Tax on profit on ordinary activities	9	(1,741)	(1,569)
Profit on ordinary activities after taxation		3,875	3,207
Dividend	10	(1,700)	(1,375)
Retained profit for the year		2,175	1,832
Retained earnings at beginning of year		8,724	6,892
Retained earnings at end of year		10,899	8,724

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

	Notes	1996 £'000	1995 £'000
Fixed Assets			
Tangible assets	11	5,729	4,123
Investments	12	725	76
		6,454	4,199
Current Assets			
Land held for resale	1(h)	712	712
Stocks	13	5,046	3,801
Debtors	14	9,616	8,664
Cash		1,965	4,823
		17,339	18,000
Creditors			
Amounts falling due within one year	15	(12,401)	(13,045)
		4,938	4,955
Net Current Assets			
		11,392	9,154
Total Assets less Current Liabilities			
Provisions for liabilities and charges	16	(267)	(204)
		11,125	8,950
Capital and Reserves			
Called up share capital	17	180	180
Share premium account		46	46
Retained earnings		10,899	8,724
		11,125	8,950
Equity Shareholders' funds			
		11,125	8,950

The accounts and notes were approved by the Board of Directors on 26 June 1997



DJ Kahn
Chairman

Notes to the Accounts

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets

Depreciation is provided in equal annual installments over the estimated useful lives of the assets and is calculated on their cost. 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 33% according to type of asset.

(c) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts, to the extent that it is probable that a liability or asset will crystallise in the future.

(d) 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.

(e) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with through the profit and loss account.

Notes to the Accounts

1. ACCOUNTING POLICIES (continued)

(f) Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially even percentage of current and expected pensionable payroll.

(g) 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.

(h) Land held for resale

Land held for resale is stated at the lower of cost and net realisable value.

(i) Goodwill

Goodwill arising on acquisition is transferred to reserves in the year of acquisition. On disposal, goodwill is taken to the profit and loss account.

2. TURNOVER

Turnover represents the invoiced value of goods sold to outside customers and completed contracts, excluding value added tax. It includes inter-group sales amounting to £2.5 million (1995: £1.3 million).

Turnover by geographical area was:

	1996		1995	
	£'000	%	£'000	%
Territory				
United Kingdom	33,502	72	33,128	76
Europe	6,859	15	5,529	13
North America	2,245	5	1,950	4
Other	3,866	8	3,001	7
	<u>46,472</u>	<u>100</u>	<u>43,608</u>	<u>100</u>

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.

Notes to the Accounts

3. EMPLOYEES

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

	1996	1995
Manufacturing, installation and maintenance	68	51
Sales and marketing	197	193
Warehouse and distribution	25	24
Administration and management	78	73
	368	341

(b) Employee costs during the year were:

	£'000	£'000
Wages and salaries	7,595	7,039
Social security costs	652	606
Pension costs	684	615
Other staff benefits	204	150
	9,135	8,410

4. DIRECTORS' REMUNERATION

	1996	1995
	£	£
Other emoluments (including pension contributions)	558,608	564,870

Emoluments (excluding pension contributions):

of the Chairman	93,736	106,385
of the highest paid director	112,794	115,264

	Number	Number
of the other directors		
£5,001 to £10,000	1	-
£10,001 to £15,000	1	2
£70,001 to £75,000	-	1
£75,001 to £80,000	1	-
£100,001 to £105,000	1	2
£105,001 to £110,000	1	-

Notes to the Accounts

5. NET OPERATING EXPENSES

	1996 £'000	1995 £'000
Distribution costs	13,193	11,868
Administrative expenses	5,985	6,226
Amounts written off land held for resale	-	300
	<hr/>	<hr/>
Total administrative expenses	5,985	6,526
Other operating income	(35)	(19)
	<hr/>	<hr/>
	19,143	18,375
	<hr/>	<hr/>

6. NET INTEREST

	1996 £'000	1995 £'000
Interest payable:		
bank loans and overdrafts wholly repayable within 5 years	49	60
other	6	4
currency translation differences	33	-
Interest receivable:		
short term deposits	(40)	(4)
loans to distributors	(33)	(32)
other	(10)	(3)
	<hr/>	<hr/>
	5	25
	<hr/>	<hr/>

7. OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating leases were:

	1996 £'000	1995 £'000
Leases expiring:		
within one year	61	14
between two and five years	96	41
after five years	106	144
	<hr/>	<hr/>
	263	199
	<hr/>	<hr/>

Notes to the Accounts

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1996	1995
	£'000	£'000
Depreciation	1,269	1,217
Auditors' remuneration:		
audit fees	53	50
other services	32	36
Rentals under operating leases:		
hire of plant and machinery	35	46
other operating leases	259	200

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1996	1995
	£'000	£'000
United Kingdom corporation tax at 33%	1,728	1,714
Double taxation relief	(128)	(292)
Deferred taxation	70	(28)
Overseas taxation	3	3
Group relief	189	154
Adjustments in respect of previous years:		
corporation tax	(118)	9
deferred taxation	(3)	9
	1,741	1,569

10. DIVIDEND

	1996	1995
	£'000	£'000
Proposed £9.42 (1995: £7.62) per Ordinary £1 share	1,700	1,375

Notes to the Accounts

11. TANGIBLE FIXED ASSETS

	Land and Buildings Short Leasehold £'000	Plant, Equipment and Vehicles £'000	Total £'000
Cost			
at 1 October 1995	117	7,934	8,051
Additions	107	2,874	2,981
Disposals	-	(456)	(456)
At 30 September 1996	224	10,352	10,576
Depreciation			
at 1 October 1995	47	3,881	3,928
Provided during the year	10	1,259	1,269
Disposals	(1)	(349)	(350)
At 30 September 1996	56	4,791	4,847
Net book value			
At 30 September 1996	168	5,561	5,729
At 30 September 1995	70	4,053	4,123

Included in fixed assets are fully depreciated assets with an original cost of £997,371.

Notes to the Accounts

12. INVESTMENTS HELD AS FIXED ASSETS

	1996 £'000	1995 £'000
(a) Shares in subsidiary undertakings at cost	725	76
Movement in year		
Shares in subsidiary undertakings:		
at 1 October 1995	76	
acquisitions	649	
at 30 September 1996	725	

(b) At 30 September 1996 the following were the principal trading subsidiaries:

Company	Country of incorporation	Proportion of shares held	Activity
Altro GmbH	Germany	100%	Distribution
Altro Nordic AB	Sweden	100%	Distribution
Compass Flooring Ltd	Canada	100%	Distribution
Compass Flooring Solutions, Inc.	USA	100%	Distribution

(c) Consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of The Altro Group plc, incorporated in the United Kingdom.

13. STOCKS

	1996 £'000	1995 £'000
Raw materials	997	971
Work in progress	342	182
Finished goods	3,735	2,666
Less payments on account	(28)	(18)
	5,046	3,801

14. DEBTORS

	1996 £'000	1995 £'000
Trade debtors	7,954	8,145
Amounts owed by fellow subsidiary undertakings within one year	525	298
Amounts owed by fellow subsidiary undertakings greater than one year	696	-
Other debtors	55	62
Prepayments and accrued income	386	159
	9,616	8,664

Notes to the Accounts

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000	1995 £'000
Trade creditors	4,657	3,906
Amounts owed to fellow subsidiary undertakings	1,779	3,352
Corporation tax	1,664	1,477
Other taxation and social security	767	777
Other creditors	33	65
Accruals	1,801	2,093
Proposed dividend	1,700	1,375
	<u>12,401</u>	<u>13,045</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £'000	1995 £'000
Deferred taxation		
capital allowances in excess of depreciation	153	148
other timing differences	67	5
	<u>220</u>	<u>153</u>
Other	47	51
	<u>267</u>	<u>204</u>

Movements in deferred taxation

at 1 October	153	172
charge/(credit) for year	70	(28)
adjustments in respect of prior years	(3)	9
At 30 September	<u>220</u>	<u>153</u>

Unprovided deferred taxation:

roll-over relief	<u>(47)</u>	<u>(47)</u>
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Notes to the Accounts

17. CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised:		
200,000 Ordinary Shares of £1 each	200	200
Allotted and fully paid:		
180,435 Ordinary Shares of £1 each	180	180

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit attributable to members of the Company	3,875	3,207
Dividend	(1,700)	(1,375)
	2,175	1,832
Opening shareholders' funds	8,950	7,118
Closing shareholders' funds	11,125	8,950

19. CAPITAL COMMITMENTS

	1996 £'000	1995 £'000
Contracted but not provided for	100	919

20. CONTINGENT LIABILITIES

	1996 £'000	1995 £'000
Guarantee on bank overdraft of associated undertaking	1,460	1,058

Notes to the Accounts

21. PENSION SCHEME

The Company operates a defined benefit pension scheme for all UK employees, with the assets of the scheme held in separate, trustee administered funds.

The scheme is subject to triennial valuation by independent actuaries; the last valuation being carried out as at 1 May 1996 using the projected unit method, in which the actuarial liability makes allowances for projected earnings. The following actuarial assumptions were applied:

Equity growth dividend	4.5% per annum
Valuation rate of interest	9.0% per annum
Increases in pensionable salaries	7.5% per annum
Pension increases	3.0% per annum

At the last actuarial valuation date, the market value of the assets of the scheme was £11,588,000 and the actuarial value of the assets was sufficient to cover 112% of the benefits which had accrued to members, after allowing for expected future increases in earnings and agreed benefit improvements.

The Company's contributions to the scheme are charged to the profit and loss account so as to spread the cost of pension over the employees' working lives with the Company.

The pension cost for the Company for the year was £684,383 (1995: £614,633). A provision of £46,785

A provision of £46,785 (1995: £50,817) is included in provisions for liabilities, being the excess of accumulated pension costs over the amount funded.

The next actuarial valuation will be undertaken as at 1 May 1999.

22. RELATED PARTY TRANSACTIONS

During the year the company made sales of £227,496 to Michael Williams & Co., in which Michael Williams, a director of the company has a controlling interest. The debtor balance with Michael Williams & Co. at the year end stood at £42,647.

23. ULTIMATE PARENT COMPANY

The ultimate parent company is The Altro Group plc, which is incorporated in Great Britain and registered in England and Wales. Copies of the group accounts are available from Companies House, Crown Way, Cardiff, CF4 3UZ.