

Company No. 154159

Altro Limited

Report and Accounts

30 September 2000



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Directors' Report

The directors present their report together with the audited financial statements of the Company for the year ended 30 September 2000.

ACTIVITIES

The main activities of the Company are as follows:

- * the manufacture and marketing of Altro safety flooring, the slip resistant flooring for commercial and industrial use
- * the distribution of specialist floorings from other leading manufacturers
- * the sale of wall and ceiling finishes
- * the manufacture and distribution of Autoglym vehicle care products

A review of the divisions in the Company, including their future prospects, is contained in the consolidated Financial statements of The Altro Group plc and subsidiary companies for the year ended 30 September 2000.

RESULTS AND DIVIDEND

Profit for the year after taxation is £4.2 million (1999: £4.8 million).

The directors recommend a dividend of £1.4 million (1999: £2.6 million) which will leave £2.8 million of retained profits to be taken to reserves (1999: £2.2 million).

EMPLOYEES

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

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

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

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

Directors' Report

DIRECTORS AND THEIR INTERESTS

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

DJ Kahn *Chairman and Managing Director*

G Cleverdon

MP Fincham *(resigned 31 January 2001)*

AM Harrison *Non - executive*

PCS Hodgson *FCA*

RJ Kahn

JFH Park *Non - executive*

MJ Williams

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

30 September 2000		1 October 1999	
Ordinary 10p Shares	Options	Ordinary 10p Shares	Options
73,665	151,290	81,998	130,457

During the year, options of 20,833 were granted by the unapproved scheme, no options were exercised.

RESEARCH AND DEVELOPMENT

Continuing advances in research and development make an important contribution to the future success of the Company. Each major division has its own research and development team with modern, well-equipped laboratories. We co-operate with suppliers and other sources in our search for new processes and products. All research and development expenditure is charged to the profit and loss account as incurred.

PAYMENT TO SUPPLIERS

The Company does not follow any published code or standard on payment practice for suppliers of goods and services. However, in respect of regular suppliers our policy is generally to establish agreed payment terms to apply to routine transactions, subject to review as appropriate. For occasional suppliers the policy is generally to pay in accordance with prevailing practice for the particular country and industry or market concerned, subject to any specific agreement. Creditor days were 57 at 30 September 2000 (1999 : 46).

Directors' Report

ENVIRONMENTAL AND HEALTH & SAFETY POLICIES

It is pleasing to report that through the work of all employees in participating in tailor made safety awareness programmes, the number of accidents has further reduced by 45% and lost time has improved by 89% against the previous year. Our target is to be accident free in all our operations.

During the year Altro Floors, in Letchworth and Maiden Newton, achieved certification under ISO 14001 following Autoglym's similar success the previous year. We continue to take seriously our responsibilities towards the environment and the communities in which we operate.

Altro Floors and Autoglym have written policies for health and safety and the environment which are available by application in writing to the Company Secretary.

Directors' Report

DIRECTORS' RESPONSIBILITIES


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

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

AUDITORS

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

By order of the Board



PCS HODGSON

Secretary

23 July 2001

Auditors' Report

To the members of Altro Limited

We have audited the financial statements on pages 6 to 18 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Hill House

1 Little New Street

London EC4A 3TR

23 July 2001

Profit and Loss Account

Year ended 30 September

	Notes	2000 £'000	1999 £'000
Turnover	2	58,767	55,854
Cost of sales		(24,206)	(24,153)
Gross Profit		34,561	31,701
Other operating expenses		(27,720)	(25,195)
Reorganisation costs		(949)	-
Total operating costs	5	(28,669)	(25,195)
Operating Profit		5,892	6,506
Income from investment		62	95
Net interest	6	334	192
Profit on Ordinary Activities before Taxation	8	6,288	6,793
Taxation on profit on ordinary activities	9	(2,083)	(2,001)
Profit on Ordinary Activities after Taxation		4,205	4,792
Equity dividend	10	(1,400)	(2,625)
Profit for the Financial Year		2,805	2,167
Retained Earnings at Beginning of Year		17,072	14,905
Retained Earnings at End of Year		19,877	17,072

All the above results derive from continuing operations.

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

Balance Sheet

At 30 September

	Notes	2000 £'000	1999 £'000
Fixed Assets			
Tangible fixed assets	11	7,710	7,132
Investments	12	891	891
		8,601	8,023
Current Assets			
Land held for resale		-	228
Stocks	13	4,727	4,829
Debtors due within one year	14	13,889	10,440
Debtors due after more than one year	14	1,271	1,312
Cash at bank and in hand		5,485	4,414
		25,372	21,223
Creditors			
Creditors: amounts falling due within one year	15	(13,652)	(11,749)
		11,720	9,474
Net Current Assets			
		20,321	17,497
Total Assets less Current Liabilities			
Provisions for Liabilities and Charges	16	(218)	(199)
		20,103	17,298
Capital and Reserves			
Called up share capital	17	180	180
Share premium account		46	46
Profit and loss account		19,877	17,072
		20,103	17,298
Equity Shareholders' Funds			
	18	20,103	17,298

These financial statements were approved by the board on ²³ July 2001 and signed on its behalf by:

DJ KAHN
Chairman

Notes to the Accounts

1. ACCOUNTING POLICIES

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

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Tangible fixed assets

Depreciation is provided in equal annual instalments over the estimated useful lives of the assets and is calculated on their cost. The rates of depreciation used are as follows:

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

(c) Deferred tax

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

(d) Foreign currencies

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

(e) 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.

(f) Research and development

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

(g) Pension costs

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

Notes to the Accounts

1. ACCOUNTING POLICIES (continued)

(h) Investments

Investments and own shares held as fixed assets are stated as cost less provision for impairment in value.

(i) 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.

(j) Land held for resale

Land sold was stated at the lower of cost and net realisable value.

2. TURNOVER

Turnover represents the invoiced value of goods sold to external customers and completed contracts, excluding value added tax. It includes intra-group sales amounting to £5.5 million (1999: £4.2 million).

Turnover by geographical area was:

	2000		1999	
	£'000	%	£'000	%
Territory				
United Kingdom	40,903	70	40,047	72
Europe	9,193	16	8,197	15
North America	3,699	6	3,965	7
Other	4,972	8	3,645	6
	58,767	100	55,854	100

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

Notes to the Accounts

3. EMPLOYEES

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

	2000	1999
Manufacturing, installation and maintenance	92	95
Sales and marketing	187	201
Warehouse and distribution	33	31
Administration and management	101	100
	413	427

(b) Employee costs during the year were:

	£'000	£'000
Wages and salaries	10,356	9,745
Social security costs	876	832
Pension costs	1,046	961
Other staff benefits	243	298
	12,521	11,836

4. DIRECTORS' REMUNERATION

	2000	1999
	£	£
Emoluments (including pension contributions)	739,687	749,209

Retirement benefits are accruing to four directors (1999: four) under a defined benefit scheme at 30 September 2001.

Highest paid director:

emoluments	127,564	145,578
pension scheme contribution	13,528	14,022
	141,092	159,600

The amount of the accrued pension of the highest paid director at 30 September 2000 is £28,563.

Notes to the Accounts

5. NET OPERATING EXPENSES

	2000	1999
	£'000	£'000
Distribution costs	18,295	16,805
Administrative expenses	9,085	8,085
Other operating income	-	(10)
Profit Sharing Share Scheme	340	315
Reorganisation costs	949	-
	28,669	25,195

Reorganisation costs were incurred as a result of setting-up the Customer Care Centre at Letchworth, which has taken over the activities previously carried out at the regional offices.

6. NET INTEREST

	2000	1999
	£'000	£'000
Interest payable:		
bank loans and overdrafts	1	10
Interest receivable:		
short term deposits	(155)	(92)
loans to distributors	-	(11)
loans to subsidiary companies	(173)	(83)
other	(7)	(7)
currency translation differences	-	(9)
	(334)	(192)

7. OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating leases were:

	Land and Buildings	Land and Buildings
	2000	1999
	£'000	£'000
Leases expiring:		
within one year	15	45
between two and five years	145	41
after five years	156	119
	316	205

Notes to the Accounts

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2000 £'000	1999 £'000
Depreciation	1,947	1,971
Auditors' remuneration:		
audit fees	55	57
other services	28	40
Research & development	418	348
Foreign exchange gains	(53)	(50)
Rentals under operating leases:		
other operating leases	242	245

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

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

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999: 30.5%)	2,068	2,056
Double tax relief	-	(42)
Deferred tax	43	81
Overseas tax	-	1
Group relief	42	32
Adjustments in respect of previous years:		
corporation tax	(50)	(35)
deferred tax	(20)	(92)
	2,083	2,001

10. EQUITY DIVIDEND

	2000 £'000	1999 £'000
Proposed £7.76 per share (1999: £14.55)	1,400	2,625

Notes to the Accounts

11. TANGIBLE FIXED ASSETS

	Land and Buildings Short Leasehold £'000	Plant, Equipment and Vehicles £'000	Total £'000
Cost			
at 1 October 1999	393	14,362	14,755
Additions	27	2,733	2,760
Disposals	(3)	(1,965)	(1,968)
At 30 September 2000	417	15,130	15,547
Accumulated depreciation			
at 1 October 1999	199	7,424	7,623
Provided during the year	70	1,877	1,947
Disposals	(1)	(1,732)	(1,733)
At 30 September 2000	268	7,569	7,837
Net book value			
At 30 September 2000	149	7,561	7,710
At 30 September 1999	194	6,938	7,132

Included in fixed assets are fully depreciated assets with an original cost of £3,778,436.

Notes to the Accounts

12. INVESTMENTS HELD AS FIXED ASSETS

	2000 £'000	1999 £'000
(a) Shares in subsidiary undertakings at cost	891	891
Movement in year		
Balance at 1 October 1999	891	891
Additions	383	-
Provision	(383)	-
Balance at 30 September 2000	891	891

(b) At 30 September 2000 the following were the principal trading subsidiaries:

Company	Country of incorporation	Class of Shares	Proportion of shares held	Activity
Altro GmbH	Germany	Ordinary	100%	Distribution
Altro Nordic AB	Sweden	Ordinary	100%	Distribution
Compass Flooring Ltd	Canada	Common	100%	Distribution
Compass Flooring Solutions Inc.	USA	Common	100%	Distribution
Australian Safety Flooring (Pty) Ltd	Australia	Ordinary	90%	Distribution

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

13. STOCKS

	2000 £'000	1999 £'000
Raw materials	1,025	1,099
Work in progress	213	248
Finished goods	3,489	3,482
	4,727	4,829

14. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	9,461	9,236
Amounts owed by subsidiary undertakings within one year	3,667	652
Amounts owed by subsidiary undertakings greater than one year	1,271	1,312
Other debtors	320	124
Prepayments and accrued income	441	428
	15,160	11,752

Notes to the Accounts

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Trade creditors	6,519	5,221
Amounts owed to subsidiary undertakings	1,777	1,224
Corporation tax	1,263	1,399
Other taxation and social security	968	895
Other creditors	52	28
Accruals	3,073	2,982
	13,652	11,749

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2000 £'000	1999 £'000
Deferred taxation		
capital allowances in excess of depreciation	202	171
Other	(15)	(7)
	187	164
Other provisions	31	35
	218	199
Movements in deferred taxation		
at 1 October	164	153
charge for year	43	81
adjustments in respect of prior years	(20)	(92)
At 30 September	187	142
 Unprovided deferred taxation:		
other	(86)	(72)

Notes to the Accounts

17. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised:		
200,000 Ordinary Shares of £1 each	200	200
Called up allotted and fully paid:		
180,435 Ordinary Shares of £1 each	180	180

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit attributable to members of the Company	4,205	4,792
Dividend	(1,400)	(2,625)
	2,805	2,167
Opening shareholders' funds	17,298	15,131
Closing shareholders' funds	20,103	17,298

19. CAPITAL COMMITMENTS

	2000 £'000	1999 £'000
Contracted but not provided for	614	158

20. CONTINGENT LIABILITIES

	2000 £'000	1999 £'000
Guarantee on bank overdraft of associated undertaking	2,098	1,295

Notes to the Accounts

21 PURCHASE OF A SUBSIDIARY UNDERTAKING

	2000
	£'000
Net assets acquired	
Tangible fixed assets	195
Stocks	77
Debtors	544
Creditors	(1,137)
Provisions	(128)
Cash at bank	137
	<u>(312)</u>
 Satisfied by :	
Acquisition costs	<u>58</u>

As at the 6th June 2000, Altro owned 14.9% of the ordinary share capital of Australian Safety Flooring (Pty) Ltd and 608,000 Preference Shares of A\$1 each.

On 7 June 2000 the preference shares were converted to Ordinary Shares on a three for two basis.

Additional cash of £383,157 was injected and converted to ordinary shares at A\$0.24 per share. The loan account of £307,164 was also converted to ordinary shares at A\$0.24 per share. This increased the Company's interest to 90%. The acquisition was accounted for using the acquisition method of accounting.

Notes to the Accounts

22. PENSION SCHEME

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

The scheme is subject to triennial valuation by independent actuaries. The last valuation was carried out as at 1 May 1999 using the projected unit method, in which the actuarial liability makes allowances for projected earnings.

The following actuarial assumptions were applied:

Equity growth dividend	4.0% per annum
Valuation rate of interest	7.0% per annum
Increases in pensionable salaries	5.5% per annum
Pension increases	3.0% per annum

At the 1999 valuation the market value of the assets of the scheme was £22,569,000. The actuarial value of the assets was sufficient to cover 96% of the benefits which had accrued to members, after allowing for expected future increases in earnings and agreed benefit improvements; the scheme 100% funded based on the method and assumptions for the purposes of the minimum funding requirement.

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

The pension cost for the Company for the year was £1,046,232 (1999: £961,153).

An amount of £30,657 (1999: £34,689) is included in provisions, being the excess of accumulated pension costs over the amount funded.

23. RELATED PARTY TRANSACTIONS

During the year the Company made sales of £58,612 to Michael Williams & Co., in which Michael Williams, a director of the Company has a controlling interest. The debtor balance with Michael Williams & Co. at the year end stood at £15,559. The Company has taken advantage of the exemption under FRS 8 and has not made disclosure of transactions with other group companies.

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 & Wales. Copies of the group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.