Altro Limited

Report and Accounts

for the year ended 31 December 2011

Company Registration No 00154159

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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 2011

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 of the Company who were in office during the year and up to the date of signing the financial statements were

DJ Kahn	*Chairman*
EP Boyle	*Secretary*
PL Caller	
G Cleverdon	
MP Fincham *	
RJ Kahn	*Managing Director*
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, an increase in raw material costs and additional expenditure on research and development, manufacturing and marketing costs

Key performance indicators

Turnover of £86 8 million represents an increase of 1 5% on the year to 31 December 2010 Profit before tax was £9 2 million, a decrease of 13 6% on the previous year The directors have authorised and paid a dividend of £41 57 [2010 £44 34] per share, totalling £7 5 million [2010 £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, stock 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

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the financial year and is currently in force The Company also purchased Directors' and Officers' liability insurance in respect of itself and its directors

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 2011 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 2011

The Company also operates Defined Contribution Pension Schemes for employees who do not participate in the Defined Benefit Pension Scheme

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 46 at 31 December 2011 [2010 41]

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 2012 and 2013 (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
4 September 2012

Independent auditors' report to the members of Altro Limited
for the year ended 31 December 2011

We have audited the financial statements of Altro Limited for the year ended 31 December 2011 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

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 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

Deshan Karunaratne (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
4 September 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £'000	2010 as restated £'000
Turnover	**2**	**86,847**	85,566
Cost of sales		**(44,724)**	(42,710)
Gross profit		**42,123**	42,856
Operating expenses	**5**	**(33,951)**	(32,479)
Operating profit		**8,172**	10,377
Income from shares in subsidiary undertakings		**1,145**	221
Profit on ordinary activities before interest and tax		**9,317**	10,598
Net interest (payable) / receivable	**6**	**(9)**	40
Other finance charge	**6**	**(130)**	(17)
Profit on ordinary activities before tax	**7**	**9,178**	10,621
Tax on profit on ordinary activities	**9**	**(2,002)**	(3,161)
Profit for the financial year		**7,176**	7,460

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 2011

	Notes	2011 £'000	2010 as restated £'000
Profit for the financial year		**7,176**	7,460
Actuarial loss on net Defined Benefit Pension Scheme assets	**20**	**(4,675)**	(1,697)
Deferred tax on actuarial loss		**1,169**	475
Total recognised gains and losses relating to the year		**3,670**	6,238

The cumulative impact of prior year adjustments (Note 1) was to decrease opening reserves as at 1 January 2011 by £1,039,694

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2011

	Notes	2011 £'000	2010 as restated £'000
Total recognised gains and losses relating to the year		**3,670**	6,238
Dividends paid	**10**	**(7,500)**	(8,000)
		(3,830)	(1,762)
Parent company capital contribution from share-based payment		**726**	1,211
Opening shareholders' funds		**33,578**	34,129
Closing shareholders' funds		**30,474**	33,578

Balance sheet
at 31 December 2011

	Notes	2011 £'000	2010 as restated £'000
Fixed assets			
Intangible assets	11	**1,386**	1,530
Tangible assets	12	**11,261**	10,378
Investments	13	**5,514**	5,514
		18,161	17,422
Current assets			
Stocks	14	**10,561**	8,841
Debtors	15	**15,232**	11,806
Cash at bank and in hand		**6,857**	11,646
		32,650	32,293
Creditors amounts falling due within one year	16	**(11,741)**	(10,341)
Net current assets		**20,909**	21,952
Total assets less current liabilities		**39,070**	39,374
Provisions for liabilities	17	**(729)**	(537)
Net assets excluding Defined Benefit Pension Scheme liability		**38,341**	38,837
Defined Benefit Pension Scheme liability	20	**(7,867)**	(5,259)
Net Assets including Defined Benefit Pension Scheme liability		**30,474**	33,578
Capital and reserves			
Called up share capital	18	**180**	180
Share premium account	19	**46**	46
Profit and loss account	19	**30,248**	33,352
Total shareholders' funds		**30,474**	33,578

The financial statements on pages 5 to 24 were approved by the board on 4 September 2012 and signed on its behalf by

RJ Kahn
Managing Director
Altro Limited

Notes to the financial statements
for the year ended 31 December 2011

1. Accounting policies

(a) Basis of accounting

These financial statements have been prepared under the provisions of the Large- and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards in the United Kingdom The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 The principal accounting policies, which have been applied consistently throughout the year, are set out below

(b) Goodwill and intangible fixed assets

Goodwill, being the difference between the cost of businesses acquired and the fair value of their separable net assets, is included in the balance sheet in accordance with FRS 10 Goodwill and Intangible 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 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 but 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

Notes to the financial statements
for the year ended 31 December 2011

1. Accounting policies (continued)

(h) Pension costs (continued)

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

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 Defined Contribution Pension Schemes (DC Schemes) The pension costs for the DC Schemes 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

(n) Provisions

Provisions principally comprise management's best estimate of costs required to make good for repair works on floors laid, and anticipated costs to make good on modifications at leased premises Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated, and are undiscounted

(o) Prior year adjustment

The comparative information for the year ended 31 December 2010 has been restated to reflect goodwill which arose on the transfer of assets and trade of Kanor Chemicals Limited to Altro Limited in 2003, the accumulated amortisation of that goodwill, and the corresponding reduction in Altro Limited's carrying value of its investment in Kanor Chemicals Limited

As a result of these changes, previously reported profit for the financial year ended 31 December 2010 has been reduced by £137,000 and net assets as at 1 January 2010 and 31 December 2010 have been reduced by £902,694 and £1,039,694 respectively

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

	2011		2010	
	£'000	**%**	£'000	%
Territory				
United Kingdom	**57,444**	**66**	58,693	69
Continental Europe	**14,759**	**17**	13,615	16
The Americas	**7,277**	**8**	6,770	8
Australia and Asia Pacific	**5,763**	**7**	5,310	6
Rest of world	**1,604**	**2**	1,178	1
	86,847	**100**	85,566	100

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

	2011	2010
Manufacturing	**145**	141
Sales and marketing	**170**	175
Warehouse and distribution	**58**	58
Administration and management	**113**	107
	486	481

Employee costs, including directors, during the year were

	2011	2010
	£'000	£'000
Wages and salaries	**16,453**	15,958
Social security costs	**1,756**	1,705
Pension costs	**1,827**	1,668
Employee share schemes (note 21)	**727**	1,211
Other staff benefits	**467**	435
	21,230	20,977

Notes to the financial statements

4 Directors' remuneration

	2011	2010
	£	£
Emoluments	**1,230,097**	1,159,808
Defined Benefit Pension Scheme contributions	**105,795**	141,174
Defined Contribution Pension Scheme contributions	**139,510**	-
	1,475,402	1,300,982

Retirement benefits are accruing to three directors (2010 four) under the DB Scheme at 31 December 2011 Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (31 December 2010 nil) in the year ended 31 December 2011

	2011	2010
	£	£
Highest paid director		
emoluments	**463,017**	434,245
Defined Benefit Pension Scheme contributions	**14,281**	56,026
Defined Contribution Pension Scheme contributions	**139,510**	-
	616,808	490,271

The amount of the accrued pension of the highest paid director at 31 December 2011 is £132,043 (31 December 2010 £130,643) 53,127 share options (2010 26,976) and 78,896 Phantom share options (2010 nil) were exercised by the highest paid director in the year

5 Operating expenses

	2011	2010
		as restated
	£'000	£'000
Distribution costs	**21,876**	21,589
Administrative expenses	**12,075**	10,890
	33,951	32,479

6 Net interest receivable and other finance charge

	2011	2010
	£'000	£'000
Interest payable		
bank loans and overdrafts	**(4)**	-
loans from subsidiary companies	**(28)**	-
Interest receivable		
short term deposits	**21**	24
loans to subsidiary companies	**-**	15
other	**2**	1
Net interest receivable	**(9)**	40
Finance charge on DB Scheme (note 20)	**(130)**	(17)

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)

	2011	2010 as restated
	£'000	£'000
Depreciation	2,226	2,151
Amortisation of intangibles	144	144
Fees payable to the Company's auditor for the audit of the annual accounts	65	67
Fees payable to the Company's auditor for other services		
other services relating to tax - compliance and advice	38	14
other services	92	-
Research and development	1,672	1,589
Foreign exchange losses / (gains)	66	(33)
Rentals under operating leases		
hire of plant and machinery	3	4
other operating leases	1,002	1,020
Loss / (profit) on disposal of fixed assets	5	(281)

8 Operating lease commitments

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

	2011		2010	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Leases expiring				
within one year	55	108	36	126
between one and five years	36	362	-	504
after five years	118	-	212	-
	209	470	248	630

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

	2011 £'000	2010 £'000
Current tax		
UK corporation tax		
current tax on income for the period	**1,511**	2,643
adjustments in respect of prior periods	**(254)**	31
Current tax charge for the year	**1,257**	2,674
Deferred tax timing differences - origination and reversal	**745**	487
Deferred tax charge for the year	**745**	487
Tax on profit on ordinary activities	**2,002**	3,161

The current tax charge for the year is lower (2010 lower) than the applicable hybrid rate of corporation tax in the UK of 26 5% (2010 28%) The hybrid rate is a result of a tax rate of 28% for FY2010 and 26% for FY2011

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

	2011 £'000	2010 as restated £'000
Profit on ordinary activities before tax	**9,178**	10,621
Tax charge on profit at a hybrid rate of 26 5% (2010 28%)	**2,432**	2,974
Expenses not deductible for tax purposes	**84**	123
Depreciation less than capital allowances	**(37)**	(72)
Movement in short-term timing differences	**(653)**	(296)
Adjustments in respect of prior years	**(254)**	31
Foreign tax credits	**(303)**	(62)
Other	**(12)**	(24)
Current tax charge for the year	**1,257**	2,674

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 £71,889 (2010 £77,640) The asset would be recovered if the Company made sufficient gains in future periods to utilise the capital losses brought forward

During the year, as a result of the changes in the UK main corporation tax rate to 26% that was substantively enacted on 29 March 2011 and that became effective from 1 April 2011, and to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget The changes, which are expected to be enacted separately each year, propose to reduce the rate from 1 April 2012 to 24%, and to further reduce the rate by 1% per annum to 22% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements If these further changes had been enacted at the balance sheet date they would not have had a material effect on the recognised deferred tax assets at 31 December 2011

Notes to the financial statements

10 Dividends

	2011 £'000	2010 £'000
Authorised and paid £41 57 per share (2010 £44 34)	**7,500**	8,000

11 Intangible fixed assets

	Distribution rights £'000	Franchise £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2011 (as restated)	100	141	2,488	2,729
At 31 December 2011	**100**	**141**	**2,488**	**2,729**
Accumulated amortisation				
At 1 January 2011 (as restated)	100	59	1,040	1,199
Charge for the year	-	7	137	144
At 31 December 2011	**100**	**66**	**1,177**	**1,343**
Net book value				
At 31 December 2011	-	**75**	**1,311**	**1,386**
At 31 December 2010 (as restated)	-	82	1,448	1,530

12 Tangible fixed assets

	Land and buildings Short leasehold £'000	Plant equipment and vehicles £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2011	359	31,836	1,607	33,802
Additions	-	3,115	-	3,115
Disposals	-	(1,182)	-	(1,182)
Transfers	-	1,607	(1,607)	-
At 31 December 2011	**359**	**35,376**	**-**	**35,735**
Accumulated depreciation				
At 1 January 2011	342	23,082	-	23,424
Charge for the year	8	2,218	-	2,226
Disposals	-	(1,176)	-	(1,176)
At 31 December 2011	**350**	**24,124**	**-**	**24,474**
Net book value				
At 31 December 2011	**9**	**11,252**	**-**	**11,261**
At 31 December 2010	17	8,754	1,607	10,378

Notes to the financial statements

13 Investments held as fixed assets

Shares in subsidiary undertakings

	£'000
Cost	
At 1 January 2011 (as restated)	7,046
At 31 December 2011	**7,046**
Provisions for impairment	
At 1 January 2011 (as restated)	(1,532)
Charge for the year	-
At 31 December 2011	**(1,532)**
Net book value	
At 31 December 2011	**5,514**
At 31 December 2010 (as restated)	5,514

The directors believe that the carrying value of the investments is supported by their underlying net assets

The principal trading subsidiaries at 31 December 2011 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 s 400 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

	2011 £'000	2010 £'000
Raw materials and consumables	**4,177**	3,456
Finished goods and goods held for resale	**6,384**	5,385
	10,561	8,841

15 Debtors

	2011 £'000	2010 £'000
Trade debtors	**8,627**	8,731
Owed by group undertakings	**2,863**	1,855
Other debtors	**390**	308
Prepayments and accrued income	**3,352**	912
	15,232	11,806

Amounts owed by group 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

	2011 £'000	2010 £'000
Trade creditors	**6,488**	5,356
Owed to group undertakings	**1,649**	-
Corporation tax	**173**	1,043
Other tax and social security	**531**	925
Other creditors	**256**	240
Accruals	**2,644**	2,777
	11,741	10,341

Amounts owed to group undertakings are unsecured, repayable within one year and accrue interest at the rate of 6 75% per annum

Notes to the financial statements

17 Provisions for liabilities and charges

	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2011	310	227	537
Charge to profit and loss account for the year	188	269	457
Utilised in the year	-	(129)	(129)
Released in the year	(34)	(102)	(136)
At 31 December 2011	**464**	**265**	**729**

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

	2011 £'000	2010 £'000
Accelerated capital allowances	**537**	465
Short-term timing differences	**(73)**	(155)
Deferred tax provision	**464**	310

Deferred tax asset relating to Defined Benefit Pension Scheme

	2011 £'000	2010 £'000
At 1 January	**(2,045)**	(2,043)
Deferred tax charge to profit and loss account	**591**	473
Deferred tax credit to statement of total recognised gains and losses	**(1,169)**	(475)
Deferred tax provision	**(2,623)**	(2,045)

18 Called up share capital

	2011 £'000	2010 £'000
Authorised		
200,000 ordinary shares of £1 each (2010 200,000 ordinary shares of £1 each)	**200**	200
Called up allotted and fully paid		
180,433 ordinary shares of £1 each (2010 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 2011 (as restated)	46	33,352	33,398
Profit for the financial year	-	7,176	7,176
Actuarial loss on Defined Benefit Pension Scheme	-	(3,506)	(3,506)
Equity dividend paid	-	(7,500)	(7,500)
Parent company capital contribution from share-based payment	-	726	726
At 31 December 2011	**46**	**30,248**	**30,294**

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 2011, the preliminary results have been updated to 31 December 2011 by a qualified independent actuary and showed a deficit at that date of £10 5 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 2012 are currently expected to be £1 45 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

	2011 £'000	2010 £'000
Fair value of DB Scheme assets	**80,808**	74,025
Present value of DB Scheme liabilities	**(91,298)**	(81,329)
Pension liability before tax	**(10,490)**	(7,304)
Related deferred tax asset	**2,623**	2,045
Net pension liability	**(7,867)**	(5,259)

The present value of 'unfunded' DB Scheme liabilities is nil (2010 nil) The irrecoverable surplus in the DB Scheme is nil (2010 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

	2011			2010		
	Expected rate of return %	**% of overall DB Scheme assets**	**£'000**	Expected rate of return %	% of overall DB Scheme assets	£'000
Equities	**8 0**	**26 1**	**21,123**	8 0	52 0	38,500
Corporate bonds	**4.8**	**5 2**	**4,187**	5 5	5 2	3,870
LDI funds and cash	**2 8**	**46 8**	**37,837**	4 0	42 8	31,655
Diversified Growth Funds	**8 0**	**21 9**	**17,661**			
Fair value of DB Scheme assets		**100 0**	**80,808**		100 0	74,025

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

	2011 %	2010 %
Rate of increase in salaries	**4 20**	4 50
Rate of increase in pensions in payment (post April 1997)	**3 70**	3 65
Discount rate	**4 80**	5 50
Inflation assumption	**3 20**	3 50

The assumed life expectancies on retirement at age 65 were

		2011 years	2010 years
Retiring today	males	**22 8**	21 4
	females	**24 2**	23 8
Retiring in 20 years' time	males	**24 2**	23 4
	females	**25 8**	25 8

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

	2011	2010
	£'000	£'000
Fair value of DB Scheme assets at 1 January	74,025	65,123
Expected return on DB Scheme assets	4,349	4,202
Actuarial gain	580	2,588
Contributions by employers	3,182	3,274
Contributions by DB Scheme members	712	740
Benefits paid	(2,040)	(1,902)
Fair value of DB Scheme assets at 31 December	**80,808**	74,025

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 £4 9 million (2010 £6 8 million)

v) Changes in present value of DB Scheme liabilities

	2011	2010
	£'000	£'000
Present value of DB Scheme liabilities at 1 January	81,329	72,419
Current service cost	1,563	1,568
Interest cost	4,479	4,219
Contributions by DB Scheme members	712	740
Actuarial loss	5,255	4,285
Benefits paid	(2,040)	(1,902)
Present value of Scheme liabilities at 31 December	**91,298**	81,329

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

	2011	2010
	£'000	£'000
Current service cost	1,563	1,568
Total operating charge	**1,563**	1,568
Expected return on DB Scheme assets	(4,349)	(4,202)
Interest on DB Scheme liabilities	4,479	4,219
Total finance charge (note 6)	**130**	17

Notes to the financial statements

20 Retirement benefits (continued)

vii) Cumulative actuarial gains and losses recognised in equity

	2011 £'000	2010 £'000
Cumulative actuarial loss at 1 January	**(19,673)**	(17,976)
Actuarial loss recognised in the year	**(4,675)**	(1,697)
Cumulative actuarial loss at 31 December	**(24,348)**	(19,673)

viii) History of DB Scheme

Assets and liabilities

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of DB Scheme assets	**80,808**	74,025	65,123	54,714	56,058
Present value of DB Scheme liabilities	**(91,298)**	(81,329)	(72,419)	(51,292)	(60,593)
Pension (liability) / asset before tax	**(10,490)**	(7,304)	(7,296)	3,422	(4,535)

Actuarial gains and losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Total actuarial (loss) / gain recognised	**(4,675)**	(1,697)	(13,772)	6,419	(2,355)

Experience adjustments

	2011	2010	2009	2008	2007
Experience adjustments to Scheme assets					
amount (£'000)	**580**	2,588	3,861	(7,176)	298
% of DB Scheme assets	**0 7**	3 5	5 9	(13 1)	0 5
Experience adjustments to Scheme liabilities					
amount (£'000)	**(3,739)**	-	-	(666)	-
% of DB Scheme liabilities	**(4 1)**	-	-	(1 3)	-

From January 2012 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)

The Company makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds The total contributions payable by the Company in the year in respect of these Schemes were £264,032 (2010 £100,451) There were no accrued contributions at the year end Contributions of £2,650,680 were prepaid at the year end (2010 nil)

Notes to the financial statements

21 Share-based payment

During the year ended 31 December 2011, 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 qualifying date

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

	2011	2010
	£'000	£'000
Expense arising from share-based payment arrangements	**799**	1,323

A reconciliation of option and SIP movements over the year to 31 December 2011 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

	2011		2010	
	Number of options	**Weighted average exercise price pence**	Number of options	Weighted average exercise price pence
Outstanding at 1 January	**1,188,410**	**340**	1,192,655	328
Granted during the year	**193,225**	**441**	267,887	316
Exercised during the year	**(575,483)**	**317**	(272,132)	252
Cancelled during the year	**(7,977)**	**376**	0	0
Outstanding at 31 December	**798,175**	**382**	1,188,410	340
Exercisable at 31 December	**98,965**	**384**	445,120	292

During the year four directors exercised share options (2010 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

	2011	2010
Risk-free interest rate	**0 8%**	1 9%
Expected volatility	**50%**	50%
Expected option life	**4 years**	4 years
Expected dividend yield	**2 5%**	2 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	2011 Number of options	2010 Number of options	Exercise price pence	Exercisable between
Unapproved	Equity	-	64,539	218	22 04 2007 and 22 04 2011
		-	77,239	249	27 01 2008 and 27 01 2012
Total Unapproved		-	141,778		
Approved	Equity	-	7,054	188	28 08 2006 and 28 08 2013
		33,263	44,499	485	03 04 2011 and 03 04 2015
		10,123	10,123	404	05 03 2012 and 05 03 2019
		17,475	-	515	04 04 2014 and 04 04 2021
Total Approved		**60,861**	61,676		
Phantom	Cash	**27,260**	123,712	262	21 04 2009 and 21 04 2013
		29,094	156,034	352	18 04 2010 and 18 04 2014
		9,348	16,542	485	18 04 2010 and 18 04 2014
		11,849	71,196	485	03 04 2011 and 03 04 2015
		121,934	134,139	404	05 03 2012 and 05 03 2016
		174,884	190,800	316	15 07 2013 and 15 07 2017
		103,893	-	515	04 04 2014 and 04 04 2018
Total Phantom		**478,262**	692,423		
Share Incentive Plan	Equity	**259,052**	292,533		
Total Share Incentive Plan		**259,052**	292,533		
Total share options outstanding		**798,175**	1,188,410		

Notes to the financial statements

22 Capital commitments

	2011	2010
	£'000	£'000
Contracted but not provided for	804	708

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 2011, the largest and smallest groups in which the results of the Company are consolidated is that headed by The Altro Group plc