



altro



The Annual Report

and

**Consolidated
Financial Statements**

of

The Altro Group plc

for the year ended

31 December 2020

Company Registration Number: 01493087

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Directors and advisers

Directors

D J Kahn* *Chairman*
R J Kahn *Managing Director*
E P Boyle
P L Caller
M P Fincham*
J F H Park*
T Lewis * *Chair*
**Non-executive*

Secretary

E P Boyle FCCA

Registered office

Works Road
Letchworth Garden City
Hertfordshire
SG6 1NW

Company registration number

01493087

Independent auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Chairman's statement for the year ended 31 December 2020

2020 has been a challenging year for us all and, as shareholders will know from the communications that went out during the year, the Board and managers took swift action to ensure the stability and long-term strength of the Group. This involved a huge collective effort, and I would like to thank all our stakeholders for their continued support and assistance at this time.

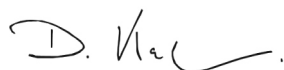
As a result of the cost-cutting and cash-preservation measures taken and the efforts of our staff to support and adapt the business, I am pleased to inform you that the result for the year ended 31 December 2020 was a profit before taxation of £10.5m (2019: £10.6m) on sales of £138.2m (2019: £151.3m). This result was made possible by the measures implemented during the year and we continue with many of these to date.

During 2020 dividends totalling 9.0p per share were paid (2019: 14.0p). At the Annual General Meeting in June, the Company proposes to seek the approval of the shareholders to pay a final dividend of 12.0p per share on 23 July 2021 to those shareholders on the register at close of business on 2 July 2021.

A share valuation of 780p was obtained from Investec Bank plc in April 2021 (December 2020: 680p, August 2020: 730p, March 2020: 380p) on behalf of the Trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP).

As many of you will know, I have worked for the Group for 66 years and have been Chairman for 30 years. During 2020 I took the decision to step down from the Chairmanship. This will therefore be my last Chairman's statement and I wanted to take the opportunity to thank all of those that have contributed to the success of the Group over these years and in particular during the unprecedented events of the last year.

I am delighted to announce that, after starting our search for a new Chair during the latter part of 2020, Tracy Lewis was appointed as Non-Executive Chair of The Altro Group plc and Altro Limited on 15 March 2021. I wish Tracy a long and happy association with the Group and very much look forward to working with her in my continued role on the Board.



D J Kahn

Strategic report

for the year ended 31 December 2020

The directors present their Strategic report on the Group for the year ended 31 December 2020.

Principal activities and review of the business

The Altro Group plc (the "Company") is an unquoted public limited company and the holding company of the Altro group of companies (together, the "Group"). The Group's balance sheet is disclosed on page 26 and the profit attributable to its shareholders is disclosed on page 25 of this Annual Report and Consolidated Financial Statements.

The principal activities of the business are the manufacture and marketing of:

- Altro safety flooring
- Altro smooth flooring
- Altro luxury vinyl tile
- Altro wall systems
- Altro resin systems
- Autoglym vehicle care and Kanor car wash products.

During the year, the Company and its subsidiaries worked to respond to the impacts of COVID-19 on its operations (outlined in more detail in the Companies Act 2006 Section 172 statement), both in the UK and internationally for the Altro, Altro Debolon and Autoglym product ranges. All areas of the business have contributed to the result for the year, achieved in large part through prudent overhead management, and are well placed to continue building on this position during 2021.

Financial review

The consolidated profit and loss account for the year is set out on page 25.

The key performance indicators (KPIs) for the Group are:

- Turnover - decrease of 8.7% (2019: up 4.2%)
- Operating profit - increase of 2.4% (2019: up 3.5%)
- Net funds - increase of 74.4% (2019: up 19.6%)
- Shareholders' funds - increase of 10.9% (2019: down 6.1%)

The Group's net funds as at 31 December 2020 were £24.7m (2019: £14.2m).

Turnover has fallen year on year primarily driven by the impact of the pandemic and associated lockdowns in the different regions in which the Group operates. However, operating profit has increased because of a focus on cost savings (outlined in more detail in the Companies Act 2006 Section 172 statement), and government grants received. This focus on cost savings and cash preservation has also driven the increase in net funds and shareholders' funds. Performance against the KPIs is considered more than satisfactory given the events of 2020 and the overall economic environment in our markets.

Health and safety (Zero Harm) is a key priority for the Group and this has remained the case throughout 2020. The Board reviews a number of Zero Harm metrics every month, including accident instances, which have fallen by 31% from 2019 to 2020. Whilst some level of this reduction may be attributable to lower numbers of staff on site during the pandemic, this remains a significant achievement as the business continued to manufacture throughout the year and has had to adapt processes across all global sites to ensure COVID safety.

Expenditure during the year has included investment in buildings, plant and machinery throughout the Group as well as additional contributions of £2.8m (2019: £2.8m) to the Defined Benefit Pension Scheme.

Future developments

The Group continues to seek growth in both its UK and overseas markets in the longer term. More immediately, as a result of the unprecedented changes created by COVID-19, the Group is focused on responding to the evolving conditions across its international markets.

Principal risks and uncertainties

The business is subject to a number of risks and the Group has procedures and systems to manage these. Aside from the current pandemic, the key business risks affecting the Group are considered to relate to competition from other manufacturers, loss of manufacturing facility, increased raw material and energy costs, significant data loss (including cyber

Strategic report (continued) for the year ended 31 December 2020

Principal risks and uncertainties (continued)

crime), regulatory changes, fluctuations in the UK and global economy and any action which may be taken by governments in our major markets.

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

Financial risk management

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

Given the size of the Group, 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 Group's finance department.

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

Currency risk

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

Credit risk

The Group's principal financial assets are loans receivable, bank balances and trade debtors which represent the Group's maximum exposure to credit risk in relation to financial assets. This risk is managed through internal monitoring processes and credit insurance.

Price risk

The Group 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 Group has positive cash balances with various banks and appropriate overdraft facilities in place where considered necessary. As a direct response to the uncertainty created by COVID-19, the Board continues to actively review decisions requiring significant cash outlay as a means of maintaining its cash balance.

Interest rate risk

The Group has limited exposure to interest rate risk as it has no external borrowings. 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.

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement

The Board of Directors of The Altro Group plc (Board) are fully aware of their duty under Section 172, along with the other directors' duties in the Companies Act 2006 and the regard the Board have for these duties has been reflected in their response to the global COVID-19 pandemic. 2020 has been an unprecedented year for all of us and the Board of The Altro Group plc, along with senior managers and staff in all operations have worked throughout the pandemic to ensure the business remains strong and stable for its future success and for the benefit of all of its stakeholders.

As with all companies, decision making within the Group is complex and the Board takes into account many factors, sometimes conflicting, when reaching decisions. The directors' decisions are always driven by the need to promote the success of the Company for the benefit of its members as a whole and whilst taking decisions they consider all of their duties under the Companies Act 2006, including having regard to all of the matters under Section 172 (1) a) to f). In response to the extraordinary and fast moving COVID-19 situation, an over-arching approach to decision-making was decided on early in the pandemic. This approach was to prioritise the health and wellbeing of staff and stakeholders and adapt and respond to the needs of all stakeholder groups, whilst protecting the long-term strength of the business. This approach was taken throughout the year and used as a basis for decision-making. It is reflected throughout this report and is the approach that continues to be taken to date. The Board is proud that, despite the cost-cutting that has been necessary in order to achieve a strong result for the year, this approach has meant operations have continued, undisrupted, throughout the whole of 2020, adaptations to meet customer and supplier needs have been made swiftly and the workforce remains highly motivated and engaged.

The approach to the pandemic aligns with the Group's over-arching strategy of being a customer-focussed group, producing high-end products, with family values at its heart. This global strategy sits behind the more detailed strategy for each of the Group's two diverse trading divisions (Autoglym and Altro Floors and Walls) (the "Divisions") and drives the budget setting and approval process that takes place in the last quarter of each financial year. The Section 172 factors are also closely aligned with the Group's culture, reflected in the mantra of 'Valuing our customers; valuing each other'.

Throughout the COVID-19 pandemic Corporate Governance has remained a regular monthly Board agenda item and during this time in each meeting the Board reflects on various processes and arrangements for discharging their duties, as well as discussing enhancements. The impact of decisions on stakeholders is considered in detail and such decision-making is supported by comprehensive Board papers that are distributed to directors ahead of Board meetings. The Board is supported by a company secretarial team and at least one member of the secretariat is present at every Board meeting to offer advice and support as needed, as well as taking comprehensive minutes. Despite the pandemic, the directors again undertook Directors' Duties training during 2020 as they believe it is important to keep their knowledge current.

The composition of the Board supports its long-term outlook, with Richard Kahn (Managing Director) and David Kahn (Chairman throughout 2020) being members of the founding family, who are still majority shareholders. As outlined in the Chairman's statement, during 2020 David Kahn took the decision to step down from the Chairmanship from spring 2021. The Group are delighted that he remains a director. The Board took this opportunity to consider the composition of the Board, which led to a decision to appoint an Independent Non-Executive Chair (see the Principal Decisions section below). This brings the total number of Non-Executive directors on the Board to four, outweighing the number of Executive directors, which the Board felt was an appropriate balance to ensure strong governance. Both the new Chair and one of the other Non-Executive directors had no connection to the Group prior to being appointed as a director, bringing a desired level of independence. Both the other Non-Executive directors have extensive knowledge of what has made the Group successful on a long-term basis, one being the out-going Chair of 30 years and the other having been a long-serving senior employee. The three Executive directors are made up of the Finance Director, who has worked for the Group for 37 years and both Divisional CEOs, ensuring the Divisions maintain a long-term focus and are strategically aligned. This also ensures that the culture of the Group, its purpose and values are maintained throughout both Divisions and through all subsidiaries. The composition of the Board of Altro Limited (the Group's primary trading subsidiary) is identical to the Board of The Altro Group plc and at least one director of every other international subsidiary is either a director of The Altro Group plc or a member of one of the Executive Committees (see below). This is to ensure that governance is closely aligned within the Group and all of its subsidiaries.

The Board has long-established Executive Committees for each of its Divisions that regularly engage with various stakeholder groups and report back to the Board. These Committees work with all relevant subsidiaries around the globe, which has been beneficial in maintaining a consistent response to the pandemic throughout all operations. The CEO of each Division (Richard Kahn – Altro Floors and Walls and Paul Caller – Autoglym) sit on their respective Executive Committee and the Finance Director (Edmond Boyle) sits on both. All three are directors and therefore the Board receives monthly updates from the Executive Committees through these individuals. On a monthly basis the CEO of each Division reports to the Board on such matters as Zero Harm (health and safety) performance, operational efficiency, product innovation, sustainability and environment, employee matters and customer and supplier information.

Strategic report (continued) for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

The minutes of every Executive Committee meeting are also shared with the directors. In order to ensure the Executive Committee members are able to adequately support the directors in their duties, Executive Committee members also receive Section 172 training. The Executive Committees also have access to the secretariat for assistance and advice. In addition to engagement via the Executive Committees, the Board also takes part in direct engagement with various stakeholder groups.

The following pages show an outline of how the Board have regard to specific stakeholder groups, issues and factors and examples of the effect of that regard and principal decisions made during 2020.

CA2006 s.172 Matters a-f	How the directors have had regard to this matter	The effect of that regard
a) The likely consequences of any decision in the long term	<p>The Group has always considered the longer term and this is reflected in the fact that the oldest company in the Group (Altro Limited) has been in operation since 1919. In particular, the Board always considers the balance between the short and long-term extremely carefully in all of its decision-making; any decision that would be a short-term gain, but could have a negative long-term impact is generally dismissed, unless the Board considers there are very clear mitigating factors.</p> <p>The Group has chosen to have two complementary, but distinct Divisions. This forms part of a long-term risk mitigation strategy as the Divisions are affected by economic and other challenges at different rates and in different ways. For example, raw materials differ between the Divisions, reducing raw material price risk.</p> <p>Protecting the long-term viability of the Group is central to every Board discussion and decision-making process. This has been particularly evident during the COVID-19 pandemic.</p> <p>The Board reviews detailed international 5-year plans and these are updated on an annual basis.</p>	<p>The Board has taken decisions during the year to postpone or stop many planned and annual activities in response to the COVID-19 pandemic. This was with a view to preserving cash during this uncertain time and ensuring the Company and Group are in a strong position when coming out of the pandemic to ensure their future success.</p> <p>Despite suspending capital projects during the year (except those relating to Zero Harm), the Board did decide to continue with investment in the German plant as they considered that this is important to the long-term success of the Group, in particular in light of Brexit.</p> <p>(See also 'COVID-19 Related Cost-Saving Measures' in Principal Decisions.)</p>
b) The interests of the Company's employees	See the 'Statement on employee engagement' section of the Directors' report, as well as the Stakeholder table below.	See the 'Statement on employee engagement' section of the Directors' report, as well as the Stakeholder table below.
c) The need to foster the Company's business relationships with suppliers, customers and others	See the Stakeholder table below.	See the Stakeholder table below.
d) The impact of the Company's operations on the community and the environment	See both 'Community' and 'Environment' in the Stakeholder table below and the Emissions and energy consumption section in the Directors' report.	See both 'Community' and 'Environment' in the Stakeholder table below and the Emissions and energy consumption section in the Directors' report.

Strategic report (continued) for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

CA2006 s.172 Matters a-f	How the directors have had regard to this matter	The effect of that regard
<p>e) The desirability of the Company maintaining a reputation for high standards of business conduct</p>	<p>The Board takes abiding by laws in every region very seriously and all new legislation that may affect the Group is considered carefully by an appropriate group of individuals selected by the Board.</p> <p>The Board has an Anti-Bribery Group that engages with employees to ensure compliance with the Bribery Act 2010. The employee handbook also sets out a clear whistle-blowing procedure, which further supports the culture of encouraging high standards of business conduct.</p> <p>In order to ensure high standards of business conduct both manufacturing subsidiaries (UK and Germany) have ISO accreditations, as follows: ISO 14001 (Environmental Management Systems) ISO 9001 (Quality Management)</p> <p>The Autoglym Division also has: - ISO 45001 (Occupational Health and Safety) accreditation</p>	<p>The Data Protection Steering Committee continued with its work. In particular, during 2020, the Committee worked to ensure the continued safety of data with staff working from home. New guidelines were introduced to manage this new way of working and a video guide was produced for staff.</p> <p>COVID safety was a particular focus within the Group to meet or exceed local requirements.</p> <p>A list of countries that employees are prohibited from dealing with is maintained and updated on a regular basis and was reviewed by the Board during 2020.</p> <p>Every Altro Limited member of staff attends 'Dignity at Work' training as part of their induction and there is a network of Dignity at Work coaches that staff can consult. The aim of this programme is to raise awareness of diversity in the workplace and ensure high standards of conduct by employees. This has continued throughout the pandemic with the training being delivered virtually.</p> <p>The Altro Limited Gender Pay Gap Report for April 2020 shows a median Gender Pay Gap of 2.37%, compared to a UK National Median Gender Pay Gap of 17.3% (Source: Office for National Statistics 2019).</p>
<p>f) The need to act fairly as between members of the Company</p>	<p>The Board considers the impact of decisions on shareholders as a whole and are always mindful of the differing levels of access to information between shareholder groups (i.e. employee shareholders versus non-employee shareholders).</p> <p>See also the Shareholder notes in the Stakeholder table below.</p>	<p>The Board has maintained a desire to have only one class of shareholder to facilitate fairness between members.</p> <p>The Board ensures shareholders who are not employees have access to performance data, not only through the Annual Report, but also through an interim statement, which it voluntarily produces and was last distributed in October 2020.</p> <p>Shareholders were sent an additional communication in April 2020 to keep them updated in regards to the Group's response to the pandemic; they were also given the opportunity to submit questions to the Directors via email. Those that were received were raised and addressed at the AGM held in June 2020.</p> <p>(See also 'COVID-19 Related Cost-Saving Measures' and 'Payment of dividends totalling 9p per share during the year' in the Principal Decisions section.)</p>

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

Section 172 of the Companies Act 2006 requires the directors to have regard to the prescribed factors listed above, along with ‘other matters’. Therefore, in order to determine a full list of issues, factors and stakeholders that are relevant when making decisions, the Board examines the supply chain for each of its Divisions, as well as the reach of the business, its interactions with other businesses and partners and its physical locations. It also examines data from employee engagement processes (see the Directors’ report), as well as customer and supplier feedback. Based on this, the Board maintains a list of stakeholders and other more intangible factors for consideration when making decisions, which is reviewed on an annual basis and was updated during 2020. This enables them to assess the potential impact of decisions on relevant stakeholder groups, whilst ensuring the long-term success of the Company on behalf of the shareholders. The issues, factors and stakeholders are not exhaustive and for each decision taken there may be other factors considered.

Below we outline the stakeholder groups the Board deems to be most relevant to its decision making and for each discuss engagement strategies (how the Board have had regard to this stakeholder group) and the outcomes (the effect of the Board’s regard for this stakeholder group).

<p>CUSTOMERS</p> <p><i>Without customer engagement we would not be able to ascertain the direction in which to take our innovation programmes and ultimately would not be able to grow sales.</i></p>	
<p>We have a variety of routes to market and as such a variety of customer groups as follows:</p> <ul style="list-style-type: none"> • Business Partners (including Agents, Distributors, Franchisees and Researchers) • Product users (such as installers (Altro Floors and Walls), valeters and dealerships (Autoglym)) and specifiers (such as architects) • End consumers 	
<p>Engagement Strategies</p>	<p>Outcomes</p>
<p>Both Divisions have dedicated sales and marketing functions, as well as their own customer care centres, which remained operational throughout the pandemic. The technical services teams generally make hundreds of customer visits each year to give advice and aftersales support. Although in-person visits were not possible for much of 2020, technical services support for customers remained consistent throughout the year, utilising tools such as photographs and video-calls to assist. Where in-person visits were possible, an in-depth Risk Assessment was carried out ahead of each visit and appropriate COVID-19 safety measures taken to ensure both staff and customer safety.</p> <p>Both Divisions of the business run customer feedback programmes, which usually entail well over 100 customer visits to the manufacturing plants each year. These customers view new product samples and are asked for feedback about product design, quality and potential future innovations. Feedback from these programmes is reported to the Board and senior managers. Although customer visits to site were not possible for much of the year, feedback has continued to be sought by other means and product improvements based on customer feedback have continued.</p> <p>The Autoglym Division works closely with its franchisees, with regular meetings (which took place virtually post March 2020), bulletins, ongoing product training and new franchisee induction programmes. There is also a bi-annual franchisee conference. Autoglym has regular engagement with international distributors, professional key account holders and auto specialist retailers.</p>	<p>As a result of customers informing us that they would be working into the night to install floors and walls on some of the Nightingale hospital projects, a rota was put in place to temporarily provide support late into the evening and at weekends. This involved the customer-care centre, sales, logistics, marketing and technical services.</p> <p>The Autoglym Division launched 5 new products for retail customers and 2 new professional products in 2020. These products included hand, multi-surface and aircon sanitisers in response to customer demand generated by the COVID-19 pandemic. An anti-viral car fogger was also introduced to help our automotive dealership customers sanitise cars in a time efficient manner.</p> <p>The Autoglym Division also responded to requests coming from valet customers for a product to help remove bird-dropping marks from car paintwork, which led to the launch of a professional product to meet this need in 2020.</p> <p>In early 2020 the Altro Floors and Walls Division launched an adhesive-free range as part of a project to develop re-useable products (see also ‘Environment’) that also meet customer requests for a product that is faster to lay.</p> <p>Although most customer events had to be cancelled owing to the pandemic, contact with customers was quickly adapted to video-conferencing and many free-of-charge training events were hosted by both Divisions to allow customers to continue to access learning, in particular during lockdown periods.</p> <p>During 2020 the Autoglym Division supported its franchisees by allowing direct debits to be delayed where needed to assist with cashflow.</p>

Strategic report (continued) for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

SUPPLIERS	
<p><i>Our suppliers are vital to our long-term success, as they enable us to continue to deliver high quality product to our customers. Ensuring our supply chain meets our high standards helps to ensure the integrity of our products and maintain our ethical business values.</i></p>	
Engagement Strategies	Outcomes
<p>The Group carries out regular reviews of many of its suppliers and invites some to visit our sites. During such visits the Group's Zero Harm programme is discussed with suppliers as the Group believes mutual sharing of such information strengthens health and safety matters within the supply chain for everyone's benefit.</p> <p>As needed, the Group sends staff from its Head Office to visit international suppliers in order to check on the welfare of the suppliers' staff and also carry out checks that national minimum wage is being paid along the supply chain. The new supplier questionnaire includes questions on ethical behaviour and the procurement team also uses a culture questionnaire in managing existing supplier relationships.</p> <p>The Group engages with those suppliers that we know are reliant on our business, in particular smaller suppliers, and talks to them well in advance of any anticipated changes in our supply requirements.</p> <p>The Group also supports some suppliers with improving their own supply chains and processes and makes decisions to use certain suppliers based on their ethical values and welfare records, rather than on a pure cost basis.</p>	<p>Throughout the COVID-19 pandemic we have been able to continue production uninterrupted, even when the construction industry was experiencing supply interruptions owing to lockdowns. This is due to the strength of the relationships we have with our suppliers and the consistent dialogue we maintain with them. In particular, we have been aware of the difficulties faced by our smaller suppliers during the pandemic and have kept them continually updated with forecasts so they can manage their own production and supply chains efficiently.</p> <p>In addition to the above, the Group assisted suppliers, in particular the smaller suppliers, in several other ways. This has included sharing some of our COVID safety processes and procedures to aid them in developing their own for their premises.</p> <p>International supplier site visits were carried out in the early part of the year and dialogue with suppliers has been maintained to ensure safety and welfare standards continue to be maintained during the times when in-person visits have not been possible.</p>

EMPLOYEES	
Engagement Strategies	Outcomes
<p>Please see the 'Statement of employee engagement' section of the Directors' report, which is incorporated into this Strategic report by reference and therefore forms an integral part of this report.</p>	<p>Please see the 'Statement of employee engagement' section of the Directors' report, which is incorporated into this Strategic report by reference and therefore forms an integral part of this report.</p>

PENSIONERS	
<p><i>Our pensioners have often dedicated many years to serving the Group and we are mindful of our responsibility to them as well as how our current workforce plan for retirement in a society where retirement savings are often inadequate.</i></p>	
Engagement Strategies	Outcomes
<p>The Group sends a representative to each Defined Benefit Pension Trustee meeting and engages regularly with the Trustees and Scheme Actuary. Both the Independent Trustee and Scheme Actuary were invited to a Board Meeting during 2020 and did so in September.</p> <p>There is a Defined Contribution Pension Scheme Group, who meet regularly with the administrators of the Scheme to review performance.</p>	<p>To give an added layer of protection, the Company has in place a cross-guarantee for the Defined Benefit Pension Scheme and the Group has again put £2.8m into funding the deficit during 2020. Altro Limited also pays pension scheme costs for administration, investment advice and other pension fund fees.</p> <p>Despite the pandemic, the Group took the decision to continue with a change in pension scheme provider for its UK Defined Contribution Scheme during 2020 to ensure members of the Scheme could access improved rates and service.</p>

Strategic report (continued) for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

PENSIONERS <i>(continued)</i>	
Engagement Strategies	Outcomes
There are regular employee presentations outlining pension arrangements and these become more frequent as employees approach retirement. Employees are also given access to online information about how to plan for retirement and the potential worth of their pension savings in real terms.	The Group has a 'Run down to Retirement' scheme in the UK, whereby employees are prepared for this significant life event through a series of seminars and then a gradual reduction in working days over the last four months of employment, whilst maintaining full pay and benefits. The scheme was quickly adapted to be delivered virtually during the pandemic.

SHAREHOLDERS	
<i>As an unlisted Group with several hundred shareholders we are proud that shareholder engagement is an integral part of our annual calendar.</i>	
Engagement Strategies	Outcomes
<p>The Board understands the importance of the shareholders and therefore, for many years, has engaged a professional registrar company to take care of shareholder enquiries and for registering changes to shareholdings. The company secretarial team alert the directors to any specific shareholder requests or concerns and this allows a close link between the Board and shareholders.</p> <p>The Group holds an Annual General Meeting ("AGM"). Although, due to the pandemic, there was no reception held after the AGM during 2020 and the majority of shareholders were not able to attend in person, interaction was encouraged by way of providing shareholders with an email address to which they could submit questions ahead of the meeting.</p>	<p>In addition to our external Registrar, the Group understands that some shareholders prefer more personal interaction and therefore shareholders are also able to directly contact the company secretarial team.</p> <p>During the year some difficult decisions had to be made in the long-term interests of the Company that were of a short-term disadvantage to certain stakeholder groups, including shareholders. In making these decisions the Board weighed up carefully the views of the shareholders and kept them informed by way of an additional communication letter in April 2020 and through the interim statement in October 2020, which the Group makes on a voluntary basis.</p> <p>The Board considered shareholder feedback throughout the year and this was reflected in the higher than usual interim dividend paid later in the year when there was more confidence in the future outlook and cash balances.</p> <p>(See also 'COVID-19 Related Cost-Saving Measures' and 'Payment of dividends totalling 9p per share during the year' in the Principal Decisions section.)</p>

COMMUNITY	
<i>The directors are aware that the Group is reliant on its local communities and owes them all a duty of care when carrying out its operations.</i>	
Engagement Strategies	Outcomes
<p>The Board is proud of the location of its factory in Letchworth, the first garden city, and considers carefully the impact that it may have on the surrounding area and community. This is also true for all other locations.</p> <p>The main UK trading entity of the Group engages with local schools through offering work experience opportunities for employees' children, as well as training and coaching at a local school.</p>	<p>The Group donates to local causes and charities. For example, during 2020 the Autoglym Division donated 4,800 litres of hand sanitiser to local community organisations to help them during the pandemic when many were struggling with supply. A cash donation was also made by the Division to a local foodbank.</p> <p>The Altro Floors and Walls Division also donated flooring materials and gave technical assistance to a project that teaches offenders skills to help them back into paid employment on leaving prison.</p>

Strategic report (continued) for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

COMMUNITY <i>(continued)</i>	
Engagement Strategies	Outcomes
<p>The Group also allows all staff, in every location worldwide, one day off per year to help out at any health charity of their choice. Staff are encouraged to choose local projects, so that the Group has a positive impact on the local community. The Group also supports staff involvement with other charity days and events, such as Macmillan coffee mornings.</p>	<p>During 2020 the Group continued to donate to The Altro Foundation Limited, which is a corporate Foundation with charitable status. In addition to an annual financial donation, the Group also continued to donate UK staff time to assist the charity. Again, adaptations were made as necessary for this to be done by video-conferencing, rather than through travel.</p>

ENVIRONMENT	
<i>As manufacturers of products that involve chemical processing it is of utmost importance that we respect the environment and take the environmental effect of our products and operations into account.</i>	
Engagement Strategies	Outcomes
<p>As a responsible business, the Board constantly considers the impact of the Group, its locations and products on the environment. The Group tries to make sustainable flooring and for this reason the Group is able to offer up to 20 year guarantees with many of its flooring products. The Board has always felt this to be important because of the environmental effect that the 'throw-away' culture has on the environment.</p> <p>Within the Group there are various relationships and memberships of industry environmental groups maintained, such as:</p> <ul style="list-style-type: none"> - VinylPlus (a voluntary commitment of the European PVC industry for sustainable development and recycling); - Membership of the European Resilient Floor Covering Manufacturers Institute Circular Economy Committee; - A member of the Altro Floors and Walls Executive Committee represents The Contract Flooring Association (CFA), of which Altro Limited are members, on the Construction Product Association's (CPA) Sustainability Policy Group. <p>The main UK trading entity (Altro Limited) maintains ISO 14001 (Environmental Management Systems) accreditation across both Divisions to ensure compliance with environmental standards and to enhance environmental performance.</p> <p>The manufacturing subsidiary in Germany also has ISO 14001 accreditation, as well as ISO 50001 (Energy Management) accreditation and has an indoor air quality certification.</p>	<p>The Group uses green electricity throughout all operations and continually works to improve the sustainability and environmental impact of its products. For example, almost 99% of all floors produced by the Group contain a bioplasticizer that comes from a renewable source and adhesive-free flooring products have been introduced in recent years, with a new selection of these launched in early 2020. Removing the need for adhesives has environmental benefits and these floors are easier to recycle at the end of their life. During 2020 we were proud to supply some of the Nightingale Hospital projects with this product. Because the product is not bonded to the floor, as these temporary facilities are closed the flooring can be re-laid and utilised elsewhere.</p> <p>The Group takes seriously the need to find ways to prevent redundant product from being sent to landfill. In 2009 Altro and Polyflor jointly formed Recofloor, a vinyl flooring take-back scheme that operates in the UK and Ireland to help others recycle product. Despite the pandemic, Recofloor recycled almost 400 tonnes of flooring during 2020.</p> <p>The Group has its other manufacturing site in Germany and has a stake in AgpR, a similar recycling scheme there. In 2020 the Group, along with other shareholders, contributed financially to enable AgpR to continue with its recycling operations. During 2020 AgpR collected over 2,000 tonnes of flooring, the majority of which was able to be processed for reuse.</p> <p>See also the Emissions and energy consumption section in the Directors' Report.</p>

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

ENVIRONMENT (continued)	
Engagement Strategies	Outcomes
The Group always considers environment and sustainability in its capital expenditure and investment decisions.	<p>Both The Altro Group plc and Altro Limited also maintain investments in DB Group (Holdings) Limited, who developed an ultra-low carbon concrete (Cemfree) to help reduce carbon emissions in the construction industry.</p> <p>During 2020 the Group began to see the benefits of some of its prior year projects, such as a reduction in electricity consumption for the Altro Floors and Walls Division due to manufacturing line upgrades at the end of 2019 that incorporated the latest energy efficient systems, as well as facilities improvements in the Autoglym Division that have led to a 75% reduction in the need for Intermediate Bulk Containers, a reduction in water usage and a reduction in product wastage by 50,000 litres per year.</p>

Other matters to which the Board have regard when decision making

- **Zero Harm**
Having a happy and healthy workforce is vital to our work and this is why the Board have asked that Zero Harm is the first item considered at every meeting.
- **The need to constantly innovate**
Bringing new products to the market benefits customers including distributors, installers and end users, as well as the Group itself.
- **The importance of efficiency**
Efficient production lines and processes benefit not only the Group, but also customers, employees and the environment.
- **Maintaining the highest levels of quality in everything we do**
Quality is one of our main principles in both Divisions and is what we believe sets us apart from others.
- **Ensuring the systems (mechanical, technological, manual and other) are in place to provide a stable business platform and support efficiency**
No business can function well without robust systems in place and this is especially true in manufacturing.

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

Principal Decisions

We define Principal Decisions as those that have a significant impact on the Company and/or Group and/or our stakeholders. Principal Decisions that are currently confidential to the Group are not included in the below list. Any such decision would be included in future Annual Report if and when confidentiality is no longer a factor. The potential impact of Principal Decisions on stakeholders is assessed in detail by the Board.

The Board have had to react to the unprecedented situation with COVID-19 and have therefore needed to make many more unexpected decisions during 2020 than they would in a standard financial year. Those that are deemed to be Principal Decisions are described below.

i) COVID-19 Related Cost-Saving Measures

At the start of the pandemic the Board recognised that preserving cash was of paramount importance, in particular as the potential economic impact of COVID-19, the impact on sales and the length of the pandemic were all unknown. As noted earlier in this report, the Board prioritise the long-term success of the Company for the benefit of its shareholders and other stakeholders and therefore ensuring the Group had a reserve to both weather the pandemic and emerge from it with strength was deemed to be a priority. In light of this, the Board took action to cut costs wherever reasonable to do so, at all times taking into account the impact on stakeholders. These decisions have been revisited and reviewed throughout the year.

The key decisions taken in relation to cash-preservation were:

- *to the extent possible, to suspend all discretionary expenditure;*
- *not to offer a Buyback of shares;*
- *suspension of funding for the Employee Benefit Trust;*
- *suspension of January 2021 pay award increases;*
- *not to make a SIP Award to UK Qualifying Employees;*
- *to temporarily suspend recruitment;*
- *not to recommend a 2019 Final Dividend at the AGM; and*
- *the furloughing of UK staff and use of similar schemes in some other international locations.*

In making these decisions, the Board considered impacted stakeholder groups in detail and took steps to mitigate the impact wherever possible. For example, although the Board took the difficult decision to put approximately 50% of UK staff on furlough leave, this decision was reviewed on several occasions and staff were brought back either full or part-time as soon as possible. Pay for these members of staff was 80% of full salary, even for those staff whose salaries took them above the government cap and supplements were made for staff on the lowest salaries. Although this meant the cash savings were less for the Group, the Board felt it was right to balance the employees' needs with the needs of the Group. All Board members also took a temporary voluntary 20% pay cut.

ii) Payment of dividends totalling 9p per share during the year

Although no 2019 Final Dividend was paid during 2020, later in the year, the Board decided to pay an interim dividend of 9p per share in respect of the 2020 financial year. Whilst the Board thought it necessary and prudent to continue with the majority of the cost-saving measures in place, as the impact of the pandemic became more understood the Board took the decision that an interim dividend could be paid. In reaching this decision the Board considered shareholder expectations and the fact that there is a large employee shareholder base (through its UK share schemes) that the dividend would reach, along with the external shareholders.

iii) Defined Benefit Pension Scheme (DB Scheme) Deficit Funding

The Board reviews the DB Scheme deficit on a regular basis and continued to fund the deficit as agreed in the 2017 and 2020 valuations, contributing £2.8m during the year to 31 December 2020. When continuing with the contribution in 2020 the Board considered the need to preserve cash during the pandemic balanced with the needs of pensioners and other stakeholders.

Strategic report (continued) for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

Principal Decisions (continued)

iv) Approval of Group Budget

The budget for 2021 was approved during the latter part of 2020 by the Board and took into consideration the principal risks to the business (which were reviewed and updated during 2020), along with trading conditions during the pandemic and the longer-term plans for both Divisions. Although most discretionary spend was paused during 2020, the Board agreed to reintroduce some discretionary spending in certain areas of the business for 2021. This included such things as continued work on health and safety improvements to the Autoglym Division manufacturing site in Letchworth and carrying out employee surveys during 2021.

v) Appointment of an Independent Non-Executive Chair

After David Kahn informed the Board of his intention to step down as Chairman of the Group (but remain a director), the Board took some time to discuss the best approach to appointing a new Chair. The Board took into consideration the need to retain the Group's strong family-values, whilst also being sufficiently challenged by independent members of the Board. This led to a decision to appoint an Independent Non-Executive Chair from outside the Group, whilst ensuring that the person selected has strong values and understands the Board's commitment to all stakeholder groups.

Current Position

At the time of signing, the global COVID-19 pandemic is ongoing and the Group continues to review its operations, sales and expenditure on an ongoing and regular basis. In light of this, some of the plans for 2021 and beyond which are outlined in this Strategic report, the Directors' report and other areas of these reports and financial statements may be altered or reversed. Any such changes will be made with the Group's long-term success in mind, taking into account stakeholders and factors as described above.

We again thank all of our stakeholders for their continued support during this unprecedented time.

Approved by the Board of Directors and signed by order of the Board.



E P Boyle
Secretary
30 April 2021

Directors' report

for the year ended 31 December 2020

The directors present their report and the audited consolidated financial statements of The Altro Group plc ("the Company") - Company Registration Number: 01493087 - and its subsidiary undertakings (together, "the Group") for the year ended 31 December 2020. The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

D J Kahn*	<i>Chairman (stepped down as Chairman 15 March 2021, remains a director)</i>
R J Kahn	<i>Managing Director</i>
E P Boyle	
P L Caller	
M P Fincham*	
J F H Park*	
T Lewis*	<i>Chair (appointed as a director and Chair 15 March 2021)</i>

*Non-executive

Financial risk management, principal activities, and the future developments of the business have been discussed in the Strategic report.

Dividends

The directors recommend a final dividend of 12.0p (2019: 0.0p) per share, resulting in a total dividend of 21.0p (2019: 4.5p) per share for the year. An interim dividend of 9.0p (2019: 4.5p) was paid in November 2020. Diluted earnings per share were 55.5p (2019: 50.3p). Assuming approval by shareholders at the Annual General Meeting, the final dividend will be paid on 23 July 2021 to all those on the share register at close of business on 2 July 2021.

Share capital

During 2020, the Company bought back and cancelled nil (2019: 46,050) ordinary shares of 10p each (representing 0.0% (2019: 0.3%) of the called up share capital). No shares (2019: none) were issued during the year. The Company will not seek the approval of shareholders at the Annual General Meeting for the purchase of any of its own shares.

Employee Benefit Trust (EBT)

Funding of the EBT had been paused as a result of the COVID-19 pandemic. Ahead of the date of signing the Board have decided to re-start funding of the EBT on a limited basis. The financial results of the EBT are incorporated into the consolidated financial statements of the Group and the financial statements of the Company.

Statement of employee engagement

Inclusion:

The Group 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 practising equal opportunities regardless of disability, life threatening disease, sexual orientation, gender reassignment, pregnancy and maternity, religion or belief, race (including ethnic origin, colour, citizenship, nationality and national origin), marital and civil partnership status, age and gender. For example, applications for employment by disabled persons are always fully considered, focusing on the applicants' aptitudes, experience and abilities for the role and in the event of recruiting a disabled member of staff or an existing member of staff becoming disabled, every effort is made to ensure that appropriate facilities are available, appropriate adjustments are made and training is arranged. It is the policy of the Group 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.

Retention:

Staff are encouraged to plan their careers within the Group and to participate in appropriate ongoing training, consistent with the needs of the business. At the balance sheet date 26% of UK employees have between 10 and 20 years' continuous service and another 16% have more than 20 years' service. This is a reflection of the Group's culture and resulting high levels of employee engagement.

Directors' report (continued) for the year ended 31 December 2020

Statement of employee engagement (continued)

Directors' Engagement with and Regard to Employees:

This section of the report summarises how the directors have engaged with employees during the year and how they have had regard to employee interests.

The directors engage both directly and indirectly with Group employees, in particular via two Executive Committees. These Executive Committees have a team of international senior managers reporting to them. Together, the members of the Altro Floors and Walls Executive Committee and other senior managers form the Strategic Planning Team for the Altro Floors and Walls Division and meet at least twice a year to contribute to the strategies of the Division. A further layer of management is then involved in Strategy Implementation meetings and these managers work together with their teams to disseminate information and provide employee feedback on strategy. Members of the Altro Floors and Walls Executive Committee meet with all staff within the Division twice a year through Team Briefings, where they share financial performance information and progress on key strategies. Cascade Briefings also take place within the Division on a monthly basis. For the Autoglym Division, the Executive Committee meets with the senior managers on a monthly basis and then cascades information through the various departments or via Town Hall meetings for all Autoglym employees. All of these activities have continued, and in some cases increased, throughout 2020, albeit via electronic means. Other engagement strategies are outlined below.

Directors have regard to employees throughout all decision-making processes and the Group prides itself on the care it has for its staff. For example, employee wellbeing is always a priority and employees are made aware of this during their induction, where they attend training in 'Stress Management', 'Looking out for Ourselves and Each Other' and 'Dignity at Work'. In their induction they are informed about the support network available to them (an Employee Assistance Programme, Dignity at Work Coaches, the HR team and Occupational Health). This is reinforced via displays on noticeboards and through promotions on the Wellbeing section of the staff SharePoint site. The Employee Hub was also an additional tool created at the start of the pandemic to allow easier access, both on personal and work devices, to wellbeing information.

i) Information

The Group has an open and honest culture and employees are informed of decisions that are relevant to them as soon as practical. The Group uses an intranet site for many of these communications, but also cascades information through the management structure ahead of intranet announcements. This is to ensure a personal touch in delivering information and allowing for questions to be answered.

The business operates as two primary Divisions and has several subsidiaries. Divisions and subsidiaries are able to develop the most appropriate internal communications for their area of the business, whilst operating within a communications framework for the entire Group that ensures all employees are systematically provided with relevant information on matters that may impact them as employees. Therefore, all employees receive regular updates on the Group's strategies, policies and results.

A Special Incident Response Team (SIRT) was put together at the beginning of the pandemic, consisting of senior members of staff from throughout the organisation. The SIRT has sent out regular communications to staff throughout the pandemic, updating them on changes to policies (such as working from home, flexible working and adaptations for home-schooling), as well as information about health and safety and how the Group is responding to the pandemic. The SIRT also developed a Coronavirus Support Hub on the Group Intranet site, including FAQs and other information for staff.

ii) Consultation

The Group has taken appropriate steps during the financial year to introduce, develop and maintain arrangements aimed at consulting employees or their representatives on a regular basis so that the views of employees can be taken into account when making decisions that are likely to affect their interests. For example, all consultation with employees affected by furlough leave has taken place on a 1:1 basis with line managers and feedback considered regularly by the Board and Executive Committees.

An employee survey (of both those staff on furlough leave and working) was carried out during 2020 to understand staff feedback on the Group's general response to the pandemic and the work carried out by the SIRT (see above).

Directors' report (continued) for the year ended 31 December 2020

Statement of employee engagement (continued)

Directors' Engagement with and Regard to Employees: (continued)

ii) Consultation (continued)

As part of our commitment to employee safety, the Zero Harm programme has continued to be a focus during 2020 and was one area for which expenditure was not suspended. Work was carried out throughout the year to make improvements to the programme based on employee feedback gleaned through a survey carried out at the end of 2019.

More generally consultation of employees has continued throughout the year with questions being answered by Board members at several of the meeting forums outlined above (under 'Directors' Engagement and Regard to Employees'). Generally these questions can be submitted to a nominated member of staff either before or during meetings and updates so that they can be delivered to Board members anonymously. This is to encourage open and honest questions and feedback. The Autoglym Division also has an online feedback system that allows staff to submit questions or observations directly to the CEO of the Autoglym Division and its Executive Committee at any time.

iii) Direct Engagement

Unfortunately during the pandemic some of the Board's usual ways of engaging with staff have not been possible (such as our popular 'Breakfast with the Directors' programme and employee events). However, the Board has developed new communication strategies. In particular, the CEOs of both Divisions have put out regular and detailed update videos to staff, shared via the intranet site and via links to mobile phones to ensure all staff are reached.

All of the Executive directors deliver either 'Cascade', 'Team' or 'Town Hall' briefings to their areas of the business and each of these includes a Q&A session at the end, where direct feedback can be given by employees. Richard Kahn, as Managing Director of the Group also engages directly with every global team, delivering an update on financial results and other performance KPIs in June and December of each year. This continued via electronic means throughout 2020.

iv) Employee Involvement in Company Performance

After a qualifying period, UK employees are invited to join a Share Incentive Plan (SIP). Free shares are generally distributed on an annual basis in recognition of the importance of encouraging employees to be involved in the Group's performance. No SIP Award was made during 2020 (see Principal Decisions), however the majority of UK staff remain SIP members and therefore receive all the same financial information that is disseminated to shareholders.

Financial results are shared with employees on a regular basis in both Divisions through a variety of meetings and reports.

v) Common Awareness

Information on financial performance is provided through a variety of means, as detailed above, and by giving a specific platform to employees to discuss information and to ask questions at the Cascade and Town Hall briefings. This enables the directors to ensure there is a common awareness amongst employees of the financial and economic factors affecting the Group.

Decisions Affecting Employees:

Some of the decisions taken during the year that have taken employee interests into consideration are outlined above and are also as follows:

- The Board has continued to pay for an external Employee Assistance Programme for all employees globally to access advice on a range of welfare and financial topics free of charge.
- An Employee Support Hub was set up at the start of the pandemic to provide regular updates on wellbeing related subjects, to ensure that employees felt connected and supported, whether working or on furlough leave, and to remind them of the support network available.
- The Group supported initiatives such as Time to Talk day, Stress Awareness week and International Men's Health day. Information was posted on the Employee Support Hub and a link emailed to all employees (whether working or on furlough leave). For example, on Time to Talk day, employees were encouraged to have an informal catch up with their teams to talk about non-work related matters.

Directors' report (continued) for the year ended 31 December 2020

Statement of employee engagement (continued)

Decisions Affecting Employees: (continued)

- There was an internal initiative focussed on wellbeing during the festive season (recognising the challenges that Christmas 2020 would bring to many). Guidance was sent to managers and a separate 'Festive Christmas Tips' document was sent to all staff.

In particular the Board have been very aware of the different experiences of all employees during the pandemic, both on a personal level, and in a work capacity. The Board have been particularly sensitive to the different experiences of those on furlough leave and those that have continued to work through the pandemic. With this in mind, the Group supplemented the furlough leave package provided by the government. Those who worked through the pandemic were given an additional 3 days' holiday to allow them a well-earned break after the additional effort required to adapt processes and procedures during the pandemic.

For more detail and other examples of how employee interests have been taken into account when making decisions, please see the Principal Decisions outlined in the Section 172 Statement in the Strategic report, which is incorporated into this Directors' report by reference and forms an integral part of this report.

Thanks

Our success is due to the teamwork and co-operation of the people within the Group. The directors thank all those who have worked so hard and contributed so much to achieve these results during a particularly demanding and unsettling time. The Group 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.

Stakeholder Engagement (Suppliers, Customers and Others)

For information regarding how the directors have engaged with stakeholders, such as suppliers, customers and others during the financial year, including the effect of that regard on Principal Decisions taken during the year, please see the Section 172 Statement in the Strategic report, which is incorporated into this Directors' report by reference and forms an integral part of this report.

Emissions and energy consumption

In line with current UK reporting guidelines, the following table details the Group's UK emissions and energy consumed in the year ended 31 December 2020. The information has been prepared using the reporting guidance and rules set out by SECR (Streamlined Energy and Carbon reporting).

	Total UK energy consumption (kWh):		Total UK emissions (Tonnes of CO₂e):	
	Year ended 31 December 2020	Location based 2020	Market Based 2020	
Scope 1: Gas and other fuels	8,879,880	1,663	1,663	
Scope 1: Transportation	535,440	127	127	
Scope 2: Grid-supplied electricity	6,189,542	1,443	16	
Total	15,604,862	3,233	1,806	
Intensity metric: (Tonnes of CO₂e/£m UK Turnover)		31.2	17.4	

Energy efficiency action

The Group is committed to year on year improvements in its operational energy efficiency. In recent years a number of projects have been identified and undertaken in which energy efficiency has been a contributing objective. These included installation of motion sensitive LED lighting at the Letchworth site, and the modernisation of our Autoglym production lines which continued into 2020.

Directors' report (continued)

for the year ended 31 December 2020

Emissions and energy consumption (continued)

Report Methodology

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following emission factor databases have been used to provide the kWh gross calorific value (CV) and kgCO₂e relevant for the reporting year: Database 2020, Version 1.01.

Estimations undertaken to cover missing billing periods for UK properties directly invoiced to Group companies were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 3.3% of reported consumption.

For properties where the Group is indirectly responsible for utilities (i.e. via a landlord or service charge) an average kWh/m² consumption was calculated at meter level and was applied to the properties with similar operations but no available data. These full year estimations were applied to 1 electricity and 1 gas supply. Intensity metrics have been calculated utilising the 2020 reportable figures.

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.

Group pension schemes

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

The Defined Benefit Pension Scheme (the "DB Scheme") was closed to future accrual on 31 March 2014. All members became deferred and the link to final salary was broken.

During the year the Group made a special contribution of £2.8m (2019: £2.8m) to the DB Scheme in line with the triennial funding plan agreed with the Pension Trustees.

Employees who were previously members of the DB Scheme have chosen to become members of a Defined Contribution Pension Scheme.

See the Strategic report for more detail on how the Board considers its pensioners.

Charitable and political donations

The Group contributed £184k (2019: £230k) for charitable purposes. There were no political contributions (2019: nil).

Going concern

In arriving at their decision to prepare these financial statements on the going concern basis, the directors have reviewed the Group's budget, forecasts and cashflow projections for 2021 and 2022, including proposed capital expenditure, and compared these with the Group's cash holdings, its committed borrowing facilities and projected gearing ratios.

Overall, the Group benefits from a strong financial position, with no external borrowing and significant liquidity. As at 31 December 2020 the Group had liquid resources of £24.7m (2019: £14.2m) comprising cash and cash equivalents. In addition, there is an agreed overdraft facility of £6.0m (2019: £6.0m).

The directors believe that the Group has adequate resources to continue in operational existence for at least, but not limited to, twelve months from the date of approving these financial statements and so continue to adopt the going concern basis.

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 Group also purchased and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of The Altro Group plc and its directors.

Directors' report (continued) for the year ended 31 December 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors of the ultimate parent Company are responsible for the maintenance and integrity of the ultimate parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved:

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

Independent auditors

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

Approved by the Board of Directors and signed by order of the Board.



E P Boyle
Secretary
30 April 2021

Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, The Altro Group plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2020; the consolidated profit and loss account and the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity and the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2020

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate

Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2020

accounting entries to manipulate financial results and management bias in accounting estimates.. Audit procedures performed included:

- discussions with management and those charged with governance, including known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- reviewing meeting minutes, including those of the board of directors;
- review and of key accounting estimates, including updating our understanding, assessing management's historical estimation accuracy through lookback procedures and reperformance of the calculations;
- reviewing key correspondence between the company and industry bodies; and
- testing journal entries that relate to management, related parties and those charged with governance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Watford

30 April 2021

Consolidated profit and loss account for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	5	138,221	151,338
Cost of sales		(60,900)	(66,770)
Gross profit		77,321	84,568
Distribution costs		(37,928)	(39,237)
Administrative expenses		(31,239)	(35,411)
Other operating income		2,327	320
Operating profit		10,481	10,240
Interest receivable and similar income	8	73	355
Interest payable and similar expenses	8	(15)	(29)
Profit before taxation	6	10,539	10,566
Tax on profit	9	(1,697)	(2,488)
Profit for the financial year		8,842	8,078

All the above results derive from continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		8,842	8,078
Other comprehensive income / (expense) :			
Currency translation differences arising on consolidation		623	(994)
Remeasurements of net Defined Benefit Pension Scheme balance	22	2,245	(11,188)
Total tax on components of Other comprehensive income / (expense)	9	(918)	1,388
Other comprehensive income / (expense) for the year, net of tax		1,950	(10,794)
Total comprehensive income / (expense) for the year		10,792	(2,716)
Earnings per share	11		
Basic		55.5p	50.3p
Diluted		55.5p	50.3p

Consolidated balance sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	12	1,969	2,194
Investment property	13	594	549
Tangible assets	14	39,733	41,600
		42,296	44,343
Current assets			
Inventories	16	24,578	25,025
Defined Benefit Pension Scheme asset	22	3,060	-
Debtors: amounts falling due after more than one year	17	-	686
Debtors: amounts falling due within one year	18	21,378	21,849
Cash at bank and in hand		27,066	16,552
		76,082	64,112
Creditors: amounts falling due within one year	19	(21,018)	(18,642)
Net current assets		55,064	45,470
Total assets less current liabilities		97,360	89,813
Provisions for liabilities	20	(568)	(702)
Deferred tax liability	20	(197)	-
Defined Benefit Pension Scheme liability	22	-	(1,974)
Net assets		96,595	87,137
Capital and reserves			
Called up share capital	26	1,657	1,657
Share premium account		7,218	7,218
Other reserves		(3,371)	(3,164)
Retained earnings		91,091	81,426
Total equity		96,595	87,137

The notes on pages 31 to 60 are an integral part of these financial statements.

The financial statements on pages 25 to 60 were approved by the Board on 30 April 2021 and signed on its behalf by



R J Kahn
Managing Director

Company balance sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	14	24,279	25,079
Investments	15	13,511	13,195
		37,790	38,274
Current assets			
Debtors: amounts falling due after more than one year	17	211	108
Cash at bank and in hand		7,940	6,373
		8,151	6,481
Creditors: amounts falling due within one year	19	(3,282)	(3,304)
Net current assets		4,869	3,177
Total assets less current liabilities		42,659	41,451
Net assets		42,659	41,451
Capital and reserves			
Called up share capital	26	1,657	1,657
Share premium account		7,218	7,218
Other reserves		(3,371)	(3,164)
Retained earnings			
- At 1 January		35,740	34,227
- Profit for the financial year		2,542	3,962
- Other changes in retained earnings		(1,127)	(2,449)
Total retained earnings		37,155	35,740
Total equity		42,659	41,451

The notes on pages 31 to 60 are an integral part of these financial statements.

The financial statements on pages 25 to 60 were approved by the Board on 30 April 2021 and signed on its behalf by



R J Kahn
Managing Director

Consolidated statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Share premium account £'000	Other reserves		Retained earnings £'000	Total equity £'000
			Capital redemption reserve £'000	Own shares £'000		
The Group						
Balance as at 1 January 2019	1,662	7,218	1,066	(3,761)	86,591	92,776
Profit for the financial year	-	-	-	-	8,078	8,078
Other comprehensive expense for the year	-	-	-	-	(10,794)	(10,794)
Total comprehensive expense for the year	-	-	-	-	(2,716)	(2,716)
Dividends paid	-	-	-	-	(2,235)	(2,235)
Purchase of own shares	(5)	-	5	-	(283)	(283)
Purchase of own shares for the SIP	-	-	-	-	(332)	(332)
Purchase of own shares by the EBT	-	-	-	(750)	-	(750)
Disposal of own shares by the EBT	-	-	-	276	67	343
Increase in reserves arising from share-based payments	-	-	-	-	334	334
Total transactions with owners, recognised directly in equity	(5)	-	5	(474)	(2,449)	(2,923)
Balance as at 31 December 2019	1,657	7,218	1,071	(4,235)	81,426	87,137
Balance as at 1 January 2020	1,657	7,218	1,071	(4,235)	81,426	87,137
Profit for the financial year	-	-	-	-	8,842	8,842
Other comprehensive income for the year	-	-	-	-	1,950	1,950
Total comprehensive income for the year	-	-	-	-	10,792	10,792
Dividends paid	-	-	-	-	(1,433)	(1,433)
Purchase of own shares	-	-	-	-	-	-
Purchase of own shares for the SIP	-	-	-	-	-	-
Purchase of own shares by the EBT	-	-	-	(208)	-	(208)
Disposal of own shares by the EBT	-	-	-	1	-	1
Increase in reserves arising from share-based payments	-	-	-	-	306	306
Total transactions with owners, recognised directly in equity	-	-	-	(207)	(1,127)	(1,334)
Balance as at 31 December 2020	1,657	7,218	1,071	(4,442)	91,091	96,595

Company statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Share premium account £'000	Other reserves		Retained earnings £'000	Total equity £'000		
			Capital redemption reserve £'000	Own shares £'000				
The Company								
Balance as at 1 January 2019	1,662	7,218	1,066	(3,761)	34,227	40,412		
Profit for the financial year	-	-	-	-	3,962	3,962		
Total comprehensive income for the year	-	-	-	-	3,962	3,962		
Dividends paid	-	-	-	-	(2,235)	(2,235)		
Purchase of own shares	(5)	-	5	-	(283)	(283)		
Purchase of own shares for the SIP	-	-	-	-	(332)	(332)		
Purchase of own shares by the EBT	-	-	-	(750)	-	(750)		
Disposal of own shares by the EBT	-	-	-	276	67	343		
Capital contribution arising from share-based payments	-	-	-	-	334	334		
Total transactions with owners, recognised directly in equity	(5)	-	5	(474)	(2,449)	(2,923)		
Balance as at 31 December 2019	1,657	7,218	1,071	(4,235)	35,740	41,451		
Balance as at 1 January 2020	1,657	7,218	1,071	(4,235)	35,740	41,451		
Profit for the financial year	-	-	-	-	2,542	2,542		
Total comprehensive income for the year	-	-	-	-	2,542	2,542		
Dividends paid	-	-	-	-	(1,433)	(1,433)		
Purchase of own shares	-	-	-	-	-	-		
Purchase of own shares for the SIP	-	-	-	-	-	-		
Purchase of own shares by the EBT	-	-	-	(208)	-	(208)		
Disposal of own shares by the EBT	-	-	-	1	-	1		
Capital contribution arising from share-based payments	-	-	-	-	306	306		
Total transactions with owners, recognised directly in equity	-	-	-	(207)	(1,127)	(1,334)		
Balance as at 31 December 2020	1,657	7,218	1,071	(4,442)	37,155	42,659		

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash from operating activities	27	16,149	12,750
Taxation paid		(1,854)	(2,660)
Net cash generated from operating activities		14,295	10,090
Cash flow from investing activities			
Purchase of intangible assets	12	(17)	(135)
Purchase of tangible assets	14	(2,389)	(4,207)
Proceeds from disposals of tangible assets		-	3
Interest received		73	127
Net cash used in investing activities		(2,333)	(4,212)
Cash flow from financing activities			
Dividends paid to owners of the parent	10	(1,433)	(2,235)
Interest paid		(4)	(29)
Sale of own shares by the EBT (net of costs of issue)		1	343
Purchase of own shares by the EBT and for the SIP		(208)	(1,082)
Purchase of own shares		-	(283)
Net cash used in financing activities		(1,644)	(3,286)
Net increase in cash and cash equivalents		10,318	2,592
Cash and cash equivalents at the beginning of the year		14,189	11,862
Exchange gain / (loss) on cash and cash equivalents		238	(265)
Cash and cash equivalents at the end of the year		24,745	14,189
Cash and cash equivalents consists of:			
Cash at bank and in hand		27,066	16,552
Overdrafts and short-term borrowings	19	(2,321)	(2,363)
Cash and cash equivalents		24,745	14,189

Notes to the consolidated financial statements

for the year ended 31 December 2020

1 General information

The Altro Group plc ("the Company") and its subsidiaries (together "the Group") manufacture and sell safety and other flooring, wall systems, resin systems and vehicle care and car wash products. The Group trades internationally and operates with a number of recognised brand names.

The Company is a public unlisted company limited by shares and is incorporated in the United Kingdom. The address of the registered office is Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW.

2 Statement of compliance

The Group and individual financial statements of The Altro Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of land and buildings and in accordance with the Companies Act 2006. The principal accounting policies, which have been applied consistently to all periods, are set out below.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The amendments to SI 2008/410 made by SI 2015/980 (applicable for accounting periods beginning on or after 1 January 2016) permit an entity to adapt the formats of detailed company law profit and loss account and balance sheet formats set out in SI 2008/410 and accordingly the Group has adopted these amendments.

The Company has also taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.

(b) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company shareholders.

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company cash flows;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statements disclosures;
- (iii) from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein;
- (iv) from disclosing transactions with other wholly owned Group companies as stated in paragraph 33.1A of FRS 102: Related party disclosures.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

3 Accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings up to 31 December.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

The Company has an established Employee Benefit Trust ("EBT") to which it is the sponsoring entity. Notwithstanding the legal duties of the trustees, the Company considers that it has 'de facto' control. The EBT is accounted for as assets and liabilities of the Company and is included in the consolidated financial statements. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(d) Foreign currency

(i) Functional and presentational currency

The Group's financial statements are presented in pound sterling and rounded to the nearest thousand. The Company's functional and presentation currency is pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of each transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities, denominated in foreign currencies, are recognised in the profit and loss account.

(iii) Translation

The trading results of Group undertakings are translated into pound sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in Other comprehensive income as currency translation differences on consolidation.

(e) Capital contributions

In accordance with FRS 102 section 26: Share-based payment, as the Company has granted rights over its equity instruments to the employees of Altro Limited, there is a corresponding increase recognised in the investment in the subsidiary.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

3 Accounting policies (continued)

(f) Goodwill and intangible assets

Goodwill, being the difference between the fair value and the directly attributable costs of the purchase consideration over the fair value of the Group's investment in the identifiable net assets, liabilities and contingent liabilities acquired, is included in the balance sheet in accordance with FRS 102 section 19: Business combinations and goodwill. Purchases of intangible assets are included in the balance sheet at cost less accumulated amortisation. Goodwill and intangible assets are amortised in equal instalments over their estimated useful economic lives.

The annual rates used for intangible assets are:

- Goodwill - 5%
- Franchise - 5%
- Computer Software - 10% to 33%

The useful economic lives are reviewed annually and revised if necessary. Provision is made for any impairment. Amortisation and impairment losses are recognised in the profit and loss account under administration expenses.

(g) Investments - Company

Investments in subsidiaries are held at cost less accumulated impairment losses.

(h) Tangible assets and depreciation

The cost of tangible assets is their purchase cost or deemed purchase cost, together with any related incidental costs of acquisition. Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible assets to write them down to their estimated residual values over their expected useful economic lives. No depreciation is provided on freehold and long leasehold land and assets under construction.

The annual rates used for other assets are:

- freehold and long leasehold buildings - 2.5%;
- short leasehold buildings - 5% or term if under twenty years; and
- plant, equipment (including computer hardware) and vehicles - 10% to 50% according to type of asset.

An impairment review is completed at least annually and, where there is evidence of impairment, fixed assets are written down to their recoverable amount. Impairment losses are recognised in the profit and loss account under administration expenses. Any reversal of impairment is recognised as a credit to the profit and loss account.

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

(i) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

3 Accounting policies (continued)

(j) Inventories

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.

(k) Financial instruments

The Group has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including foreign currency swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account.

Financial liabilities are derecognised when the liability is extinguished, i.e. when the contractual obligation is discharged, cancelled or expires.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

3 Accounting policies (continued)

(k) Financial instruments (continued)

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and where the amount of the obligation can be reliably estimated.

(m) Turnover

The Group manufactures, markets, and sells a range of different products as detailed within the principal activities section of the Strategic report. Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

The Group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; and (d) it is probable that future economic benefits will flow to the Group.

(n) Research and development

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

(o) Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements, share based payment plans and pension schemes.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined Benefit Pension Scheme

The Group operates a Defined Benefit Pension Scheme ("DB Scheme") in the UK, closed to new members in 2005 and to future accrual in 2014, the costs of which are assessed in accordance with the advice of an independent qualified actuary.

Pension costs for the DB Scheme have been accounted for in accordance with FRS 102 section 28: Employee 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, with the associated deferred tax liability or asset recognised separately. The cost charged to operating profit is the service cost of the DB Scheme. The interest costs are included in the net finance charge or income in the profit and loss account. Actuarial gains or losses are recognised in Other comprehensive income.

(iii) Defined Contribution Pension Schemes

The Group also operates a number of Defined Contribution Pension Schemes (DC Schemes). The pension costs for the DC Schemes represent contributions payable by the Group in the year.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

3 Accounting policies (continued)

(o) Employee benefits (continued)

(iv) Share-based payment

The Group 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 Group'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 issued by the Group 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 Group's share valuation will be 30%.

The Group operates a Share Incentive Plan on which it is also required to recognise a compensation charge under FRS 102 section 26: Share-based payment, calculated as detailed above.

Employer's National Insurance contributions arise on the exercise of certain share options. A provision for National Insurance contributions on share option gains is made based on the difference between the market price of the Company's shares at the balance sheet date and the option exercise price, spread pro-rata over the vesting period of the options.

(p) 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.

(q) Dividends

In accordance with FRS 102 section 32: Events after the end of the reporting period dividends proposed after the balance sheet date are not charged to the profit and loss account in the year.

Dividend income will be recognised when the Company's right to receive payment has been established. The Company's right to an interim dividend is established when it is paid, and the right to a final dividend is established when it is declared in a general meeting. If the right to the dividend cannot be established until the income is received, recognition will be delayed until then.

(r) EPS

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the weighted average number of shares held by the Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one class of dilutive potential ordinary shares, namely share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

(s) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase costs and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the income statement.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

3 Accounting policies (continued)

(t) Other operating income

Government grants

Government grants are recognised by the Group when there is reasonable assurance that the conditions attaching to them will be met, and that the grants will be received. The Group has adopted the accruals model, which requires the grant income to be matched against the related costs for which the grant is intended to compensate. Grant income is presented gross in the income statement within Other operating income.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Critical accounting judgements and estimation uncertainty

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a substantial risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are addressed below.

Defined Benefit Pension Scheme

Although the Defined Benefit Pension Scheme (DB Scheme) is closed to future accrual, the Group has an obligation to fund the Scheme. The present value of the asset/obligation depends on a number of factors, including: life expectancy, asset valuations, inflation rates and the discount rates for scheme liabilities. Management estimates these factors, with recommendations from an independent actuary, in determining the net pension asset/obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Impairment of investments and goodwill

The Company considers whether investments and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Inventory provisioning

The Group manufactures, markets, and sells a range of different products as detailed within the principal activities section of the Strategic report. These are subject to changing consumer demands, and as a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

5 Turnover

Turnover by geographical area was:

Territory	2020		2019	
	£'000	%	£'000	%
United Kingdom	64,581	47	71,795	48
Continental Europe	23,264	17	24,765	16
The Americas	37,177	27	41,292	27
Australia and Asia Pacific	10,323	7	10,452	7
Rest of world	2,876	2	3,034	2
	138,221	100	151,338	100

Turnover is comprised of revenue from the sale of goods.

6 Profit before taxation

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

	2020	2019
	£'000	£'000
Amortisation of intangible assets	468	487
Depreciation of tangible assets	4,377	4,065
Loss on disposal of tangible fixed assets	-	10
Inventory obsolescence charges and (reversals)	2,312	(463)
Bad debt (reversals) and impairments	(112)	383
Research and development	1,791	2,077
Operating lease charges	1,871	1,956
Government grants (included within Other operating income)	(2,052)	(20)
Foreign exchange (gain) / loss	(362)	617
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	68	58
Fees payable to the Company's auditors and their associates for other services:		
- the audit of the Company's subsidiaries	46	38
- tax compliance services	17	17
- tax advisory services	20	-
- corporate finance services	2	9
- other non-audit services	17	40
Total amount payable to the Company's auditors and their associates	170	162

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

7 Employees and directors

Group employees

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

	2020	2019
	Number	Number
Manufacturing	196	200
Sales and marketing	302	308
Warehouse and distribution	97	99
Administration and management	216	214
	811	821

Employee costs, including directors, during the year were:

	2020	2019
	£'000	£'000
Wages and salaries	35,360	35,164
Social security costs	3,823	3,893
Other pension costs	1,623	1,589
Employee share schemes (note 24)	316	796
Other staff benefits	1,262	1,366
	42,384	42,808

All staff are employed by subsidiaries within the Group. The Company has no employees (2019: nil).

Directors

The directors' emoluments were as follows:

	2020	2019
	£'000	£'000
Aggregate emoluments	1,549	1,555
Defined Contribution Pension Scheme contributions	186	186
	1,735	1,741

Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (2019: one) in the year.

During the year 51,709 (2019: 72,786) phantom options were awarded to the directors and 64,761 (2019: 56,277) were exercised.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

7 Employees and directors (continued)

Highest paid director

	2020	2019
	£'000	£'000
Highest paid director:		
Aggregate emoluments	770	737
Defined Contribution Pension Scheme contributions	186	186
	956	923

The amount of the accrued pension in the DB Scheme of the highest paid director at 31 December 2020 is £171k (2019: £167k). No approved share options (2019: none) and 28,695 phantom share options (2019: 30,527) were exercised by the highest paid director in the year.

Key management

The Directors are considered to be the key management. The compensation paid or payable to key management has been included in the schedule for directors.

8 Net interest expense

	2020	2019
	£'000	£'000
Interest receivable and similar income:		
short term deposits	10	48
other	63	79
finance income on DB Scheme assets (note 22)	-	228
Interest receivable and similar income	73	355
Interest payable and similar expenses:		
bank overdraft	(4)	(29)
finance charge on DB Scheme liabilities (note 22)	(11)	-
Interest payable and similar expenses	(15)	(29)
Net interest income	58	326

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

9 Tax on profit

(a) Tax expense included in profit or loss	2020	2019
	£'000	£'000
Current tax:		
UK corporation and income tax:		
current tax on income for the year	1,622	1,308
adjustments in respect of prior years	(244)	172
	1,378	1,480
Foreign tax:		
current tax on income for the year	232	1,064
adjustments in respect of prior years	120	-
	352	1,064
Current tax charge	1,730	2,544
Deferred tax:		
timing differences - origination and reversal	(33)	(56)
Deferred tax credit	(33)	(56)
Tax on profit	1,697	2,488
(b) Tax expense / (income) included in Other comprehensive income / (expense)	2020	2019
	£'000	£'000
Deferred tax:		
timing differences - origination and reversal	918	(1,388)
Tax expense / (income) included in Other comprehensive income / (expense)	918	(1,388)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

9 Tax on profit (continued)

(c) Reconciliation of tax charge

The total tax charge for the year is lower (2019: higher) than the applicable rate of corporation tax in the UK of 19% (2019: 19%).

A reconciliation of the total tax charge for the year is presented below:

	2020	2019
	£'000	£'000
Profit before taxation	10,539	10,566
Tax charge on profit before taxation of 19% (2019: 19%)	2,002	2,008
Income not subject to tax	-	(20)
Expenses not deductible for tax purposes	266	282
Research and development enhanced allowances	(159)	(211)
Pension contributions in excess of charge	(530)	(473)
Depreciation in excess of capital allowances	163	18
Movement in short-term timing differences	(4)	18
Differences in UK income tax and overseas tax rates	38	867
Adjustments in respect of prior years	(124)	172
Deferred tax on share schemes	(29)	(74)
Other	74	(99)
Tax charge for the year	1,697	2,488

(d) Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

10 Dividends per share

	2020	2019
	£'000	£'000
Final dividend for prior year of nil per share (2019: 9.5p)	-	1,516
Interim dividend for current year of 9.0p per share (2019: 4.5p)	1,433	719
	1,433	2,235

A final dividend of 12.0p (2019: nil) per share for the year ended 31 December 2020 will be proposed at the Annual General Meeting in June 2021. Based on the number of shares in issue at the date of this report, this would equate to a dividend of £1,989k (2019: nil).

Dividends payable on shares held by the Employee Benefit Trust have been waived.

11 Earnings per share

	2020	2019
	£'000	£'000
Profit for the financial year attributable to owners of the parent	8,842	8,078

	2020	2019
	Number	Number
	of shares	of shares
Weighted average number of shares in issue	16,573,931	16,644,669
Weighted average number of shares held by the Employee Benefit Trust	(640,970)	(586,549)
Basic weighted average number of shares in issue	15,932,961	16,058,120
Dilutive effect of share option schemes	-	988
Diluted weighted average number of shares	15,932,961	16,059,108

Earnings per share

Basic	55.5p	50.3p
Diluted	55.5p	50.3p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the weighted average number of shares held by the Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares, namely share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

12 Intangible assets

The Group	Franchise £'000	Goodwill £'000	Computer Software £'000	Total £'000
Cost				
At 1 January 2020	141	4,999	2,022	7,162
Additions	-	-	17	17
Currency translation differences	-	101	27	128
Transfers	-	-	134	134
Disposals	-	-	(15)	(15)
At 31 December 2020	141	5,100	2,185	7,426
Accumulated amortisation				
At 1 January 2020	122	3,268	1,578	4,968
Currency translation differences	-	21	15	36
Charge for the year	7	248	213	468
Disposals	-	-	(15)	(15)
At 31 December 2020	129	3,537	1,791	5,457
Net book value				
At 31 December 2020	12	1,563	394	1,969
At 31 December 2019	19	1,731	444	2,194

Company

The Company does not hold any intangible assets (2019: none).

13 Investment property

The Group	Freehold Buildings £'000
At Fair value	
At 1 January 2020	549
Net gain from fair value adjustments on investment property	13
Currency translation differences	32
At 31 December 2020	594
Provisions	
At 1 January 2020	-
At 31 December 2020	-
Net book value	
At 31 December 2020	594
At 31 December 2019	549

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

14 Tangible assets

The Group	Land and buildings			Plant equipment and vehicles	Assets under construction	Total
	Freehold	Long leasehold	Short leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2020	3,880	36,064	613	46,462	1,313	88,332
Currency translation differences	305	-	(4)	635	-	936
Additions	5	13	21	2,009	341	2,389
Disposals	-	-	-	(231)	-	(231)
Transfers	-	72	-	858	(1,064)	(134)
At 31 December 2020	4,190	36,149	630	49,733	590	91,292
At valuation	256	4,394	-	-	-	4,650
At cost	3,934	31,755	630	49,733	590	86,642
At 31 December 2020	4,190	36,149	630	49,733	590	91,292
Accumulated depreciation						
At 1 January 2020	1,221	11,815	356	33,340	-	46,732
Currency translation differences	169	-	(3)	515	-	681
Charge for the year	65	797	90	3,425	-	4,377
Disposals	-	-	-	(231)	-	(231)
At 31 December 2020	1,455	12,612	443	37,049	-	51,559
Net book value						
At 31 December 2020	2,735	23,537	187	12,684	590	39,733
At 31 December 2019	2,659	24,249	257	13,122	1,313	41,600
Comparable amounts determined according to the historical cost convention:						
cost (at 31 December 2020)	2,272	34,443	630	49,733	-	87,078
accumulated depreciation	(1,442)	(12,366)	(444)	(36,955)	-	(51,207)
Net book value						
At 31 December 2020	830	22,077	186	12,778	-	35,871
At 31 December 2019	754	22,789	257	13,122	-	36,922

Land and buildings were revalued in 1989 which resulted in an increase to the carrying value of property, plant and equipment in both the Group and the Company. The valuation was carried out by an independent valuer who took into account market values of land and buildings at that time. This was taken to be deemed cost on transition.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

14 Tangible assets (continued)

The Company	Land and buildings		Assets under construction	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2020	1,095	36,063	72	37,230
Additions	-	13	-	13
Transfers	-	72	(72)	-
At 31 December 2020	1,095	36,148	-	37,243
At valuation	256	4,394	-	4,650
At cost	839	31,754	-	32,593
At 31 December 2020	1,095	36,148	-	37,243
Accumulated depreciation				
At 1 January 2020	335	11,816	-	12,151
Charge for the year	16	797	-	813
At 31 December 2020	351	12,613	-	12,964
Net book value				
At 31 December 2020	744	23,535	-	24,279
At 31 December 2019	760	24,247	72	25,079
Comparable amounts determined according to the historical cost convention:				
cost (at 31 December 2020)	969	34,443	-	35,412
accumulated depreciation	(342)	(12,377)	-	(12,719)
Net book value				
At 31 December 2020	627	22,066	-	22,693
At 31 December 2019	643	22,778	-	23,421

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

15 Investments

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
At 1 January	-	-	13,195	12,399
Capital contribution arising from share-based payment charge	-	-	316	796
At 31 December	-	-	13,511	13,195

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

The capital contributions arising from the FRS 102 section 26: Share-based payment charge are due to the Company granting share options to employees of Altro Limited. This results in a corresponding increase in investment in Altro Limited.

Principal trading subsidiaries

The principal trading subsidiaries at 31 December 2020 were:

Company	Address of registered office	Class of shares	% of shares held	Activity
Altro Limited	Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW, UK	Ordinary	100	Manufacturing & marketing
Altro APAC Pty Ltd	3 St Andrews Court, Rowville, VIC 3178, Australia	Ordinary	100	Distribution
Altro GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	-	100	Distribution
Altro Nordic AB	Box 9055, 200 39, Malmö, Sweden	Ordinary	100	Distribution
Altro Scandess SA	Urbana OFIC. 2-C y Gje. 32-1 sto, Playa De Riazor, N22 of 28042- Madrid, Spain	Ordinary	100	Distribution
Altro Canada Inc.	6221 Kennedy Road, Unit 1, Mississauga, ON L5T 2S8, Canada	Common	100	Distribution
Altro USA, Inc.	80 Industrial Way, Suite 1, Wilmington, MA 01887, USA	-	100	Distribution
Altro Middle East DMCC	Jumeirah Lake Towers, P.O. Box 340505, Dubai, United Arab Emirates	-	100	Distribution
Altro Trading (Shanghai) Company Limited	Suite 402, Jiuxing Hongqiao Business Center, No.25 Shenbin Rd, Shanghai 201107, China	-	100	Distribution
Altro Japan K.K.	C/O Mazars Japan K.K., ATT New Tower 11F, 2-11-7, Akasaka, Minato-ku, Tokyo	-	100	Distribution
Altro Debolon Holding GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Holding Company
Altro Debolon GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Holding Company
Debolon Dessauer Bodenbeläge GmbH & Co. KG	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Manufacturing & distribution
Altro Debolon Beteiligungen Verwaltungs GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Holding Company

All the above subsidiaries are included in the consolidation. The Company's investment in Altro Limited and Altro APAC Pty Ltd are direct ownership, all other investments are indirect ownership.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

15 Investments (continued)

Dormant entities

The following companies, all registered at the same address as The Altro Group plc, are wholly owned by the Group but are dormant at the year end:

Altro Whiterock Limited	The Altro Group Trustees Limited	Kanor Chemicals Limited
Altrofix Limited	Autoglym Products Limited	Terrazzolite Limited
Altro Sport Surfaces Limited	The Altro Group SIP Trustees Limited	Valet-Glym Limited
Autoglym Limited	Altro Floors Limited	Zolatone Polomyx Limited

Australian Safety Flooring Pty Ltd (registered at the address of Altro APAC Pty Ltd) is also wholly owned by the Group but dormant at the year end. Recofloor Limited (registered at Unit 2 Tudor House, Meadway, Bramhall, Stockport, SK7 2DG), also dormant at the year end, is 50% owned by the Group.

16 Inventories

Group

	2020	2019
	£'000	£'000
Raw materials and consumables	6,128	6,590
Work in progress	958	799
Finished goods and goods held for resale	17,492	17,636
	24,578	25,025

There is no significant difference between the replacement cost of the inventory and its carrying amount.

Inventories are stated after provisions for impairment of £7,279k (2019: £4,967k).

Company

The Company has no inventories at 31 December 2020 (2019: nil).

17 Debtors: amounts falling due after more than one year

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans	-	350	-	-
Deferred tax asset (note 20)	-	336	211	108
	-	686	211	108

The loan balance is stated after provisions for impairment of £700k (2019: £350k).

Company

The Company has no loans at 31 December 2020 (2019: nil).

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

18 Debtors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade debtors	17,433	18,006	-	-
Other debtors	1,069	766	-	-
Corporation tax	474	357	-	-
Deferred tax asset (note 20)	-	353	-	-
Prepayments and accrued income	2,402	2,367	-	-
	21,378	21,849	-	-

Trade debtors and other debtors are stated after provisions for impairment of £569k (2019: £681k).

19 Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans and overdrafts	2,321	2,363	2,321	2,363
Trade creditors	4,932	5,888	-	-
Amounts owed to group undertakings	-	-	449	177
Corporation tax	251	258	-	64
Other taxation and social security	3,894	1,590	-	-
Other creditors	386	913	-	-
Accruals and deferred income	9,234	7,630	512	700
	21,018	18,642	3,282	3,304

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

20 Provisions for liabilities

The Group

	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2020	(689)	702	13
Charged to consolidated profit and loss account	885	172	1,057
Utilised in the year	-	(250)	(250)
Released in the year	-	(106)	(106)
Currency translation movements	1	50	51
At 31 December 2020	197	568	765

Other provisions represent estimated amounts in respect of worldwide dilapidations, reparations and other matters as advised by our legal advisers. This provision is expected to be used over the next five years. In determining these amounts, management utilises guidance provided to it by its legal advisers, and other experts, as appropriate.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

20 Provisions for liabilities (continued)

The Company

	Deferred tax £'000
At 1 January 2020	(108)
Credited to profit and loss account	(103)
At 31 December 2020	(211)

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities / (assets)

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Accelerated capital allowances	118	169	(211)	(108)
Other short-term timing differences	(362)	(265)	-	-
Defined Benefit Pension Scheme	582	(336)	-	-
Overseas deferred tax	(141)	(257)	-	-
Deferred tax liability / (asset)	197	(689)	(211)	(108)

21 Operating lease commitments

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

The Group	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	1,171	681	1,086	801
between one and five years	1,382	756	1,947	795
after five years	2,866	-	2,948	-
	5,419	1,437	5,981	1,596

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

22 Retirement benefits

(a) Defined Benefit Pension Scheme

The Group operates a funded DB Scheme in the UK which offers pensions in retirement to members.

A full actuarial valuation was carried out as at 30 April 2020; the results have been updated to 31 December 2020 by a qualified independent actuary and showed a surplus at that date of £3,060k (2019: £1,974k deficit) gross of deferred tax, measured in accordance with FRS 102 section 28: Employee benefits.

The DB Scheme was closed to future accrual on 31 March 2014. All members became deferred and the link to final salary was broken.

The Company plans to reduce the DB Scheme obligation through an agreed contribution of £2,800k (2019: £2,800k) per year going forward.

(i) Pension asset / (liability)

The pension asset / (liability) at 31 December was as follows:

	2020	2019
	£'000	£'000
Fair value of DB Scheme assets	159,968	146,712
Present value of DB Scheme liabilities	(156,908)	(148,686)
Group pension asset / (liability)	3,060	(1,974)

The present value of unfunded DB Scheme liabilities is nil (2019: nil). The irrecoverable surplus in the DB Scheme is nil (2019: nil).

(ii) Defined Benefit Pension Scheme - Analysis of assets and expected rates of return

The fair value of plan assets at 31 December were:

	2020	2019
	£'000	£'000
LDI funds and cash	119,152	103,509
Diversified Growth Funds	40,816	43,203
Fair value of DB Scheme assets	159,968	146,712

The DB 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.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

22 Retirement benefits (continued)

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

(iii) Defined Benefit Pension Scheme - Financial and demographic assumptions

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

	2020	2019
	%	%
Rate of increase in pensions in payment (post 2006)	2.0	2.2
Rate of increase in pensions in payment (post 1997, pre 2006)	3.4	3.5
Rate of increase in pensions in payment (pre 1997)	3.0	3.0
Discount rate	1.4	2.0
RPI Inflation	2.8	3.0
CPI Inflation	2.4	2.1

The assumed life expectancies on retirement at age 65 were:

		2020	2019
		Years	Years
Retiring today	males	21.7	21.7
	females	24.0	23.7
Retiring in 20 years' time	males	23.0	23.1
	females	25.5	25.0

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

(iv) Defined Benefit Pension Scheme - Changes in fair value of DB Scheme assets

	2020	2019
	£'000	£'000
Fair value of DB Scheme assets at 1 January	146,712	131,526
Interest income on DB Scheme assets	2,915	3,939
Actuarial gain	12,313	11,701
Contributions by employer	2,800	2,800
Benefits paid	(4,772)	(3,254)
Fair value of DB Scheme assets at 31 December	159,968	146,712

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

22 Retirement benefits (continued)

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

(v) Defined Benefit Pension Scheme - Changes in present value of DB Scheme liabilities

	2020	2019
	£'000	£'000
Present value of DB Scheme liabilities at 1 January	148,686	125,340
Interest cost	2,926	3,711
Remeasurement loss	10,068	22,889
Benefits paid	(4,772)	(3,254)
Present value of DB Scheme liabilities at 31 December	156,908	148,686

(vi) Defined Benefit Pension Scheme - Analysis of amounts recognised in the profit and loss account

	2020	2019
	£'000	£'000
Administration expenses	362	338
Total operating charge	362	338
Interest expense / (income) on DB Scheme net asset / liability	11	(228)
Total finance expense / (income) (note 8)	11	(228)

(vii) Defined Benefit Pension Scheme - Amounts recognised in Other comprehensive income / (expense)

	2020	2019
	£'000	£'000
Actual return on DB Scheme assets less interest income	12,313	11,701
Remeasurement loss on DB Scheme liabilities	(10,068)	(22,889)
	2,245	(11,188)

(b) Defined Contribution Pension Schemes (DC Schemes)

The Group makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Group in the year in respect of these schemes were £1,623k (2019: £1,589k). There were no accrued contributions at the year end (2019: nil). Contributions of £977k were prepaid at the year end (2019: £1,163k).

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

23 Financial instruments

Group

The Group has the following financial instruments:

	2020	2019
	£'000	£'000
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts	355	-
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	17,433	18,006
- Other debtors	714	766
- Loans	-	350
	18,147	19,122
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	-	107
Financial liabilities measured at amortised cost		
- Trade creditors	4,932	5,888
- Accruals	9,234	7,630
- Other creditors	386	913
- Bank overdrafts and other borrowings	2,321	2,363
	16,873	16,794

Derivative financial instruments - forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for purchases and sales. As at 31 December 2020, the outstanding contracts all mature within 12 months (2019: 12 months) of the year end. The Group committed to buy €1,500k for a fixed sterling amount (2019: €11,000k). At 31 December 2020 the Group had also committed to sell AUD\$2,000k, CAD\$4,000k, SEK14,000k and US\$8,500k for fixed sterling amounts (2019: AUD\$2,000k, CAD\$4,750k, SEK7,000k and US\$10,500k).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for each of the currencies against sterling. The fair value of the forward foreign currency contracts is £355k gain (2019: £107k loss). This balance is included within the Other debtors (note 17) (2019: Other creditors (note 19)).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

24 Share-based payment

During the year ended 31 December 2020, the Group operated three share-based payment arrangements, as follows:

Company Share Option Plans (CSOP)

The Altro Group plc 2007 United Kingdom Approved Share Option Scheme (the '2007 CSOP') was introduced in 2007. However no further grants can be made under this plan. In 2018 a new plan was therefore introduced, known as The Altro Group plc Company Share Option Plan (the '2018 CSOP'). Under the 2018 CSOP the Board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market value of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are generally reserved for employees at senior and director level. There are four participants remaining in the 2007 CSOP (2019: four), and one participant in the 2018 CSOP at the balance sheet date (2019: none). As appropriate, the Company has made annual grants since the inception of these Plans. Options granted under these Plans will become exercisable on the third anniversary of the date of grant and exercise is generally conditional on there having been real growth in the published earnings per share of the Group in any three years between the date the option was granted and the date of exercise. Real growth means an increase above the General Index of Retail Prices of not less than 2% and earnings per share are as published in the Group's audited financial statements. Exercise of an option is typically subject to continued employment and is settled by equity.

Phantom Share Option Plans

The Phantom Share Option Plan 2018 was introduced in 2018 (the 'Phantom Plan 2018') to replace The Altro Group plc Phantom Share Option Scheme 2005 (the 'Phantom Plan 2005'). No further Phantom Options will be granted under the Phantom Plan 2005. Under the Phantom Plan 2018 the Board can grant options over notional shares in the Company to employees of the Group. The contractual life of a Phantom Option is seven years and options are granted with a fixed exercise price set by the Board and usually equal to the market price of the shares under option at the date of grant. Awards are generally reserved for employees at senior and director level. There are five participants remaining in the Phantom Plan 2005 (2019: five) and six participants in the Phantom Plan 2018 at the balance sheet date (2019: five). As appropriate, the Company has made annual grants under one of the Phantom Plans since 2006. Phantom Options granted under either Phantom Plan will become exercisable on the third anniversary of the date of grant. There are no performance conditions attached to the exercise of Phantom Options that have been granted to date under either Phantom Plan. A Phantom Option is usually satisfied in cash and therefore does not normally result in the issuing of shares in the Company.

The Altro Group plc Share Incentive Plan (SIP)

The SIP was introduced in 2003 and the Board can award free shares in the Company to UK-based employees of Altro Limited. Under current legislation free shares must be kept in trust for a minimum of three years and for five years to take advantage of full tax benefits. There is an upper statutory limit of £3,600 worth of shares per tax year. Awards are granted with a fixed price equal to the market price of the shares at the date of award. Awards under the SIP are reserved for employees who have been in continuous employment for a period of seven months prior to the grant date. There are 454 participating employees at the balance sheet date (2019: 495). The Company has made annual awards since 2003, with the exception of 2020, and there are no performance conditions attached to an award. An award is satisfied by the issue of equity shares. 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 Group's consolidated profit and loss account for the year is as follows:

	2020	2019
	£'000	£'000
Expense arising from share-based payment arrangements	316	796

A reconciliation of option and SIP movements over the year to 31 December 2020 is shown on page 56. 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.

Notes to the consolidated financial statements (continued) for the year ended 31 December 2020

24 Share-based payment (continued)

	2020		2019	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	832,299	593	791,994	598
Granted during the year	78,340	738	144,276	511
Exercised during the year	(122,907)	507	(103,971)	492
Outstanding at 31 December	787,732	629	832,299	593
Exercisable at 31 December	446,192	644	451,693	594

During the year two directors exercised share options (2019: three).

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:

Phantom plan:	2020	2019
Risk-free interest rate	0.5% - 0.7%	0.8% - 1.1%
Expected volatility	30%	30%
Expected option life	3-7 years	3-7 years
Expected dividend yield	2.0%	2.0%

The expiry dates and exercise prices of the share options outstanding at 31 December are as follows:

Share option schemes	Settlement method	Number of options		Exercise price pence	Exercisable between
		2020	2019		
CSOP	Equity	10,506	10,506	571	11.04.2018 and 11.04.2025
		7,124	7,124	842	30.09.2019 and 30.09.2026
		4,065	-	738	30.01.2023 and 30.01.2030
Total CSOP		21,695	17,630		
Phantom	Cash	-	55,984	521	11.04.2016 and 11.04.2020
		45,047	64,331	467	11.04.2017 and 11.04.2021
		53,857	53,857	571	11.04.2018 and 11.04.2022
		48,196	48,196	842	30.09.2019 and 30.09.2023
		71,365	71,365	669	26.05.2020 and 26.05.2024
		78,168	78,168	623	26.10.2021 and 26.10.2025
		97,778	97,778	511	06.09.2022 and 06.09.2026
		74,275	-	738	30.03.2023 and 30.03.2027
Total Phantom		468,686	469,679		
Share Incentive Plan	Equity	297,351	344,990		
Total Share Incentive Plan		297,351	344,990		
Total share options outstanding		787,732	832,299		

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

25 Investment in own shares

The Group accounts for its own shares held by the trustees of the Employee Benefit Trust (EBT) as a deduction from shareholders' funds as required by FRS 102 section 22.16. The costs of running the EBT are charged to the Company's profit and loss account as they occur and are financed by advances from the Company.

	At 31 December 2020	At 31 December 2019
Number of shares in the Company owned by the EBT	651,176	621,991
Nominal value of shares held	£65,118	£62,199
Cost price of shares held	£4,443,161	£4,235,710
Prevailing valuation of the shares (pence)	680	738
Total market value of shares	£4,427,997	£4,590,294
Maximum number of shares in the Company owned by the EBT during the year	651,176	636,155
Minimum number of shares in the Company owned by the EBT during the year	621,991	547,647

The EBT does not award shares to employees. When awards are made to eligible employees for the SIP grant, the shares are transferred from the EBT to the SIP Trust to be held on trust for those individuals. The EBT sells shares it holds both to employees and to The Altro Group plc. The shares held by the EBT are therefore not under option to employees.

Dividends payable on these shares are waived.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

26 Called up share capital

Authorised, called up, allotted and fully paid share capital

	2020	2019
	£'000	£'000
Authorised:		
50,000,000 ordinary shares of 10p each (2019: 50,000,000 ordinary shares of 10p each)	5,000	5,000
Called up, allotted and fully paid:		
16,573,931 ordinary shares of 10p each (2019: 16,573,931 ordinary shares of 10p each)	1,657	1,657

Movements in share capital in the year

	2020	2019
	Number of shares	Number of shares
At 1 January	16,573,931	16,619,981
Shares issued	-	-
Own shares purchased	-	(46,050)
At 31 December	16,573,931	16,573,931

Allotment of shares

During the year zero (2019: zero) options were exercised to acquire ordinary shares. 75,268 (2019: 56,277) options were exercised under The Altro Group plc Phantom Share Option Scheme 2005, which did not result in the issue of shares.

Purchase of own shares

During the year the Company purchased and subsequently cancelled none (2019: 46,050) of its own shares. The nominal value of the shares was £nil (2019: £5k) and the amount paid was £nil (2019: £283k).

Shareholder analysis

Shares	2020			2019		
	Number	(millions)	%	Number	(millions)	%
Directors and their families	18	10.5	64	16	10.5	64
Employees, ex-employees and their families	447	4.7	28	421	4.7	28
The Share Incentive Plan and the EBT	16	1.0	6	16	1.0	6
Other	15	0.4	2	15	0.4	2
	496	16.6	100	468	16.6	100

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

27 Notes to the consolidated statement of cash flows

	2020	2019
	£'000	£'000
Profit for the financial year	8,842	8,078
Adjustments for:		
Tax on profit	1,697	2,488
Net interest income	(58)	(326)
Operating profit	10,481	10,240
Amortisation of intangible assets	468	487
Depreciation of tangible assets	4,377	4,065
Loss on disposal of tangible assets	-	10
Post employment benefits less payments	(2,800)	(2,800)
Share based payment charge	316	796
Currency translation differences and other non-cash movements	107	148
Decrease in net provisions	(226)	(1,174)
Working capital movements:		
- Decrease / (increase) in inventories	446	(497)
- Decrease in debtors and prepayments	639	1,434
- Increase in payables	2,341	41
Net cash inflow from operating activities	16,149	12,750

28 Capital commitments

Group	2020	2019
	£'000	£'000
Contracted but not provided for	752	1,321

Company

The Company does not have any capital commitments at 31 December 2020 (2019: nil).

29 Contingent Liabilities

The Company has provided a formal guarantee to the trustees of the Altro Pension Scheme in respect of the present and future obligations of Altro Limited to the DB Scheme (see note 22).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2020

30 Related party transactions

The Company has taken advantage of the exemption available in paragraph 33.1A of FRS 102: Related party disclosures and has not disclosed transactions with other wholly owned Group companies. Transactions between Group companies that eliminate in the consolidated financial statements are not disclosed. There are no other related party transactions.

31 Ultimate parent company

The ultimate parent undertaking and controlling party is The Altro Group plc, a company registered in England and Wales. For the year ended 31 December 2020, The Altro Group plc is the parent undertaking of the largest and smallest group of undertakings whose results are consolidated in these financial statements at 31 December 2020.

Five year financial summary

This summary does not form part of the audited financial statements.

The Group

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Balance sheet					
Fixed assets	42,296	44,343	45,021	44,202	44,123
Current assets	76,082	64,112	62,185	63,370	65,845
Total assets	118,378	108,455	107,206	107,572	109,968
Ordinary shareholders' funds	96,595	87,137	92,776	84,701	70,224
Other creditors	21,783	19,344	20,123	22,928	23,844
Defined Benefit Pension Scheme liability	-	1,974	(5,693)	(57)	15,900
Total funds employed	118,378	108,455	107,206	107,572	109,968
Turnover and profits					
Turnover	138,221	151,338	145,240	143,301	137,963
Operating profit	10,481	10,240	9,891	11,014	11,280
Profit for the financial year	8,842	8,078	8,526	8,098	8,168
Ordinary dividends	1,433	2,235	2,248	2,259	2,322
	Pence	Pence	Pence	Pence	Pence
Diluted earnings per share	55.5	50.3	53.1	52.0	50.6
Adjusted earnings per share	55.5	50.3	53.1	52.0	50.6
Dividends per share	9.0	14.0	14.0	14.0	14.0
Net assets per share	582.8	525.7	558.2	505.2	412.6
Gearing ratio %	0.0	0.0	0.0	2.0	2.3
Average number of employees	811	821	817	811	783

Note: Other creditors in the above table comprises 'Creditors: amounts falling due within one year' in addition to non current liabilities.