

# Altro Limited

## Report and Accounts

for the year ended 31 December 2010

Company Registration No 00154159

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# **Altro Limited**

## **Report and Accounts**

**for the year ended 31 December 2010**

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# Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010

## Principal activities

The principal activities of the Company are the manufacture and marketing of

- Altro safety flooring
- Altro Whiterock wall and ceiling systems
- Altro resin systems
- Autoglym vehicle care and Kanor car wash products

## Directors

The directors, all of whom served for the whole year, and who are also directors of The Altro Group plc, are listed below

DJ Kahn	<i>Chairman</i>
EP Boyle	<i>Secretary</i>
PL Caller	
G Cleverdon	
MP Fincham *	
RJ Kahn	<i>Managing Director</i>
JFH Park *	

\* *Non-executive*

## Financial review

The profit and loss account for the year is set out on page 5. The reduction in profit before tax is due to the competitive trading environment in all of our major markets

## Key performance indicators

Turnover of £85.6 million represents an increase of 2% on the year to 31 December 2009. Profit before tax was £10.8 million, a decrease of 7% on the previous year. The directors have authorised and paid a dividend of £44.34 (2009: £44.34) per share, totalling £8.0 million (2009: £8.0 million). The directors expect the Company to maintain profitability for the foreseeable future.

## Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and the Company has procedures and systems to manage these.

The key business risks affecting the Company are considered to relate to competition from other manufacturers, increased raw material and energy costs, fluctuations in the UK and global economy and any action which may be taken by governments in our major markets to address their budget deficits.

The board takes action where possible to eliminate, reduce or mitigate specific risks through the adoption of appropriate strategies.

## Financial risk management

The Company's operations expose it to a variety of financial risks, including the effects of changes in currency exchange rates, credit exposure, liquidity and interest rates.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

The main risks arising from the Company's financial management can be analysed as follows:

### Currency risk

The Company is exposed in its trading operations to the risk of fluctuations in currency exchange rates. Where appropriate, forward contracts are used to hedge this exposure.

### Credit risk

The Company's principal financial assets are bank balances and trade debtors which represent the Company's maximum exposure to credit risk in relation to financial assets. Risk is managed through internal monitoring processes and credit insurance, both of which have been given greater focus because of difficult trading conditions.

### Price risk

The Company is exposed to price risk on raw materials as a result of its operations and such exposure is monitored closely and reported on regularly. In the majority of cases, dual supply arrangements are in place.

### Liquidity risk

The Company has positive cash balances and appropriate overdraft facilities in place with its bankers where considered necessary.

# Directors' report continued

## *Interest rate risk*

The Company has very limited exposure to interest rate risk as borrowings are insignificant. However, there is an exposure to the impact of longer term rate movements in the Defined Benefit Pension Scheme, which is managed by the trustees of the Scheme and their advisers.

## **Directors' liability insurance**

The Company maintained liability insurance for all directors throughout the year.

## **Employees**

The Company operates non-discriminatory employment policies which 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, religion, colour, nationality, marital status or sexual orientation.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Staff are encouraged to plan their careers within the Company and to participate in appropriate ongoing training, consistent with the needs of the business.

All divisions develop their own internal communications and employees receive regular updates on the Company's results, strategies and policies.

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

## **Health & Safety and the environment**

Health & Safety and environmental performance remain key business objectives.

Our World Class Manufacturing and Sustainability programmes are of prime importance and we continue to invest for the future.

## **Research and development**

Research and development remains at the forefront of our vision for the future and our strength and depth in this area are essential parts of our business. All research and development expenditure is charged to the profit and loss account as incurred.

## **Pension schemes**

The future of our pension schemes is underpinned by the knowledge that a strong and successful Company should ensure that pension obligations can be met today and in the future.

The Company continues to support the Defined Benefit Pension Scheme which was closed to new members in September 2005. The Scheme was in deficit as at 31 December 2010 and the Company made a contribution of £1.75 million in the year to the Scheme in addition to the expected future funding contribution, in line with the triennial funding plan agreed with the trustees in 2009.

The Company also operates a Defined Contribution Pension Scheme for employees who joined after 1 October 2005.

## **Payments 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 recurring transactions, subject to review as appropriate. For occasional suppliers, the policy is to pay in accordance with the prevailing practice for the particular industry or market concerned, subject to any specific agreement.

The Company's creditor days were 41 at 31 December 2010 (2009: 40).

# Directors' report continued

## Going concern

In arriving at their decision to prepare these accounts on the going concern basis, the directors have reviewed the Company's budget, forecasts and cash flow projections for 2011 and 2012 (including proposed capital expenditure) and compared these with the Company's cash holdings, its committed borrowing facilities and projected gearing ratios

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and so continue to adopt the going concern basis

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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 the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible

for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## Disclosure of information to auditors

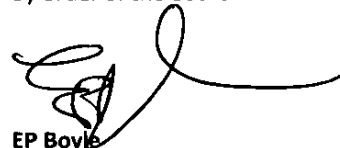
Each director in office at the date of the Directors' Report confirms the following

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue as auditors, and the members have resolved to re-appoint them

By order of the Board



EP Boyle  
Secretary  
7 June 2011

# **Independent auditors' report to the members of Altro Limited for the year ended 31 December 2010**

We have audited the financial statements of Altro Limited for the year ended 31 December 2010 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Reconciliation of movements in shareholders' funds, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

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

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



**David Newstead (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Cambridge  
7 June 2011

## Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	85,566	84,123
Cost of sales		(42,710)	(40,524)
<b>Gross profit</b>		<b>42,856</b>	<b>43,599</b>
Operating expenses	5	(32,342)	(32,230)
<b>Operating profit</b>		<b>10,514</b>	<b>11,369</b>
Income from shares in subsidiary undertaking		221	347
<b>Profit on ordinary activities before interest and tax</b>		<b>10,735</b>	<b>11,716</b>
Net interest receivable	6	40	108
Other finance charge	6	(17)	(254)
<b>Profit on ordinary activities before tax</b>	7	<b>10,758</b>	<b>11,570</b>
Tax on profit on ordinary activities	9	(3,161)	(3,627)
<b>Profit for the financial year</b>		<b>7,597</b>	<b>7,943</b>

All the above results derive from continuing operations

There are no material differences between the profit on ordinary activities before tax and the retained profit for the year stated above and their historical cost equivalents

## Statement of total recognised gains and losses

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		7,597	7,943
Actuarial loss on net Defined Benefit Pension Scheme assets	20	(1,697)	(13,772)
Deferred tax on actuarial loss		475	3,856
<b>Total recognised gains and losses relating to the year</b>		<b>6,375</b>	<b>(1,973)</b>

## Reconciliation of movements in shareholders' funds

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Total recognised gains and losses relating to the year		6,375	(1,973)
Dividends paid	10	(8,000)	(8,000)
		(1,625)	(9,973)
Parent company capital contribution from share-based payment		1,211	117
Opening shareholders' funds		35,032	44,888
<b>Closing shareholders' funds</b>		<b>34,618</b>	<b>35,032</b>



# Balance sheet

at 31 December 2010

	Notes	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Intangible assets	11	82	89
Tangible assets	12	10,378	10,052
Investments	13	8,002	8,002
		<b>18,462</b>	<b>18,143</b>
<b>Current assets</b>			
Stocks	14	8,841	8,367
Debtors due within one year	15	11,806	11,604
Debtors due after more than one year	15	-	557
Cash at bank and in hand		11,646	11,506
		<b>32,293</b>	<b>32,034</b>
<b>Creditors amounts falling due within one year</b>	16	<b>(10,341)</b>	<b>(9,165)</b>
<b>Net current assets</b>		<b>21,952</b>	<b>22,869</b>
<b>Total assets less current liabilities</b>		<b>40,414</b>	<b>41,012</b>
Provisions for liabilities and charges	17	(537)	(727)
<b>Net assets excluding Defined Benefit Pension Scheme liability</b>		<b>39,877</b>	<b>40,285</b>
Defined Benefit Pension Scheme liability	20	(5,259)	(5,253)
<b>Net Assets including Defined Benefit Pension Scheme liability</b>		<b>34,618</b>	<b>35,032</b>
<b>Capital and reserves</b>			
Called up share capital	18	180	180
Share premium account	19	46	46
Profit and loss account	19	34,392	34,806
<b>Total shareholders' funds</b>		<b>34,618</b>	<b>35,032</b>

The financial statements on pages 5 to 24 were approved by the board on 7 June 2011 and signed on its behalf by



RJ Kahn  
Managing Director  
Altro Ltd

# Notes to the financial statements

## for the year ended 31 December 2010

### 1. Accounting policies

#### (a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards. The principle accounting policies are set out below.

#### (b) Intangible fixed assets

Purchases of intangible fixed assets are included in the balance sheet at cost less accumulated amortisation. Intangible fixed assets are amortised in equal instalments over their estimated useful economic lives, up to a maximum of twenty years.

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

The cost of tangible fixed assets is their purchase cost, together with any related incidental costs of acquisition. Depreciation is provided evenly on the cost of tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on assets under construction.

The rates of depreciation used are as follows:

- Land and buildings short leasehold - 5% or term of the lease if under twenty years
- Plant, equipment and vehicles - 10% to 50% according to the 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 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 tax 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. Where law or accounting standards require gains and losses to be recognised in the Statement of total recognised gains and losses (STRGL), the related deferred tax is also taken directly to the STRGL.

#### (e) Foreign currencies

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

- the rate ruling at the date of the transactions, or
- the contracted rate if the transactions are covered by a forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet 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. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

#### (g) Research and development

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

#### (h) Pension costs

The Company operates a Defined Benefit Pension Scheme (DB Scheme), closed to new members, the costs of which are assessed in accordance with the advice of an independent actuary.

Pension costs for the DB Scheme have been accounted for in accordance with FRS 17 Retirement Benefits. The assets of the DB Scheme are measured at current bid price, and the liabilities using a projected unit method and discounted at a high quality corporate bond rate.

# Notes to the financial statements

## for the year ended 31 December 2010

### 1. Accounting policies (continued)

#### (h) Pension costs (continued)

The DB Scheme asset or liability is recognised in full on the balance sheet, net of the effects of deferred tax. The cost charged to operating profit is the current and past service cost of the DB Scheme. The interest costs and expected return on DB Scheme assets are included in net interest income. Actuarial gains or losses as a result of the actual return on assets differing from the expected return are recognised in the Statement of total recognised gains and losses.

The Company also operates a Defined Contribution Pension Scheme (DC Scheme). The pension costs for the DC 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.

#### (k) Cash flow statement

The Company has taken advantage of the exemption in FRS 1 (Revised 1996) Cash Flow Statements not to produce a cash flow statement. The Company is a wholly owned subsidiary of The Altro Group plc, a Company incorporated in the UK, and its results are included in the consolidated financial statements of The Altro Group plc, which are publicly available.

#### (l) Share-based payment

The Company's ultimate parent company, The Altro Group plc, issues share options to certain employees. The fair value of equity-settled share-based payments is measured at the date of the grant. The fair value of cash-settled share-based payments is remeasured at the end of each year. The charge, based on fair value and the parent company's estimation of shares that will eventually vest, is expensed on a straight-line basis over the vesting period.

The calculation of the fair value of the share options by the parent company has been based on the Black-Scholes valuation model, using a number of subjective assumptions, the most significant of which is that the expected volatility of the parent company's share valuation will be 50%.

The Altro Group plc operates a Share Incentive Plan (SIP) on which it is required to recognise a compensation charge under FRS 20 Share-based Payment, calculated as detailed above.

Employer's National Insurance contributions arise on the exercise of certain share options. In accordance with UITF 25 National Insurance Contributions on Share Option Gains, provision has been made by the parent company, The Altro Group plc, based on the difference between the market price of the parent company's shares at the balance sheet date and the option exercise price, spread pro-rata over the vesting period of the options. The liability for the UITF 25 charge has been transferred to Altro Limited via an intercompany recharge from The Altro Group plc.

#### (m) Turnover

The Company follows the principles of Application Note G Revenue Recognition of FRS 5 Reporting the Substance of Transactions, in determining appropriate revenue recognition policies. In principle therefore, revenue is recognised to the extent that the Company has obtained the right to consideration through its performance.

Turnover (excluding value added tax) comprises the value of sales of goods after deducting certain sales incentives.

# Notes to the financial statements

## 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

	2010		2009	
	£'000	%	£'000	%
<b>Territory</b>				
United Kingdom	58,693	69	58,805	70
Continental Europe	13,615	16	13,249	16
The Americas	6,770	8	6,192	7
Australia and Asia Pacific	5,310	6	4,810	6
Rest of world	1,178	1	1,067	1
	<b>85,566</b>	<b>100</b>	<b>84,123</b>	<b>100</b>

The directors have elected not to show an analysis of turnover, profit before tax 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

The average number of employees, including directors, during the year was

	2010	2009
Manufacturing	141	144
Sales and marketing	175	170
Warehouse and distribution	58	60
Administration and management	107	113
	<b>481</b>	<b>487</b>

Employee costs, including directors, during the year were

	2010	2009
	£'000	£'000
Wages and salaries	15,958	15,418
Social security costs	1,705	1,459
Pension costs		
Defined Benefit Scheme (DB Scheme)	1,568	982
Defined Contribution Scheme (DC Scheme)	100	79
Employee share schemes (note 21)	1,211	117
Other staff benefits	435	446
	<b>20,977</b>	<b>18,501</b>

# Notes to the financial statements

## 4 Directors' remuneration

	2010	2009
	£	£
Emoluments	1,159,808	1,037,634
DB Scheme contributions	141,174	123,426
	1,300,982	1,161,060

Retirement benefits are accruing to four directors (2009 four) under the DB Scheme at 31 December 2010

	2010	2009
	£	£
Highest paid director		
emoluments	434,245	360,922
DB Scheme contributions	56,026	49,367
	490,271	410,289

The amount of the accrued pension of the highest paid director at 31 December 2010 is £130,643 (31 December 2009 £108,937) 26,976 share options were exercised by the highest paid director in the year (2009 24,500)

## 5 Net operating expenses

	2010	2009
	£'000	£'000
Distribution costs	21,589	21,126
Administrative expenses	10,753	11,104
	32,342	32,230

## 6 Net interest receivable and other finance charge

	2010	2009
	£'000	£'000
Interest payable		
bank loans and overdrafts	-	(1)
other	-	-
Interest receivable		
short term deposits	24	37
loans to subsidiary companies	15	40
other	1	32
Net interest receivable	40	108
Finance charge on DB Scheme (note 20)	(17)	(254)

## Notes to the financial statements

### 7 Profit on ordinary activities before tax

The profit for the year before tax is arrived at after charging / (crediting)

	2010	2009
	£'000	£'000
Depreciation	2,151	2,528
Amortisation of intangibles	7	6
Fees payable to the Company's auditor for the audit of the annual accounts	67	64
Fees payable to the Company's auditor for other services		
other services relating to tax - compliance and advice	14	13
Research and development	1,589	1,559
Foreign exchange (gains) / losses	(33)	120
Rentals under operating leases		
hire of plant and machinery	4	2
other operating leases	1,020	1,014
(Profit) / loss on disposal of fixed assets	(281)	715

### 8 Operating lease commitments

The commitments at 31 December under non-cancellable operating leases are

	2010		2009	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Leases expiring				
within one year	36	126	29	58
between one and five years	-	504	13	483
after five years	212	-	212	-
	248	630	254	541

# Notes to the financial statements

## 9 Tax on profit on ordinary activities

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

	2010 £'000	2009 £'000
Current tax		
UK corporation tax		
current tax on income for the period	2,643	2,353
adjustments in respect of prior periods	31	296
<b>Current tax charge for the year</b>	<b>2,674</b>	<b>2,649</b>
Deferred tax		
Timing differences - origination and reversal	487	978
<b>Deferred tax charge for the year</b>	<b>487</b>	<b>978</b>
<b>Tax on profit on ordinary activities</b>	<b>3,161</b>	<b>3,627</b>

The current tax charge for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%)

A reconciliation of the current tax charge for the year is presented below

	2010 £'000	2009 £'000
<b>Profit on ordinary activities before tax</b>	<b>10,758</b>	<b>11,570</b>
Tax charge on profit at a standard rate of 28% (2009 28%)	3,012	3,239
Expenses not deductible for tax purposes	85	300
Depreciation (less than) / in excess of capital allowances	(72)	304
Movement in short-term timing differences	(666)	(1,353)
Adjustments in respect of prior years	31	296
Other	284	(137)
<b>Current tax charge for the year</b>	<b>2,674</b>	<b>2,649</b>

### Factors that may affect the future current 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 £77,640 (2009 £80,516). The asset would be recovered if the Company made sufficient gains in future periods to utilise the capital losses brought forward.

The Budget announced by the Chancellor of the Exchequer on 23 March 2011 (the "March 2011 Budget") included changes to the main rates of tax for UK companies. Under the provisions of the March 2011 Budget, the main rate of corporation tax will be reduced from 28% to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce it from 26% to 25% from 1 April 2012 and to reduce it by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

# Notes to the financial statements

## 10 Dividends

	2010 £'000	2009 £'000
Authorised and paid £44 34 per share (2009 £44 34)	8,000	8,000

## 11 Intangible fixed assets

	Distribution rights £'000	Franchise £'000	Total £'000
<b>Cost</b>			
At 1 January 2010	100	141	241
<b>At 31 December 2010</b>	<b>100</b>	<b>141</b>	<b>241</b>
<b>Accumulated amortisation</b>			
At 1 January 2010	100	52	152
Charge for the year	-	7	7
<b>At 31 December 2010</b>	<b>100</b>	<b>59</b>	<b>159</b>
<b>Net book value</b>			
<b>At 31 December 2010</b>	<b>-</b>	<b>82</b>	<b>82</b>
At 31 December 2009	-	89	89

## 12 Tangible fixed assets

	Land and buildings Short leasehold £'000	Plant equipment and vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>				
At 1 January 2010	365	31,108	-	31,473
Additions	-	876	1,607	2,483
Transfers	(6)	6	-	-
Disposals	-	(154)	-	(154)
<b>At 31 December 2010</b>	<b>359</b>	<b>31,836</b>	<b>1,607</b>	<b>33,802</b>
<b>Accumulated depreciation</b>				
At 1 January 2010	332	21,089	-	21,421
Charge for the year	10	2,141	-	2,151
Disposals	-	(148)	-	(148)
<b>At 31 December 2010</b>	<b>342</b>	<b>23,082</b>	<b>-</b>	<b>23,424</b>
<b>Net book value</b>				
<b>At 31 December 2010</b>	<b>17</b>	<b>8,754</b>	<b>1,607</b>	<b>10,378</b>
At 31 December 2009	33	10,019	-	10,052



# Notes to the financial statements

## 13 Investments held as fixed assets

### Shares in subsidiary undertakings

	£'000
<b>Cost</b>	
At 1 January 2010	9,534
<b>At 31 December 2010</b>	<b>9,534</b>
<b>Provisions for impairment</b>	
At 1 January 2010	(1,532)
Charge for the year	-
<b>At 31 December 2010</b>	<b>(1,532)</b>
<b>Net book value</b>	
<b>At 31 December 2010</b>	<b>8,002</b>
At 31 December 2009	8,002

The principal trading subsidiaries at 31 December 2010 were

Company	Country of incorporation	Class of shares	% of shares held	Activity
Altro GmbH	Germany	-	100	Distribution
Altro Nordic AB	Sweden	Ordinary	100	Distribution
Altro Scandess SA	Spain	Ordinary	100	Distribution
Compass Flooring Limited	Canada	Common	100	Distribution
Compass Flooring Inc	USA	-	100	Distribution

The Company has taken advantage of the provisions of the Companies Act 2006 not to prepare consolidated financial statements as the Company is a wholly owned subsidiary of The Altro Group plc, incorporated in Great Britain. The results, assets and liabilities of the Company's subsidiary undertakings are included in the consolidated financial statements of the Company's parent undertaking, The Altro Group plc.

# Notes to the financial statements

## 14 Stocks

	2010	2009
	£'000	£'000
Raw materials and consumables	3,456	3,185
Finished goods and goods held for resale	5,385	5,182
	<b>8,841</b>	<b>8,367</b>

## 15 Debtors

### Debtors due within one year

	2010	2009
	£'000	£'000
Trade debtors	8,731	9,024
Owed by subsidiary undertakings within one year	1,855	1,984
Other debtors	308	184
Prepayments and accrued income	912	412
	<b>11,806</b>	<b>11,604</b>

### Debtors due after more than one year

	2010	2009
	£'000	£'000
Owed by subsidiary undertakings greater than one year	-	557
	<b>-</b>	<b>557</b>

Amounts due from subsidiary undertakings are unsecured, and accrue interest at relevant agreed rates to the extent that such balances are overdue

## 16 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	5,356	4,904
Corporation tax	1,043	950
Other tax and social security	925	745
Other creditors	240	278
Accruals	2,777	2,288
	<b>10,341</b>	<b>9,165</b>

# Notes to the financial statements

## 17 Provisions for liabilities and charges

	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2010	296	431	727
Charge to profit and loss account for the year	1,400	119	1,519
Utilised in the year	(473)	(109)	(582)
Released in the year	(913)	(214)	(1,127)
<b>At 31 December 2010</b>	<b>310</b>	<b>227</b>	<b>537</b>

Other provisions represent estimated amounts in respect of worldwide dilapidations and reparations. These provisions are expected to be used over the next five years.

### Deferred tax

#### Provision for deferred tax

	2010 £'000	2009 £'000
Accelerated capital allowances	465	251
Short-term timing differences	(155)	45
<b>Deferred tax provision</b>	<b>310</b>	<b>296</b>

Not included above is a deferred tax asset of £2,045,121 (2009: £2,042,880) relating to the net DB Scheme liability of £5,258,883 (2009: £5,253,120) which is disclosed in note 20.

## 18 Called up share capital

	2010 £'000	2009 £'000
Authorised		
200,000 ordinary shares of £1 each (2009: 200,000 ordinary shares of £1 each)	200	200
Called up allotted and fully paid		
180,433 ordinary shares of £1 each (2009: 180,433 ordinary shares of £1 each)	180	180

# Notes to the financial statements

## 19 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	46	34,806	34,852
Profit for the financial year	-	7,597	7,597
Actuarial loss on Defined Benefit Pension Scheme	-	(1,222)	(1,222)
Equity dividend paid	-	(8,000)	(8,000)
Parent company capital contribution from share-based payment	-	1,211	1,211
<b>At 31 December 2010</b>	<b>46</b>	<b>34,392</b>	<b>34,438</b>

## 20 Retirement benefits

### (a) Defined Benefit Pension Scheme (DB Scheme)

The Company operates one 'funded' DB Scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. A full actuarial valuation was carried out at 30 April 2008, the preliminary results have been updated to 31 December 2010 by a qualified independent actuary and showed a deficit at that date of £7.3 million measured in accordance with FRS 17 Retirement Benefits.

As the DB Scheme is closed to new members, under the projected unit method, the current service cost, as a percentage of pensionable salaries, will increase as the members of the Scheme approach retirement. Contributions by the Company to the DB Scheme for the year beginning 1 January 2011 are currently expected to be £1.49 million of future accrual payments and £1.75 million of deficit reduction payments.

#### i) Net pension liability

The pension liability at 31 December was as follows:

	2010 £'000	2009 £'000
Fair value of DB Scheme assets	74,025	65,123
Present value of DB Scheme liabilities	(81,329)	(72,419)
Pension liability before tax	(7,304)	(7,296)
Related deferred tax asset	2,045	2,043
<b>Net pension liability</b>	<b>(5,259)</b>	<b>(5,253)</b>

The present value of 'unfunded' DB Scheme liabilities is nil (2009: nil). The irrecoverable surplus in the DB Scheme is nil (2009: nil).

# Notes to the financial statements

## 20 Retirement benefits (continued)

### ii) Analysis of assets and expected rates of return

The assets in the DB Scheme and the expected rates of return at 31 December were

	2010			2009		
	Expected rate of return	% of overall DB Scheme	£'000	Expected rate of return	% of overall DB Scheme	£'000
	%	assets		%	assets	
Equities	8.0	52.0	38,500	8.0	51.7	33,674
Corporate bonds	5.5	5.2	3,870	5.8	5.5	3,550
Liability Driven Investment funds	4.0	42.6	31,509	4.4	40.3	26,245
Cash	4.0	0.2	146	4.4	2.5	1,654
<b>Fair value of DB Scheme assets</b>		<b>100.0</b>	<b>74,025</b>		<b>100.0</b>	<b>65,123</b>

The Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by the Company

### iii) Financial and demographic assumptions

The principal financial assumptions used by the actuary at the balance sheet date were

	2010	2009
	%	%
Rate of increase in salaries	4.50	4.60
Rate of increase in pensions in payment (post April 1997)	3.65	3.80
Discount rate	5.50	5.80
Inflation assumption	3.50	3.60

The assumed life expectancies on retirement at age 65 were

		2010	2009
		years	years
Retiring today	males	21.4	21.3
	females	23.8	23.7
Retiring in 20 years' time	males	23.4	23.3
	females	25.8	25.7

The assumptions used in determining the overall expected return of the Scheme have been set with reference to yields available on government bonds and appropriate risk margins

# Notes to the financial statements

## 20 Retirement benefits (continued)

### iv) Changes in fair value of DB Scheme assets

	2010 £'000	2009 £'000
Fair value of DB Scheme assets at 1 January	65,123	54,714
Expected return on DB Scheme assets	4,202	3,158
Actuarial gain	2,588	3,861
Contributions by employers	3,274	4,290
Contributions by DB Scheme members	740	765
Benefits paid	(1,902)	(1,665)
<b>Fair value of DB Scheme assets at 31 December</b>	<b>74,025</b>	<b>65,123</b>

The expected return on DB Scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on DB Scheme assets in the year was £6.8 million (2009: £7.0 million).

### v) Changes in present value of DB Scheme liabilities

	2010 £'000	2009 £'000
Present value of DB Scheme liabilities at 1 January	72,419	51,292
Current service cost	1,568	976
Interest cost	4,219	3,412
Contributions by DB Scheme members	740	765
Actuarial loss	4,285	17,633
Benefits paid	(1,902)	(1,665)
Past service cost	-	6
<b>Present value of Scheme liabilities at 31 December</b>	<b>81,329</b>	<b>72,419</b>

### vi) Analysis of amounts recognised in the profit and loss account

	2010 £'000	2009 £'000
Current service cost	1,568	976
Past service cost	-	6
<b>Total operating charge</b>	<b>1,568</b>	<b>982</b>
Expected return on DB Scheme assets	4,202	3,158
Interest on DB Scheme liabilities	(4,219)	(3,412)
<b>Total finance charge (note 6)</b>	<b>(17)</b>	<b>(254)</b>

# Notes to the financial statements

## 20 Retirement benefits (continued)

### vii) Cumulative actuarial gains and losses recognised in equity

	2010 £'000	2009 £'000
Cumulative actuarial loss at 1 January	(17,976)	(4,204)
Actuarial loss recognised in the year	(1,697)	(13,772)
<b>Cumulative actuarial loss at 31 December</b>	<b>(19,673)</b>	<b>(17,976)</b>

### viii) History of DB Scheme

#### Assets and liabilities

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of DB Scheme assets	74,025	65,123	54,714	56,058	49,461
Present value of DB Scheme liabilities	(81,329)	(72,419)	(51,292)	(60,593)	(54,205)
<b>Pension (liability) / asset before tax</b>	<b>(7,304)</b>	<b>(7,296)</b>	<b>3,422</b>	<b>(4,535)</b>	<b>(4,744)</b>

#### Actuarial gains and losses

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
<b>Total actuarial (loss) / gain recognised</b>	<b>(1,697)</b>	<b>(13,772)</b>	<b>6,419</b>	<b>(2,355)</b>	<b>6,470</b>

#### Experience adjustments

	2010	2009	2008	2007	2006
Experience adjustments to Scheme assets					
amount (£'000)	2,588	3,861	(7,176)	298	1,356
% of DB Scheme assets	3.5	5.9	(13.1)	0.5	2.7
Experience adjustments to Scheme liabilities					
amount (£'000)	-	-	(666)	-	-
% of DB Scheme liabilities	-	-	(1.3)	-	-

From January 2011 onwards, it has been agreed with the trustees that contributions to the DB Scheme by the Company will be made at a rate of 16.1% of members' salaries

### (b) Defined Contribution Pension Scheme (DC Scheme)

A number of employees are in a DC Scheme. The assets of this Scheme are held in separate, insured funds. The total contributions payable by the Company in the year in respect of this Scheme were £100,451 (2009: £78,719). There were no prepaid or accrued contributions at the year end.

# Notes to the financial statements

## 21 Share-based payment

During the year ended 31 December 2010 The Altro Group plc, the Company's ultimate parent company, The Altro Group plc, operated five share-based payment arrangements for the benefit of the staff of Altro Limited, as follows

- The Altro Group plc 1996 Approved Senior Staff Share Option Scheme
- The Altro Group plc 1996 Unapproved Senior Staff Share Option Scheme
- The Altro Group plc Phantom Share Option Scheme 2005
- The Altro Group plc 2007 Approved Senior Staff Share Option Scheme
- The Altro Group plc Share Incentive Plan

The Share Incentive Plan (SIP) has been in operation since 2003. At the Company's discretion an award of free shares may be made annually to all eligible employees. The shares are held in trust for a minimum of three years to take full advantage of HMRC tax concessions. Awards have been made each year to UK-based employees of Altro Limited with six months' service at the date of grant.

The fair value of shares granted under the SIP is based on share price at grant date. The exercise price is nil, and dividends are paid as they fall due.

The charge in respect of share-based payment transactions included in the Company's consolidated profit and loss account for the year is as follows

	2010	2009
	£'000	£'000
Expense arising from share-based payment arrangements	1,323	52

A reconciliation of option and SIP movements over the year to 31 December 2010 is shown below. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

	2010		2009	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	1,192,655	328	1,135,745	293
Granted during the year	267,887	316	270,597	404
Exercised during the year	(272,132)	252	(200,761)	215
Cancelled during the year	-	-	(12,926)	352
Outstanding at 31 December	1,188,410	340	1,192,655	328
Exercisable at 31 December	445,120	292	405,518	239

During the year three directors exercised share options (2009: three)



# Notes to the financial statements

## 21 Share-based payment (continued)

The weighted average fair value of the share options granted during the year was calculated using the Black-Scholes option valuation model, with the following assumptions and inputs

	2010	2009
Risk-free interest rate	1.9%	2.1 - 4.4%
Expected volatility	50%	40%
Expected option life	4 years	4 years
Expected dividend yield	2.5%	3.0% - 3.5%

The expiry dates and exercise prices of The Altro Group plc share options outstanding at 31 December are as follows

Share option schemes	Settlement method	2010	2009	Exercise price pence	Exercisable between
		Number of options	Number of options		
Unapproved	Equity	-	39,210	188	28 08 06 and 28 08 10
		64,539	79,671	218	22 04 07 and 22 04 11
		77,239	93,816	249	27 01 08 and 27 01 12
<b>Total Unapproved</b>		<b>141,778</b>	<b>212,697</b>		
Approved	Equity	7,054	23,011	188	28 08 06 and 28 08 13
		44,499	44,499	485	03 04 11 and 03 04 15
		10,123	10,123	404	05 03 12 and 05 03 19
<b>Total Approved</b>		<b>61,676</b>	<b>77,633</b>		
Phantom	Cash	123,712	169,810	262	21 04 09 and 21 04 13
		156,034	192,428	352	18 04 10 and 18 04 14
		16,542	16,542	485	18 04 10 and 18 04 14
		71,196	71,196	485	03 04 11 and 03 04 15
		134,139	134,139	404	05 03 12 and 05 03 16
		190,800	-	316	15 07 13 and 15 07 17
<b>Total Phantom</b>		<b>692,423</b>	<b>584,115</b>		
Share Incentive Plan	Equity	292,533	318,210		
<b>Total Share Incentive Plan</b>		<b>292,533</b>	<b>318,210</b>		
<b>Total share options outstanding</b>		<b>1,188,410</b>	<b>1,192,655</b>		

## Notes to the financial statements

### 22 Capital commitments

	2010	2009
	£'000	£'000
Contracted but not provided for	708	113

### 23 Related party transactions

The Company has taken advantage of the exemption available under FRS 8 Related Party Transactions and has not disclosed transactions with other Group companies. There are no other related party transactions requiring disclosure.

### 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 31 December 2010, the largest and smallest groups in which the results of the Company are consolidated is that headed by The Altro Group plc.