

# The Report and Accounts of The Altro Group of Companies for the year ended 31 December 2011



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# Chairman's statement

## for the year ended 31 December 2011

The results for the year ended 31 December 2011 show sales of £109.3 million [2010: £109.8 million] and a profit before tax of £8.8 million [2010: £12.6 million]. Despite the competitive trading environment in all of our major markets, and an increase in raw material costs, the board decided to invest heavily in research and development, manufacturing and marketing to facilitate the development and launch of new products. Taking this into account, the result is regarded as satisfactory.

The Group's cash balance remains positive, despite significant expenditure on capital projects. During the year, we have embarked on a major redevelopment of the Letchworth Garden City site, which is due to be completed in the latter part of 2012. We continue to invest in new manufacturing plant and equipment to meet the needs of the business.

We are delighted to report that the Group has been recognised as one of The Sunday Times '100 Best Companies to Work For' in 2011 for the sixth consecutive year. The Group is now the only UK manufacturing company to appear consistently in the Sunday Times listing over the past six years and this is a major achievement. On behalf of the board and the shareholders, I thank all employees for their continuing contribution.

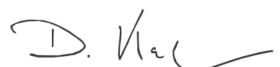
An interim dividend of 4.5p per share [2010: 4.5p] was paid to shareholders in November 2011. At the Annual General Meeting in June, the Group proposes to seek the approval of shareholders to pay a final dividend of 9.0p per share on Friday 20 July 2012 to those shareholders on the register at close of business on Friday 29 June 2012. The total dividend will therefore be 13.5p per share for the year to 31 December 2011 [2010: 13.5p].

A share valuation of 506p was obtained from Investec Bank plc in April 2012 [April 2011: 681p, July 2011: 444p, October 2011: 475p] on behalf of the trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP).

The Group continues to support share ownership by employees and has set aside £320,000 [2010: £320,000] for the distribution of shares under the SIP in 2012.

The Company will seek the approval of shareholders at the Annual General Meeting for the purchase of up to £2 million of its own shares at 506p per share. The Share Repurchase Scheme, together with the EBT, provides a market for shareholders whilst reducing the dilution of shares in issue resulting from the allotment of shares to employees.

The uncertainties in all parts of the world continue to make forecasting difficult but, with new products being launched by both divisions and the investment in the Letchworth Garden City site, we expect sustainable growth for the future.



**David J Kahn**

# Directors' report

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 2011. The directors of the Company, all of whom have been directors for the whole of the year, are listed on page 9.

## Principal activities and review of the business

The Altro Group plc is an unquoted public limited company and the holding company of the Altro group of companies. Its balance sheet is disclosed on page 13 and the profit attributable to its shareholders is disclosed in note 9 on page 20.

The principal activities of the business (including expected future developments which are outlined in the Chairman's statement) are the manufacture and marketing of:

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

## Financial review

The consolidated profit and loss account for the year is set out on page 10.

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

- Turnover - decrease of 0.4% [2010: down 1.7%]
- Operating profit - decrease of 30.0% [2010: up 5.4%]
- Net funds - decrease of 40.4% [2010: down 17.2%]
- Shareholders' funds - decrease of 3.4% [2010: down 3.6%]

The Group's net funds as at 31 December 2011 were £11.3 million [2010: £19.0 million].

The performance against KPIs is considered satisfactory given the overall economic environment.

Expenditure during the year has included investment in buildings, plant and machinery throughout the Group as well as additional contributions of £1.75 million to the Defined Benefit Pension Scheme. Such expenditure is a clear example of our policy of investing for the future.

## Principal risks and uncertainties

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

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

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

## Financial risk management

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

Given the size of the 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 are used to hedge this exposure.

### Credit risk

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

### Price risk

The 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.

### Interest rate risk

The Group has very limited exposure to interest rate risk as borrowings are not significant. However, there is an exposure to the impact of longer term rate movements in the Defined Benefit Pension Scheme, which is managed by the trustees of the Scheme and their advisers.

## Directors' liability insurance

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

## Share capital

During 2011, the Group bought back and cancelled 293,685 [2010: 3,158,475] ordinary shares of 10p each (representing 1.7% [2010: 15.2%] of the called up share capital) at a price of 681p per share [2010: 2,910,921 shares at 254.216p and 247,554 shares at 388p per share] for a total of £1,999,995 [2010: £8,360,537] with a nominal value of £29,368 [2010: £315,847].

The Group will seek approval at the Annual General Meeting to commit up to £2 million to buying back Group shares [2010: £2 million]. This is the eighteenth year in which the Group has run the Share Repurchase Scheme for the benefit of all shareholders.

## Dividends

The directors recommend a final dividend of 9.0p per share, resulting in a total dividend of 13.5p per share for the year. Based on the number of shares in issue at the date of this report, this would equate to a final dividend of £1,586,371. The total dividend paid in the year was 13.5p per share. Diluted earnings per share were 35.6p [2010: 46.9p]. Assuming approval by shareholders at the Annual General Meeting, the final dividend will be paid on Friday 20 July 2012 to all those on the share register at close of business on Friday 29 June 2012.

## Share Incentive Plan (SIP)

£320,000 has been allocated to the SIP [2010: £320,000 for shares awarded to 448 employees]. This allocation will be the tenth under the SIP.

## Employee Benefit Trust (EBT)

Shares continue to be purchased by the EBT for use in the Group share schemes. The financial results of the EBT are incorporated into the consolidated financial statements of the Group.

## Phantom share option scheme

In 2005 the Company introduced a phantom share option scheme. This was designed to reward participating senior staff to the same extent as the 1996 Unapproved Senior Staff Share Option Scheme but without the necessity of allotting shares on exercise of an award. The rules of the Phantom Share Option Scheme 2005 state that no phantom options may be granted after 31 December 2008 unless shareholder approval has been granted for its renewal. Shareholder approval was received at the Annual General Meeting in 2008 to extend the Scheme for three years to 31 December 2011. Shareholder approval was also granted at the Annual General Meeting in June 2011 to extend the scheme for three years to 31 December 2014.

## Employees

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 offering equal opportunities regardless of age, disability, gender, race, religion, colour, nationality, marital status and sexual orientation.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate facilities are available 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.

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

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

## Health & Safety and the environment

Health & Safety and environmental performance remain key business objectives.

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

## Research and development

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

## 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 Group continues to support the Defined Benefit Pension Scheme which was closed to new members in September 2005. The Scheme was in deficit as at 31 December 2011 and the Group made a contribution of £1.75 million in the year to the Scheme in addition to the expected future funding contribution, in line with the triennial funding plan agreed with the pension trustees in 2011.

## Directors' report continued

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

### Payments to suppliers

Group companies do not follow any published code or standard on payment practice for suppliers of goods and services. However, in respect of regular suppliers, our policy is generally to establish agreed payment terms which apply to recurring transactions, subject to review as appropriate. For occasional suppliers, the policy is to pay in accordance with prevailing practice for that particular country and industry or market, subject to any specific agreement. The Company acts as a holding company for the Group. Creditor days for the Company were nil [2010: nil] as it does not undertake any transactions with suppliers. The Group's creditor days were 45 at 31 December 2011 [2010: 42 days as restated].

### 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 cash flow projections for 2012 and 2013 (including proposed capital expenditure) and compared these with the Group's cash holdings, its committed borrowing facilities and projected gearing ratios.

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

### Purchase and disposal of shares

Any shareholder wishing to purchase or sell shares in the Company should contact our registrars, Capita Registrars Limited, or the Company Secretary.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report is available on the Company's websites. The directors are responsible for the maintenance and integrity of the Company's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

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

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

### Independent auditors

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

By Order of the Board



**E P Boyle**  
Secretary

14 May 2012

# Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2011

We have audited the Group and parent Company financial statements (the "financial statements") of The Altro Group plc for the year ended 31 December 2011 which comprise the Consolidated profit and loss account, the Consolidated and Company balance sheets, the Consolidated cash flow statement, the Consolidated statement of total recognised gains and losses, the reconciliation of movements in Group shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## Scope of the audit of the financial statements

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

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

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2011 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

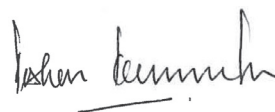
## Opinion on other matter prescribed by the Companies Act 2006

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

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

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

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



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

14 May 2012





# Directors and advisers

## Directors

D J Kahn *Chairman*  
E P Boyle  
P L Caller  
G Cleverdon  
M P Fincham\*  
R J Kahn *Managing Director*  
J F H Park\*  
*\*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

## Bankers

Barclays Bank PLC

## Solicitors

DLA Piper UK LLP

## Stockbrokers

Investec Bank plc

## Registrars

Capita Registrars Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Consolidated profit and loss account for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Turnover</b>	<b>2</b>	<b>109,338</b>	109,826
Cost of sales		<b>(51,988)</b>	(51,639)
<b>Gross profit</b>		<b>57,350</b>	58,187
Net operating expenses	<b>5</b>	<b>(48,598)</b>	(45,683)
<b>Operating profit</b>		<b>8,752</b>	12,504
Net interest receivable	<b>6</b>	<b>141</b>	107
Other finance charge	<b>6</b>	<b>(130)</b>	(17)
<b>Profit on ordinary activities before tax</b>	<b>7</b>	<b>8,763</b>	12,594
Tax on profit on ordinary activities	<b>10</b>	<b>(2,541)</b>	(4,189)
<b>Profit for the financial year</b>		<b>6,222</b>	8,405
<b>Earnings per share</b>	<b>12</b>		
Basic		<b>35.7p</b>	47.2p
Diluted		<b>35.6p</b>	46.9p

All the above results derive from continuing operations.

There is no material difference between the profit on ordinary activities before tax and the profit for the financial year stated above and their historical cost equivalents.

## Consolidated statement of total recognised gains and losses for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit for the financial year		6,222	8,405
Currency translation differences		(26)	954
Actuarial loss on net Defined Benefit Pension Scheme assets	21	(4,675)	(1,697)
Deferred tax on actuarial loss		1,169	475
<b>Total recognised gains and losses relating to the year</b>		<b>2,690</b>	<b>8,137</b>

## Reconciliation of movements in Group shareholders' funds for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Total recognised gains and losses relating to the year		2,690	8,137
Dividends paid	11	(2,332)	(2,208)
		358	5,929
Issue of new shares	23	371	178
Purchase of own shares	24	(2,000)	(8,361)
Purchase of own shares for the Share Incentive Plan	24	(319)	(299)
Purchase of own shares by the Employee Benefit Trust	24	(2,133)	(1,258)
Disposal of own shares by the Employee Benefit Trust	24	1,313	1,284
Credit in respect of equity-settled share-based payments	24	368	331
Total movement in the year		(2,042)	(2,196)
Opening Group shareholders' funds		59,442	61,638
<b>Closing Group shareholders' funds</b>		<b>57,400</b>	<b>59,442</b>

# Consolidated balance sheet

## at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Intangible assets	13	1,619	1,801
Tangible assets	14	35,790	32,716
		<b>37,409</b>	34,517
<b>Current assets</b>			
Stocks	17	14,486	11,597
Debtors	18	17,208	15,285
Cash at bank and in hand		13,813	20,895
		<b>45,507</b>	47,777
<b>Creditors: amounts falling due within one year</b>	19	<b>(16,418)</b>	(16,544)
<b>Net current assets</b>		<b>29,089</b>	31,233
<b>Total assets less current liabilities</b>		<b>66,498</b>	65,750
Provisions for liabilities	20	(1,231)	(1,049)
<b>Net assets excluding Defined Benefit Pension Scheme liability</b>		<b>65,267</b>	64,701
Defined Benefit Pension Scheme liability	21	(7,867)	(5,259)
<b>Net assets including Defined Benefit Pension Scheme liability</b>		<b>57,400</b>	59,442
<b>Capital and reserves</b>			
Called up share capital	23	1,763	1,777
Share premium account	24	6,991	6,635
Other reserves	24	(834)	112
Profit and loss account	24	49,480	50,918
<b>Total Group shareholders' funds</b>		<b>57,400</b>	59,442

The financial statements on pages 10 to 38 were approved by the Board on 14 May 2012 and signed on its behalf by



**R J Kahn**  
Managing Director

# Company balance sheet

## at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	14	23,165	20,882
Investments	15	9,153	8,427
		<b>32,318</b>	29,309
<b>Current assets</b>			
Debtors	18	89	-
Cash at bank and in hand		2,054	2,830
		<b>2,143</b>	2,830
<b>Creditors: amounts falling due within one year</b>	19	<b>(4,140)</b>	(3,518)
<b>Net current liabilities</b>		<b>(1,997)</b>	(688)
<b>Total assets less current liabilities</b>		<b>30,321</b>	28,621
Provisions for liabilities	20	(104)	(106)
<b>Net assets</b>		<b>30,217</b>	28,515
<b>Capital and reserves</b>			
Called up share capital	23	1,763	1,777
Share premium account	24	6,991	6,635
Other reserves	24	(834)	112
Profit and loss account	24	22,297	19,991
<b>Total shareholders' funds</b>		<b>30,217</b>	28,515

The financial statements on pages 10 to 38 were approved by the Board on 14 May 2012 and signed on its behalf by



**R J Kahn**  
Managing Director

## Consolidated cash flow statement for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	25(a)	6,301	13,624
Returns on investments and servicing of finance	25(b)	141	107
Tax paid		(2,590)	(3,870)
Capital expenditure and financial investment	25(b)	(7,543)	(3,876)
Equity dividends paid to shareholders	11	(2,332)	(2,208)
<b>Net cash (outflow) / inflow before use of liquid resources and financing</b>		<b>(6,023)</b>	3,777
<b>Financing</b>			
Purchase of own shares	23	(2,000)	(8,361)
Issue of ordinary share capital	24	371	178
<b>Decrease in cash</b>		<b>(7,652)</b>	(4,406)

## Reconciliation of cash to movement in net funds for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Decrease in cash		(7,652)	(4,406)
Effect of exchange differences		(6)	469
<b>Movement in net funds for the year</b>		<b>(7,658)</b>	(3,937)
Opening net funds		18,973	22,910
<b>Closing net funds</b>	25(c)	<b>11,315</b>	18,973

# Notes to the consolidated financial statements

## 1 Accounting policies

### (a) Basis of accounting

The Group financial statements have been prepared under the provisions of the Large- and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards in the United Kingdom. The financial statements are prepared on a going concern basis, under the historical cost convention 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 throughout the year, are set out below.

### (b) Basis of consolidation

The Group financial statements consolidate the results of The Altro Group plc and all its subsidiary undertakings at 31 December 2011 using acquisition accounting. The Group's accounting policies are adopted by all subsidiaries.

### (c) Capital contributions

In accordance with the Amendments to FRS 20: 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.

### (d) Goodwill and intangible fixed assets

Goodwill, being the difference between the cost of the businesses acquired and the fair value of their separable net assets, is included in the balance sheet in accordance with FRS 10: Goodwill and Intangible Assets. Purchases of intangible fixed assets are included in the balance sheet at cost less accumulated amortisation. Goodwill and intangible fixed assets are amortised in equal instalments over their estimated useful economic lives, up to a maximum of twenty years.

The useful economic lives are reviewed annually and revised if necessary. Provision is made for any impairment.

### (e) Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any related incidental costs of acquisition. Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed 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
- Plant, equipment and vehicles - 10% to 50% according to type of asset

Where there is evidence of impairment, fixed assets are written down to the recoverable amount.

### (f) Deferred tax

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and tax purposes.

In accordance with FRS 19: Deferred Tax, deferred tax is not provided on timing differences arising from:

- revaluation gains on land and buildings, unless there is a binding agreement to sell them at a balance sheet date;
- gains on the sale of non-monetary assets where, on the basis of all available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets;
- extra tax payable on the unremitted earnings of overseas subsidiaries where there is no commitment to remit these earnings;
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the years when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related deferred tax is also taken directly to the statement of total recognised gains and losses.



# Notes to the consolidated financial statements

## 1 Accounting policies (continued)

### (g) Foreign currencies

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date, or, if appropriate, at the forward contract or option rate. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rate of exchange. The differences, which are taken direct to reserves, arise from the translation of:

- the opening net asset investment in subsidiaries at the closing rates; and
- matched long-term foreign currency borrowings.

### (h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents all direct costs incurred in bringing stocks to their present state and location, including an appropriate proportion of manufacturing overheads. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### (i) Research and development

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

### (j) Pension costs

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

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

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

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

### (k) Investment in own shares

Investments in the Company's own shares held within the Employee Benefit Trust are included in the balance sheet at cost less provision for impairment in value (if relevant).

### (l) 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.

### (m) Employee Benefit Trust (EBT)

The Group's EBT is separately administered. The liabilities of the EBT are guaranteed by the Company and the assets of the EBT comprise shares in the Company. The income, costs, assets and liabilities of the EBT have been included in the consolidated financial statements.

# Notes to the consolidated financial statements

## 1 Accounting policies (continued)

### (n) Dividends

In accordance with FRS 21: Events after the Balance Sheet Date, dividends proposed after the balance sheet date are not charged to the profit and loss account in the year. A final dividend for the year ended 31 December 2011 will be proposed at the Annual General Meeting.

### (o) 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 50%.

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

Employer's National Insurance contributions arise on the exercise of certain share options. In accordance with UITF 25: National Insurance Contributions on Share Option Gains, provision 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) Turnover

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

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

### (q) Provisions

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

# Notes to the consolidated financial statements

## 2 Group turnover

Group turnover represents the invoiced value of goods sold to external customers and completed contracts excluding relevant sales tax.

Turnover by geographical area was:

	2011		2010	
	£'000	%	£'000	%
<b>Territory</b>				
United Kingdom	<b>57,445</b>	<b>53</b>	58,693	53
Continental Europe	<b>19,060</b>	<b>17</b>	18,354	17
The Americas	<b>22,900</b>	<b>21</b>	22,661	21
Australia and Asia Pacific	<b>8,329</b>	<b>8</b>	8,940	8
Rest of world	<b>1,604</b>	<b>1</b>	1,178	1
	<b>109,338</b>	<b>100</b>	109,826	100

The directors have elected not to show an analysis of turnover, profit before tax or net assets by activity as, in their opinion, it would be prejudicial to the interests of the Group. An analysis of profit and net assets by geographical area has been omitted for the same reason.

## 3 Group employees

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

	2011	2010 as restated
Manufacturing	<b>149</b>	145
Sales and marketing	<b>237</b>	251
Warehouse and distribution	<b>73</b>	73
Administration and management	<b>162</b>	146
	<b>621</b>	615

Employee costs, including directors, during the year were:

	2011 £'000	2010 as restated £'000
Wages and salaries	<b>23,230</b>	23,003
Social security costs	<b>2,446</b>	2,553
Pension costs	<b>1,827</b>	1,668
Employee share schemes (note 22)	<b>726</b>	1,211
Other staff benefits	<b>1,115</b>	1,109
	<b>29,344</b>	29,544

All staff are employed by subsidiaries within the Group. The Company has no employees.

The 2010 comparatives for Group employee numbers and costs have been restated to aid comparison with 2011.

# Notes to the consolidated financial statements

## 4 Directors' remuneration

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

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

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

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

## 5 Net operating expenses

	2011 £'000	2010 £'000
Distribution costs	30,879	28,822
Administrative expenses	17,719	16,861
	<b>48,598</b>	45,683

## 6 Net interest receivable and other finance charge

	2011 £'000	2010 £'000
Interest payable and similar charges:		
bank overdraft	(4)	-
other	-	(4)
Interest receivable and similar income:		
short term deposits	143	110
other	2	1
<b>Net interest receivable</b>	<b>141</b>	107
<b>Finance charge on DB Scheme (note 21)</b>	<b>(130)</b>	(17)

# Notes to the consolidated financial statements

## 7 Profit on ordinary activities before tax

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

	2011 £'000	2010 £'000
Depreciation	3,031	3,003
Amortisation of intangible fixed assets	182	216
Fees payable to the Company's auditor for:		
the audit of the Company and consolidated financial statements	65	67
other services:		
the audit of the Company's subsidiaries pursuant to legislation	16	16
taxation services	38	30
other services	92	-
Research and development	1,672	1,589
Foreign exchange losses	9	31
Rentals under operating leases:		
hire of plant and machinery	3	7
other operating leases	1,706	1,656
Loss / (profit) on disposal of tangible fixed assets	288	(289)

## 8 Operating lease commitments

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

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	144	122	49	162
between one and five years	307	455	519	585
after five years	118	-	212	-
	569	577	780	747

## 9 Profit attributable to the shareholders of the Company

The profit attributable to the shareholders of The Altro Group plc is £6,433,661 (2010: £7,261,789). The directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company.

# Notes to the consolidated financial statements

## 10 Tax on profit on ordinary activities

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

	2011 £'000	2010 £'000
<b>Current tax:</b>		
UK corporation and income tax:		
current tax on income for the year	1,511	2,643
income tax on Employee Benefit Trust	234	251
adjustments in respect of prior years	(254)	25
	<b>1,491</b>	2,919
Foreign tax:		
current tax on income for the year	302	409
adjustments in respect of prior years	55	35
	<b>357</b>	444
<b>Current tax charge</b>	<b>1,848</b>	3,363
<b>Deferred tax:</b>		
timing differences - origination and reversal	693	826
<b>Deferred tax charge</b>	<b>693</b>	826
<b>Tax on profit on ordinary activities</b>	<b>2,541</b>	4,189

### Factors that may affect the future current tax charge

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and roll-over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £373,667 (2010: £403,560).

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further roll-over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £163,153 (2010: £176,205).

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

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

# Notes to the consolidated financial statements

## 10 Tax on profit on ordinary activities (continued)

The current tax charge for the year is lower (2010: lower) than the applicable hybrid rate of corporation tax in the UK of 26.5% (2010: 28%). The hybrid rate is a result of a tax rate of 28% for FY2010 and 26% for FY2011.

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

	2011 £'000	2010 £'000
<b>Profit on ordinary activities before tax</b>	<b>8,763</b>	12,594
Tax charge on profit at a hybrid rate of 26.5% (2010: 28%)	<b>2,322</b>	3,526
Expenses not deductible for tax purposes	<b>109</b>	164
Depreciation in excess of capital allowances	<b>167</b>	29
Movement in short-term timing differences	<b>(653)</b>	(666)
Differences in UK income tax and overseas tax rates	<b>155</b>	349
Overseas losses utilised	<b>(92)</b>	(93)
Adjustments in respect of prior years	<b>(199)</b>	60
Other	<b>39</b>	(6)
<b>Current tax charge</b>	<b>1,848</b>	3,363

## 11 Dividends

	2011 £'000	2010 £'000
Second interim dividend for prior year of nil (2010: 4.0p per share)	-	709
Final dividend for prior year of 9.0p per share (2010: 4.0p)	<b>1,554</b>	704
Interim dividend for current year of 4.5p per share (2010: 4.5p)	<b>778</b>	795
	<b>2,332</b>	2,208

A final dividend of 9.0p per share for the year ended 31 December 2011 will be proposed at the Annual General Meeting. Based on the number of shares in issue at the date of this report, this would equate to a dividend of £1,586,371. In accordance with FRS 21: Events after the Balance Sheet Date, this dividend is not included above.

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

# Notes to the consolidated financial statements

## 12 Earnings per share

	2011 £'000	2010 £'000
<b>Profit for the financial year</b>	<b>6,222</b>	8,405
	<b>2011 Number of shares</b>	2010 Number of shares
Weighted average number of shares in issue	<b>17,696,245</b>	17,974,734
Weighted average number of shares held by the Employee Benefit Trust	<b>(263,693)</b>	(164,216)
Basic weighted average number of shares in issue	<b>17,432,552</b>	17,810,518
Dilutive effect of share option schemes	<b>42,734</b>	95,438
<b>Diluted weighted average number of shares</b>	<b>17,475,286</b>	17,905,956
<b>Earnings per share</b>		
Basic	<b>35.7p</b>	47.2p
Diluted	<b>35.6p</b>	46.9p

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.

## 13 Intangible fixed assets

### The Group

	Distribution rights £'000	Franchise £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 January 2011	100	141	3,216	3,457
<b>At 31 December 2011</b>	<b>100</b>	<b>141</b>	<b>3,216</b>	<b>3,457</b>
<b>Accumulated amortisation</b>				
At 1 January 2011	100	59	1,497	1,656
Charge for the year	-	7	175	182
<b>At 31 December 2011</b>	<b>100</b>	<b>66</b>	<b>1,672</b>	<b>1,838</b>
<b>Net book value</b>				
<b>At 31 December 2011</b>	<b>-</b>	<b>75</b>	<b>1,544</b>	<b>1,619</b>
At 31 December 2010	-	82	1,719	1,801

The Company does not hold any intangible fixed assets.



# Notes to the consolidated financial statements

## 14 Tangible fixed assets

The Group	Land and buildings			Plant equipment and vehicles £'000	Assets under construction £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000			
<b>Cost or valuation</b>						
At 1 January 2011	2,310	26,053	463	33,564	1,860	64,250
Currency translation differences	(14)	-	2	(9)	-	(21)
Additions	-	182	11	3,312	2,917	6,422
Disposals	-	(622)	-	(1,234)	-	(1,856)
Transfers	-	-	-	1,607	(1,607)	-
<b>At 31 December 2011</b>	<b>2,296</b>	<b>25,613</b>	<b>476</b>	<b>37,240</b>	<b>3,170</b>	<b>68,795</b>
At valuation	256	4,394	-	-	-	4,650
At cost	2,040	21,219	476	37,240	3,170	64,145
<b>At 31 December 2011</b>	<b>2,296</b>	<b>25,613</b>	<b>476</b>	<b>37,240</b>	<b>3,170</b>	<b>68,795</b>
<b>Accumulated depreciation</b>						
At 1 January 2011	541	6,274	410	24,309	-	31,534
Currency translation differences	(4)	-	-	(5)	-	(9)
Charge for the year	49	518	45	2,419	-	3,031
Disposals	-	(340)	-	(1,211)	-	(1,551)
<b>At 31 December 2011</b>	<b>586</b>	<b>6,452</b>	<b>455</b>	<b>25,512</b>	<b>-</b>	<b>33,005</b>
<b>Net book value</b>						
<b>At 31 December 2011</b>	<b>1,710</b>	<b>19,161</b>	<b>21</b>	<b>11,728</b>	<b>3,170</b>	<b>35,790</b>
At 31 December 2010	1,769	19,779	53	9,255	1,860	32,716
Comparable amounts determined according to the historical cost convention:						
cost	2,168	24,262	476	37,240	3,170	67,316
accumulated depreciation	(574)	(6,207)	(455)	(25,512)	-	(32,748)
<b>Net book value</b>						
<b>At 31 December 2011</b>	<b>1,594</b>	<b>18,055</b>	<b>21</b>	<b>11,728</b>	<b>3,170</b>	<b>34,568</b>
At 31 December 2010	1,653	18,673	53	9,255	1,860	31,494

Included in long leasehold land and buildings is land at a cost or valuation of £5,805,423 (2010: £5,805,423) which is not depreciated.

# Notes to the consolidated financial statements

## 14 Tangible fixed assets (continued)

The Company	Land and buildings		Assets under construction	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 January 2011	1,087	25,939	253	27,279
Additions	-	182	2,917	3,099
Disposals	-	(622)	-	(622)
<b>At 31 December 2011</b>	<b>1,087</b>	<b>25,499</b>	<b>3,170</b>	<b>29,756</b>
At valuation	256	4,394	-	4,650
At cost	831	21,105	3,170	25,106
<b>At 31 December 2011</b>	<b>1,087</b>	<b>25,499</b>	<b>3,170</b>	<b>29,756</b>
<b>Accumulated depreciation</b>				
At 1 January 2011	197	6,200	-	6,397
Charge for the year	16	518	-	534
Disposals	-	(340)	-	(340)
<b>At 31 December 2011</b>	<b>213</b>	<b>6,378</b>	<b>-</b>	<b>6,591</b>
<b>Net book value</b>				
<b>At 31 December 2011</b>	<b>874</b>	<b>19,121</b>	<b>3,170</b>	<b>23,165</b>
At 31 December 2010	890	19,739	253	20,882
Comparable amounts determined according to the historical cost convention:				
cost	961	24,147	3,170	28,278
accumulated depreciation	(203)	(6,132)	-	(6,335)
<b>Net book value</b>				
<b>At 31 December 2011</b>	<b>758</b>	<b>18,015</b>	<b>3,170</b>	<b>21,943</b>
At 31 December 2010	774	18,633	253	19,660

Included in long leasehold land and buildings is land at a cost or valuation of £5,805,423 (2010: £5,805,423) which is not depreciated.

# Notes to the consolidated financial statements

## 15 Fixed asset investments

	<b>Group</b> <b>2011</b> <b>£'000</b>	Group 2010 £'000	<b>Company</b> <b>2011</b> <b>£'000</b>	Company 2010 £'000
At 1 January	-	-	<b>8,427</b>	7,216
Capital contribution arising from share-based payment charge	-	-	<b>726</b>	1,211
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>9,153</b>	8,427

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

The capital contributions arising from the FRS 20: Share-based Payment charge are due to the Company granting share options to employees of Altro Limited. The application of the Amendments to FRS 20: Share-based Payment results in a corresponding increase in investment in Altro Limited.

### Principal trading subsidiaries

The principal trading subsidiaries at 31 December 2011 were:

<b>Company</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>% of shares held</b>	<b>Activity</b>
Altro Limited	England & Wales	Ordinary	100	Manufacturing and marketing
Altro APAC Pty Limited	Australia	Ordinary	100	Distribution
Altro GmbH	Germany	-	100	Distribution
Altro Nordic AB	Sweden	Ordinary	100	Distribution
Altro Scandess SA	Spain	Ordinary	100	Distribution
Compass Flooring Limited	Canada	Common	100	Distribution
Compass Flooring Inc	USA	-	100	Distribution

## 16 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 UITF 38: Accounting for ESOP Trusts. 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.

	<b>At 31 December</b>	
	<b>2011</b>	2010
Number of shares in the Company owned by the EBT	<b>299,375</b>	168,030
Nominal value of shares held	<b>£29,938</b>	£16,803
Cost price of shares held	<b>£1,792,776</b>	£818,150
Prevailing valuation of the shares (pence)	<b>475</b>	515
Total market value of shares	<b>£1,422,031</b>	£865,355
Maximum number of shares in the Company owned by the EBT during the year	<b>405,093</b>	274,162
Minimum number of shares in the Company owned by the EBT during the year	<b>168,199</b>	44,310

The EBT does not award shares to employees but 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

## 17 Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	4,177	3,456
Finished goods and goods held for resale	10,309	8,141
	<b>14,486</b>	11,597

## 18 Debtors

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade debtors	12,779	13,337	-	-
Other debtors	867	680	89	-
Prepayments and accrued income	3,562	1,268	-	-
	<b>17,208</b>	15,285	<b>89</b>	-

## 19 Creditors: amounts falling due within one year

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Bank overdrafts	2,498	1,922	2,498	1,922
Trade creditors	7,490	6,101	-	-
Amounts owed to group undertakings	-	-	921	222
Corporate tax	455	1,197	228	242
Other tax	277	707	-	-
Social security costs	589	779	-	144
Other creditors	258	245	-	4
Accruals	4,851	5,593	493	984
	<b>16,418</b>	16,544	<b>4,140</b>	3,518

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

# Notes to the consolidated financial statements

## 20 Provisions for liabilities and charges

The Group	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2011	337	712	1,049
Charged to profit and loss account	148	319	467
Utilised in the year	-	(142)	(142)
Released in the year	(42)	(102)	(144)
Other movement	-	1	1
<b>At 31 December 2011</b>	<b>443</b>	<b>788</b>	<b>1,231</b>

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

The Company	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2011	106	-	106
Charged to profit and loss account	6	-	6
Released in the year	(8)	-	(8)
<b>At 31 December 2011</b>	<b>104</b>	<b>-</b>	<b>104</b>

Deferred tax	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Accelerated capital allowances	641	571	104	106
Other short-term timing differences	(198)	(234)	-	-
<b>Deferred tax liability</b>	<b>443</b>	<b>337</b>	<b>104</b>	<b>106</b>

Deferred tax asset relating to Defined Benefit Pension Scheme	Group 2011 £'000	Group 2010 £'000
At 1 January	(2,045)	(2,043)
Deferred tax charge to profit and loss account	591	473
Deferred tax credit to statement of total recognised gains and losses	(1,169)	(475)
<b>At 31 December</b>	<b>(2,623)</b>	<b>(2,045)</b>

Unprovided deferred tax	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Roll-over relief	163	176	163	176
Surplus on revaluation of land and buildings	374	404	374	404
<b>Unprovided deferred tax</b>	<b>537</b>	<b>580</b>	<b>537</b>	<b>580</b>

# Notes to the consolidated financial statements

## 21 Retirement benefits

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

The Group operates one 'funded' DB Scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. A full actuarial valuation was carried out as at 30 April 2011; the results have been updated to 31 December 2011 by a qualified independent actuary and showed a deficit at that date of £10.5 million measured in accordance with FRS 17: Retirement Benefits.

As the DB Scheme is closed to new members, under the projected unit method, the current service cost, as a percentage of pensionable salaries, will increase as the members of the Scheme approach retirement. Contributions by the Group to the DB Scheme for the year beginning 1 January 2012 are currently expected to be £1.45 million of future accrual payments and £1.75 million of deficit reduction payments.

#### i) Net pension liability

The pension liability at 31 December was as follows:

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

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

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

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

	2011			2010		
	Expected rate of return %	% of overall DB Scheme assets	£'000	Expected rate of return %	% of overall DB Scheme assets	£'000
Equities	8.0	26.1	21,123	8.0	52.0	38,500
Corporate bonds	4.8	5.2	4,187	5.5	5.2	3,870
LDI funds and cash	2.8	46.8	37,837	4.0	42.8	31,655
Diversified Growth Funds	8.0	21.9	17,661	-	-	-
<b>Fair value of DB Scheme assets</b>		<b>100.0</b>	<b>80,808</b>		<b>100.0</b>	<b>74,025</b>

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

## 21 Retirement benefits (continued)

### iii) Financial and demographic assumptions

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

	2011 %	2010 %
Rate of increase in salaries	4.20	4.50
Rate of increase in pensions in payment (post April 1997)	3.70	3.65
Discount rate	4.80	5.50
Inflation assumption	3.20	3.50

The assumed life expectancies on retirement at age 65 were:

	2011 years	2010 years
Retiring today		
males	22.8	21.4
females	24.2	23.8
Retiring in 20 years' time		
males	24.2	23.4
females	25.8	25.8

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

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

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

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

The actual return on DB Scheme assets in the year was £4.9 million (2010: £6.8 million).

# Notes to the consolidated financial statements

## 21 Retirement benefits (continued)

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

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

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

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

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

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



# Notes to the consolidated financial statements

## 21 Retirement benefits (continued)

### viii) History of DB Scheme

<b>Assets and liabilities</b>	<b>2011</b>	2010	2009	2008	2007
	<b>£'000</b>	£'000	£'000	£'000	£'000
Fair value of DB Scheme assets	<b>80,808</b>	74,025	65,123	54,714	56,058
Present value of DB Scheme liabilities	<b>(91,298)</b>	(81,329)	(72,419)	(51,292)	(60,593)
<b>Pension (liability) / asset before tax</b>	<b>(10,490)</b>	(7,304)	(7,296)	3,422	(4,535)
<b>Actuarial gains and losses</b>					
	<b>2011</b>	2010	2009	2008	2007
	<b>£'000</b>	£'000	£'000	£'000	£'000
<b>Total actuarial (loss) / gain recognised</b>	<b>(4,675)</b>	(1,697)	(13,772)	6,419	(2,355)
<b>Experience adjustments</b>					
	<b>2011</b>	2010	2009	2008	2007
Experience adjustments to DB Scheme assets amount (£'000)	<b>580</b>	2,588	3,861	(7,176)	298
% of DB Scheme assets	<b>0.7</b>	3.5	5.9	(13.1)	0.5
Experience adjustments to DB Scheme liabilities amount (£'000)	<b>(3,739)</b>	-	-	(666)	-
% of DB Scheme liabilities	<b>(4.1)</b>	0.0	0.0	(1.3)	0.0

As The Altro Group plc has no employees, no DB Scheme disclosures are given for the Company.

Contributions by the Group to the DB Scheme will continue to be made at a rate of 16.1% of members' salaries during 2012.

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

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 £264,032 (2010: £100,451). There were no accrued contributions at the year end (2010: nil). Contributions of £2,650,680 were prepaid at the year end (2010: nil).

# Notes to the consolidated financial statements

## 22 Share-based payment

During the year ended 31 December 2011, the Group operated five share-based payment arrangements, as follows:

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

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

The fair value of shares granted under the SIP is based on the share price at the date of grant. 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:

	2011 £'000	2010 £'000
<b>Expense arising from share-based payment arrangements</b>	<b>799</b>	1,323

A reconciliation of option and SIP movements over the year to 31 December 2011 is shown below. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

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

During the year four directors exercised share options (2010: 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:

	2011	2010
Risk-free interest rate	0.8%	1.9%
Expected volatility	50%	50%
Expected option life	4 years	4 years
Expected dividend yield	2.5%	2.5%

## Notes to the consolidated financial statements

### 22 Share-based payment (continued)

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
		2011	2010		
Unapproved	Equity	-	64,539	218	22.04.2007 and 22.04.2011
		-	77,239	249	27.01.2008 and 27.01.2012
<b>Total Unapproved</b>		-	141,778		
Approved	Equity	-	7,054	188	28.08.2006 and 28.08.2013
		<b>33,263</b>	44,499	485	03.04.2011 and 03.04.2015
		<b>10,123</b>	10,123	404	05.03.2012 and 05.03.2019
		<b>17,475</b>	-	515	04.04.2014 and 04.04.2021
<b>Total Approved</b>		<b>60,861</b>	61,676		
Phantom	Cash	<b>27,260</b>	123,712	262	21.04.2009 and 21.04.2013
		<b>29,094</b>	156,034	352	18.04.2010 and 18.04.2014
		<b>9,348</b>	16,542	485	18.04.2010 and 18.04.2014
		<b>11,849</b>	71,196	485	03.04.2011 and 03.04.2015
		<b>121,934</b>	134,139	404	05.03.2012 and 05.03.2016
		<b>174,884</b>	190,800	316	15.07.2013 and 15.07.2017
		<b>103,893</b>	-	515	04.04.2014 and 04.04.2018
<b>Total Phantom</b>		<b>478,262</b>	692,423		
Share Incentive Plan	Equity	<b>259,052</b>	292,533		
<b>Total Share Incentive Plan</b>		<b>259,052</b>	292,533		
<b>Total share options outstanding</b>		<b>798,175</b>	1,188,410		

# Notes to the consolidated financial statements

## 23 Called up share capital

<b>Authorised, called up, allotted and fully paid share capital</b>	<b>2011</b>	2010
	<b>£'000</b>	£'000
Authorised:		
50,000,000 ordinary shares of 10p each (2010: 50,000,000 ordinary shares of 10p each)	<b>5,000</b>	5,000
Called up, allotted and fully paid:		
17,626,339 ordinary shares of 10p each (2010: 17,767,933 ordinary shares of 10p each)	<b>1,763</b>	1,777
<b>Movements in share capital in the year</b>	<b>2011</b>	2010
	<b>Number</b>	Number
	<b>of shares</b>	of shares
At 1 January	<b>17,767,933</b>	20,839,532
Shares issued	<b>152,091</b>	86,876
Own shares purchased	<b>(293,685)</b>	(3,158,475)
<b>At 31 December</b>	<b>17,626,339</b>	17,767,933

### Allotment of shares

During the year the following options were exercised to acquire ordinary shares:

	Number of shares	Nominal value £	Cash consideration £
The Altro Group plc 1996 Unapproved Senior Staff Share Option Scheme	141,778	14,178	333,020
The Altro Group plc 1996 Approved Senior Staff Share Option Scheme	10,313	1,031	37,758
	<b>152,091</b>	<b>15,209</b>	<b>370,778</b>

Additionally, 318,054 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 293,685 of its own shares. The nominal value of the shares was £29,368 (2010: £315,847) and the amount paid was £1,999,995 (2010: £8,360,537).

### Major shareholdings

In addition to the interests of the directors, at 31 December 2011 there were the following substantial interests in the shares of the Company:

Shareholder	Shares	%
B L Cohen	1,140,293	6.5%
K Harrison	804,652	4.6%
M Harmer	688,300	3.9%

# Notes to the consolidated financial statements

## 23 Called up share capital (continued)

Shareholder analysis	Number	Shares (millions)	%
Directors and their families	14	10.8	61.4
Employees, ex-employees and their families	371	3.9	22.2
The Share Incentive Plan and the Employee Benefit Trust	10	0.8	4.5
Institutions	1	0.2	1.1
Other	2	1.9	10.8
	<b>398</b>	<b>17.6</b>	<b>100.0</b>

## 24 Reserves

	Share capital £'000	Share premium £'000	Other reserves		Profit and loss account £'000	Total reserves £'000
			Capital redemption reserve £'000	Own shares £'000		
<b>The Group</b>						
At 1 January 2011	1,777	6,635	930	(818)	50,918	59,442
Dividends paid	-	-	-	-	(2,332)	(2,332)
Actuarial loss on DB Scheme	-	-	-	-	(3,506)	(3,506)
Purchase of own shares	(29)	-	29	-	(2,000)	(2,000)
Purchase of own shares for the SIP	-	-	-	-	(319)	(319)
Purchase of own shares by the EBT	-	-	-	(2,133)	-	(2,133)
Disposal of own shares by the EBT	-	-	-	1,158	155	1,313
Share issue	15	356	-	-	-	371
Currency translation differences	-	-	-	-	(26)	(26)
Increase in reserves arising from share-based payments	-	-	-	-	368	368
Profit for the financial year	-	-	-	-	6,222	6,222
<b>At 31 December 2011</b>	<b>1,763</b>	<b>6,991</b>	<b>959</b>	<b>(1,793)</b>	<b>49,480</b>	<b>57,400</b>

	Share capital £'000	Share premium £'000	Other reserves		Profit and loss account £'000	Total reserves £'000
			Capital redemption reserve £'000	Own shares £'000		
<b>The Company</b>						
At 1 January 2011	1,777	6,635	930	(818)	19,991	28,515
Dividends paid	-	-	-	-	(2,332)	(2,332)
Purchase of own shares	(29)	-	29	-	(2,000)	(2,000)
Purchase of own shares for the SIP	-	-	-	-	(319)	(319)
Purchase of own shares by the EBT	-	-	-	(2,133)	-	(2,133)
Disposal of own shares by the EBT	-	-	-	1,158	155	1,313
Share issue	15	356	-	-	-	371
Capital contribution arising from share-based payments	-	-	-	-	368	368
Profit for the financial year	-	-	-	-	6,434	6,434
<b>At 31 December 2011</b>	<b>1,763</b>	<b>6,991</b>	<b>959</b>	<b>(1,793)</b>	<b>22,297</b>	<b>30,217</b>

# Notes to the consolidated financial statements

## 25 Notes to the consolidated cash flow statement

### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating profit	8,752	12,504
Depreciation charge	3,031	3,003
DB Scheme contributions	(3,182)	(3,274)
DB Scheme operating charge	1,563	1,568
Amortisation of intangible fixed assets	182	216
Loss / (profit) on disposal of tangible fixed assets	288	(289)
Increase / (decrease) in net provisions	39	(566)
Currency translation differences and other non-cash movements	(319)	765
Increase in stock	(2,883)	(549)
Increase in debtors and prepayments	(1,946)	(570)
Increase in creditors	776	816
<b>Net cash inflow from operating activities</b>	<b>6,301</b>	<b>13,624</b>

### (b) Analysis of cash flows for amounts netted in cash flow statement

	2011 £'000	2010 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	145	111
Interest paid	(4)	(4)
	<b>141</b>	<b>107</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(6,422)	(3,929)
Disposal of tangible fixed assets	18	326
Purchase of own shares for the Share Incentive Plan	(319)	(299)
Purchase of own shares by the Employee Benefit Trust	(2,133)	(1,258)
Disposal of own shares by the Employee Benefit Trust	1,313	1,284
	<b>(7,543)</b>	<b>(3,876)</b>

### (c) Analysis of net funds

	Cash at bank and in hand £'000	Bank overdrafts £'000	Total £'000
At 1 January 2011	20,895	(1,922)	18,973
Cash flow	(7,076)	(576)	(7,652)
Exchange movements	(6)	-	(6)
<b>At 31 December 2011</b>	<b>13,813</b>	<b>(2,498)</b>	<b>11,315</b>

# Notes to the consolidated financial statements

## 26 Capital commitments

	2011 £'000	2010 £'000
Contracted but not provided for	5,279	708

## 27 Contingent liabilities

The Company has no guarantees in place (2010: none).

## 28 Related party transactions

The Group has taken advantage of the exemption available under FRS 8: Related Party Transactions and has not disclosed transactions with other Group companies.

## Five year financial summary

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
<b>Balance sheet</b>					
Fixed assets	37,409	34,517	33,711	36,691	37,148
Current assets	45,507	47,777	49,236	43,845	35,184
<b>Total assets</b>	<b>82,916</b>	82,294	82,947	80,536	72,332
Ordinary shareholders' funds	57,400	59,442	61,638	66,787	55,037
Borrowings:					
due after more than one year	-	-	-	-	52
due within one year	-	-	-	59	70
Other creditors	17,649	17,593	16,056	16,154	13,999
Defined Benefit Pension Scheme liability / (asset)	7,867	5,259	5,253	(2,464)	3,174
<b>Total funds employed</b>	<b>82,916</b>	82,294	82,947	80,536	72,332
<b>Turnover and profits</b>					
Turnover	109,338	109,826	111,749	120,346	105,208
Operating profit	8,752	12,504	11,862	14,082	13,505
Profit for the financial year	6,222	8,405	7,105	9,885	10,110
Ordinary dividends	2,332	2,208	2,255	2,387	1,788
	<b>Pence</b>	Pence	Pence	Pence	Pence
<b>Diluted earnings per share</b>	<b>35.6</b>	46.9	34.5	47.0	47.2
<b>Dividends per share</b>	<b>13.5</b>	13.5	12.0	11.0	11.0
<b>Net assets per share</b>	<b>325.6</b>	334.5	295.8	314.9	257.9
<b>Gearing ratio %</b>	<b>0.0</b>	0.0	0.0	0.1	0.2
<b>Average number of employees</b>	<b>621</b>	615	617	632	632

The final dividends are not included in the ordinary dividends total above, in accordance with FRS 21 (see note 11). They are included in the dividends per share.





# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Altro Group plc will be held at Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW on 21 June 2012, at 5.00pm.

## Ordinary business

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December 2011, together with the report of the auditors.
2. To declare a final dividend of 9.0p per issued Ordinary Share of 10p each of the Company in respect of the year ended 31 December 2011.
3. To authorise the directors' remuneration payable for the year ended 31 December 2011.
4. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to agree their remuneration.

## Special business

5. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:  
**THAT** the terms of the proposed contracts whereby the Company shall become entitled and obliged to purchase up to 395,256 shares of 10p each at a price of 506p per share, copies of which have been available for inspection by the members of the Company at the Company's registered office for not less than fifteen days ending with the date hereof and copies of which have been produced to the Meeting and initialled for the purpose of identification by the Company Secretary, are hereby approved and any director of the Company is hereby authorised to enter into the said contracts on behalf of the Company at any time before the conclusion of the next Annual General Meeting.
6. To consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:  
**THAT** pursuant to section 551 of the Companies Act 2006 ("Act") and in substitution for all existing authorities, the directors be and are generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £3,237,366 for a period expiring fifteen months after the date of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after expiry of this authority and the directors may allot shares or grant such rights in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.
7. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:  
**THAT** in substitution for all existing powers and subject to the passing of resolution 6, the directors be and are generally empowered pursuant to section 570 of the Act to allot equity securities, within the meaning of section 560 of the Act, for cash pursuant to the general authority conferred by resolution 6 as if section 561 of the Act did not apply to the allotment, for a period of fifteen months after the date of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired, but so that the aggregate nominal value of the equity securities allotted under this authority does not exceed £88,131.

By Order of the Board



**E P Boyle**  
Secretary

14 May 2012

Registered Office: Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company. See form of proxy for more details.