Altro Limited

Annual report and financial statements

for the year ended 31 December 2019

Company Registration Number: 00154159

Contents

Strategic report
for the year ended 31 December 2019

The directors present their Strategic report on Altro Limited ("the Company") for the year ended 31 December 2019.

Principal activities and review of the business

The Company is a wholly owned subsidiary of The Altro Group plc. Its balance sheet is disclosed on page 22 and the profit for the financial year is disclosed on page 21.

The principal activities of the business are the manufacture and marketing of:
- Altro safety flooring
- Altro smooth PVC flooring
- Altro luxury vinyl tile
- Altro Whiterock wall and ceiling systems
- Altro resin systems
- Autoglym vehicle care and Kanor car wash products.

During the year, the Company worked to increase its market presence and market share 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 and are well placed to continue building on this position during 2020.

Financial review

The profit and loss account for the year is set out on page 21.

At 31 December 2019, the Company had cash of £4.1m (2018: £4.9m) and net assets of £59.1m (2018: £64.2m).

Key performance indicators

Turnover of £113.4m (2018: £111.6m) represents an increase of 1.6% (2018: increase of 1.1%). Operating profit was £9.5m (2018: £11.0m), a decrease of 13.5% (2018: 8.5% decrease).

Expenditure during the year has included investment in plant and machinery as well as additional contributions of £2.8m (2018: £2.8m) to the Defined Benefit Pension Scheme.

Future developments

The Company continues to look to grow both its UK and overseas markets. More immediately, as a result of the unprecedented changes created by COVID-19, the Company is focussed on maintaining its operations and responding to the evolving situation across its international markets.

Principal risks and uncertainties

The business is subject to a number of risks and the Company has procedures and systems to manage these. Aside from the current pandemic, the key business risks affecting the Company are considered to relate to competition from other manufacturers, increased raw material and energy costs, 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.

Strategic report (continued)
for the year ended 31 December 2019

Financial risk management

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

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

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

Currency risk

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

Credit risk

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

Price risk

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

Liquidity risk

The Company has positive cash balances and appropriate overdraft facilities in place where considered necessary. As a direct response to the uncertainty created by COVID-19 the board is also actively reviewing decisions requiring significant cash outlay as a means of preserving its cash balance.

Interest rate risk

The Company has limited exposure to interest rate risk as borrowings are not significant. There is also 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.

Companies Act 2006 Section 172 Statement

The board are fully aware of their duty under Section 172, along with the other directors' duties in the Companies Act 2006. In order to keep their knowledge current, the directors undertook refresher training during 2019, which covered all the directors' general duties as set out in Sections 171-177 of the Companies Act 2006 and, in particular, focussed on Section 172. Corporate Governance serves as 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 and discusses enhancements. In order to ensure the board has requisite information for effective and compliant decision making, it is supported by a company secretarial team. At least one member of the secretariat is present at every board meeting to offer advice and support as needed, as well as taking minutes.

As with all companies, decision making within the Company is complex and the board takes into account many factors, sometimes conflicting, when reaching decisions. Quality decision-making is supported by comprehensive board papers that are distributed to directors ahead of board meetings. 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). The impact of decisions on stakeholders is considered in detail and such discussions are captured in comprehensive board minutes.

The Company is part of a Group of companies with an over-arching strategy of being a customer-focussed group, producing high-end products, with family values at its heart. This strategy reflects the Section 172 duties and sits behind the more detailed strategy for each of the Company's two diverse trading divisions (Autoglym and Altro Floors/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 Company's culture, reflected in the mantra of 'Valuing our customers; valuing each other'.

The composition of the board supports a long-term outlook, with the Chairman and Managing Director being members of the founding family, who are still majority shareholders of the parent company (The Altro Group plc). One of the Non-Executive Directors was previously a long-serving senior employee who therefore understands what has made the Company successful on a long-term basis and the other has never been an employee, bringing a level of independence to the board. The Finance Director has worked for the Company for 36 years. Both Divisional CEOs are board members, ensuring the Divisions maintain a long-term focus and are strategically aligned. This also ensures that the culture of the Company, its purpose and values are maintained throughout both Divisions. The composition of the board of the parent company (The Altro Group plc) is identical to the board of Altro Limited. This is to ensure that governance is closely aligned.

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. The CEO of each Division (Richard Kahn – Altro Floors/Walls and Paul Caller – Autoglym) sit on their respective Executive Committee and the Finance Director (Edmond Boyle) sits on both. All three of these individuals 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. 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, some of the Executive Committee members were invited to attend Section 172 training during 2019 and the remainder will be invited to attend during 2020. 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.

Strategic report (continued)
for the year ended 31 December 2019

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**
a) The likely consequences of any decision in the long term	The Company has always considered the longer term and celebrated its centenary during 2019. 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. The Company 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. Protecting the long-term viability of the Company is central to every board discussion and decision-making process. The board reviews detailed 5-year plans and these are updated on an annual basis.	The board has taken decisions during the year to reject certain contracts that the board considered contained terms that could pose a significant risk to the Company. Such decisions have been taken after careful consideration of the short-term loss of revenue and effort spent in winning such contracts in the first instance, against protecting the Company for its long-term success. During the year the directors have also discussed maintaining short-term return-on-sales (ROS) targets compared to investing in the business for its long-term success and have made long-term investment decisions where this would be beneficial to the long-term success of the Company.
b) The interests of the Company's employees	See the Employees section of the Directors' report, as well as the Stakeholder table below.	See the Employees 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.	See both 'Community' and 'Environment' in the Stakeholder table below.

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
e) The desirability of the Company maintaining a reputation for high standards of business conduct	The board takes abiding by laws in every region very seriously and all new legislation that may affect the Company is considered carefully by an appropriate group of individuals selected by the board. 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. In order to ensure high standards of business conduct the Company has obtained ISO accreditations, as follows: - ISO 14001 (Environmental Management Systems) in both Divisions - ISO 9001 (Quality Management) in both Divisions - ISO 45001 (Occupational Health and Safety) in the Autoglym Division	For example, the board set up a Steering Committee to prepare for the introduction of GDPR in May 2018 and that committee has continued to meet on a regular basis throughout 2019 to deal with continuous improvements to processes. This committee also discusses all data incidents, however small and whether deemed to be an actual breach or not, to find ways to mitigate the risk of recurrence. A list of countries that employees are prohibited from dealing with is maintained and updated on a regular basis. Every 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 ensure high standards of conduct by employees for the benefit of employees and other stakeholders. The Gender Pay Gap Report for April 2019 shows a median Gender Pay Gap of 3.27%, compared to a UK National Median Gender Pay Gap of 17.9% (Source: Office for National Statistics 2018).
f) The need to act fairly as between members of the Company	The board considers the impact of decisions on shareholders as a whole. See also the Shareholder notes in the Stakeholder table below.	As a wholly owned subsidiary of The Altro Group plc, the Company has only one shareholder to consider at present. See also the Shareholder notes in the Stakeholder table below.

Strategic report (continued)
for the year ended 31 December 2019

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 has examined 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 has also examined data from employee engagement processes (see the Directors' report), as well as customer and supplier feedback. Based on this, the board has created a list of stakeholders and other more intangible factors for consideration when making decisions, which will be reviewed on an annual basis. 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).

<table>
<tr><td colspan="2">CUSTOMERS
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.</td></tr>
<tr><td colspan="2">We have a variety of routes to market and as such a variety of customer groups as follows:
• Business Partners (including Agents, Distributors, Franchisees and Researchers)
• Product users (such as installers (Floors and Walls), valeters and dealerships (Autoglym)) and specifiers (such as architects)
• End consumers</td></tr>
<tr><td>Engagement Strategies</td><td>Outcomes</td></tr>
<tr><td>Both Divisions have dedicated sales and marketing functions, as well as their own customer care centres. The technical services teams also make hundreds of customer visits each year to give advice and aftersales support.

The Altro Floors and Walls Division has run a Voice of the Customer programme for over a decade, with 119 customers visiting the manufacturing plant in Letchworth during 2019. These customers view new product samples and are asked for feedback about product design, quality and potential future innovations. There is a dedicated member of staff whose role is to co-ordinate this programme and give feedback to the board and senior managers. During 2019 there were also 50 on-site customer visits to the Autoglym plant.

The Autoglym Division works closely with its franchisees, with quarterly meetings in three separate regions, weekly bulletins and new franchisee induction programmes. There was also a franchisee conference held during 2019. Autoglym has regular engagement with international distributers, professional key account holders and auto specialist retailers and also hosts training days for franchisees, valeters and motor dealerships' staff.

In addition to all of the above, representatives of the Company attend various industry conferences and events, as well as hosting many of our own. Events are held at our London Design Centre and at our factory in Letchworth.</td><td>The Company is consistently making incremental, and some much more fundamental, improvements to products based on customer feedback. One such project during 2019 has involved working with specific customers on product roll size, in order to reduce wastage.

In the Altro Floors and Walls Division our successful K30 product was recoloured during 2019, at the request of customers. We have also reduced and deleted ranges during the year based on customer feedback.

(See also 'Quality Programme' under Principal Decisions).

Our Autoglym Division launched 5 new products for retail customers and 2 new professional products in 2019.

During 2019, the Company assisted a customer with a packaging reduction and recycling project. Not only did this lead to a stronger customer relationship, it also has environmental benefits.</td></tr>
</table>

Strategic report (continued)
for the year ended 31 December 2019

Companies Act 2006 Section 172 Statement (continued)

SUPPLIERS *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.*	
Engagement Strategies	**Outcomes**
The Company carries out regular reviews of many of its suppliers and invites some to visit our sites. During such visits the Company's Zero Harm programme is discussed with suppliers as the Company believes mutual sharing of such information strengthens health and safety matters within the supply chain for everyone's benefit. As needed, the Company sends staff from its Head Office to visit international suppliers in order to check on the welfare of the suppliers' staff and also regularly checks that national minimum wage is being paid along the supply chain. The Company engages with those suppliers that we know are reliant on our business, in particular smaller suppliers, and talk to them well in advance of any anticipated changes in our supply requirements. The Company also supports some suppliers with improving their own supply chains and processes.	The Company brought in a Supply Chain Manager in 2015 and has continued to invest in this area in 2019 to continue to enhance supplier engagement. The Company has made decisions during 2019 to use certain suppliers based on their ethical values and welfare records, rather than on a pure cost basis. During 2019 the Company worked with a small supplier to change their manufacturing processes to enable the Company to continue to purchase from them. The Company was aware that moving custom elsewhere would have had a significant impact on this supplier and therefore a subsequent effect on jobs and the local community. The time spent on making improvements to this supplier's business has resulted in a mutually beneficial partnership moving forward for both the Company and the supplier.

EMPLOYEES	
Engagement Strategies	**Outcomes**
Please see the Employee section of the Directors' report, which is incorporated into this Strategic report by reference and therefore forms an integral part of this report.	Please see the Employee section of the Directors' report, which is incorporated into this Strategic report by reference and therefore forms an integral part of this report.

PENSIONERS *Our pensioners have often dedicated many years to serving the Company 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.*	
Engagement Strategies	**Outcomes**
The Company sends a representative to each Defined Benefit Pension Trustee meeting and engages regularly with the trustees and scheme actuary. There is a Defined Contribution Pension Scheme Group, who meet regularly with the administrators of the scheme to review performance. There are regular employee presentations outlining pension arrangement and these become more frequent as employees reach retirement age. 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.	To give an added layer of protection, the Company has a cross-guarantee in place from The Altro Group plc for the DB Pension Scheme and has put £2.8m into funding the deficit during 2019. The Company also pays pension scheme costs for administration, investment advice and other pension fund fees. (See also 'Increased Pensions Contributions' in Principal Decisions section below). The Company has a 'Run down to Retirement' scheme in the UK, which it has continued throughout 2019, 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.

Strategic report (continued)
for the year ended 31 December 2019

Companies Act 2006 Section 172 Statement (continued)

SHAREHOLDERS *As the principal trading subsidiary of The Altro Group plc we are proud of the alignment we have with our parent company and sole shareholder.*	
Engagement Strategies	**Outcomes**
Whilst maintaining its independent decision-making power, the board always takes into consideration the policies and decisions of its sole shareholder (The Altro Group plc) when reaching decisions. In order to further ensure close alignment and engagement with its shareholder, the Company has a board of directors identical to that of its parent company.	As directors of both entities, the board members are all individually aware of the needs, policies and principles of the sole shareholder and are therefore able to actively take these into consideration when making decisions on behalf of the Company. (See also 'Dividends' under Principal Decisions below).

COMMUNITY *The directors are aware that the Company is reliant on its local communities and owes them all a duty of care when carrying out its operations.*	
Engagement Strategies	**Outcomes**
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. The Company engages with local schools through providing work experience opportunities for employees' children, as well as training and coaching at a local school. Both Divisions take part in days, where companies, particularly local, are invited to visit our sites to learn what we do and learn about our processes and systems. They are able to take away what they have learned and apply it to their own businesses. The Autoglym Division works with a local organisation that aims to help the long-term unemployed back into work and to enhance their employability.	The Company donates Altro and Autoglym product to several local causes and charities and allows all staff 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 Company has a positive impact on the local community. During 2019 the Company donated a portion of profits generated by its Altro Floors and Walls division to The Altro Foundation Limited, which achieved charitable status during 2019. In addition to an annual financial donation, the Company also donates staff time to assist the charity. During 2019, the Autoglym Division's work in regards to local unemployment resulted in the running of training courses, providing access to facilities and providing individuals with practice interview sessions.

Strategic report (continued)
for the year ended 31 December 2019

Companies Act 2006 Section 172 Statement (continued)

ENVIRONMENT *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.*	
Engagement Strategies	**Outcomes**
As a responsible business, the board constantly considers the impact of the company, its locations and products on the environment. There are various relationships and memberships of industry environmental groups maintained, such as: - 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. The Company maintains ISO 14001 (Environmental Management Systems) accreditation across both Divisions to ensure compliance with environmental standards and to enhance environmental performance.	With this in mind, the Company has tried to make sustainable flooring and for this reason the Company 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 and adhesive-free products have been introduced in recent years, also for environmental reasons. The Company also takes seriously the need to find ways to prevent redundant product from being sent to landfill. In 2009 the Company and Polyflor jointly formed Recofloor, a vinyl flooring take-back scheme that operates in the UK and Ireland. By the end of 2019 Recofloor had recycled more than 4,900 tons of flooring. Altro Limited, and its parent (The Altro Group plc) both maintain investments in DB Group (Holdings) Limited, who developed an ultra-low carbon concrete (Cemfree) to help reduce carbon emissions in the construction industry. During 2019, the Autoglym Division worked with its supply chain to incorporate recycled materials into some packaging.

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 Company itself.

- **The importance of efficiency**
  Efficient production lines and processes benefit not only the Company, but also customers and employees.

- **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.

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 our stakeholders. Principal Decisions that are currently confidential to the Company are not included in the below list. Any such Decision would be included in future Report and Accounts if and when confidentiality is no longer a factor. The potential impact of Principal Decisions on stakeholders is assessed in detail by the board.

i) Payment of Dividends totalling £4.75m during the year

The board declared a total interim dividend payment of £4.75m (£26.33 per share). The board considered shareholder expectations in setting these dividends, along with the cash position of the Company and felt that it could maintain this level of dividend, despite challenging trading conditions over the last few years. In reaching its dividend decision, the board took into account the fact that, through share schemes, the majority of its employees are shareholders of the parent company (to whom the dividend is paid) and its commitments to funding the Company's pension schemes.

ii) Defined Benefit (DB) Pension Scheme Deficit Funding

The board reviews the DB Pension Scheme deficit on a regular basis and continued to fund the deficit as agreed in the 2017 valuation, contributing £2.8m during the year to 31 December 2019. When continuing with the contribution in 2019 the board considered the cash position alongside the pensioners and other stakeholders.

iii) Launch of Quality Programme

Taking into account customer feedback, alongside a desire for high standards of business conduct, a quality programme was approved during 2019. This will be rolled out during the latter part of 2020 and 2021. This programme aims to enhance quality in everything we do both within the business and for the benefit of our customers, suppliers and others.

iv) Upgrade of Autoglym Plant

The board approved a capital expenditure request to upgrade the Autoglym facility in Letchworth, taking into consideration a number of stakeholder groups and other factors. Amongst the matters considered was the working environment for employees, efficiency of the plant, health and safety of employees and speed of order fulfilment for customers. The board had regard to all of these matters, whilst considering the short-term cost of the project weighed up against the potential longer-term financial return through improved efficiency and concluded that approval of the project was in the best interest of the Company, as well as several other stakeholder groups.

v) Increased Employer Contributions to the Defined Contribution (DC) Pension Scheme

During 2019 a decision was taken to enhance pension contributions for those members of Altro Limited staff who participate in the DC Pension Scheme. As members progress through the scheme this takes the contribution rates above the statutory contribution rates and reflects the board's commitment to the welfare of employees and future pensioners.

vi) Approval of Budget

The budget for 2020 was approved during the latter part of 2019 by the board and took into consideration the principal risks to the business, along with current trading conditions and the longer term plans for both Divisions. The board agreed to increase spending in various areas including employee engagement. The board also considered customer feedback in regards to product innovation when approving the strategic focus of the budgets for 2020.

Strategic report (continued)
for the year ended 31 December 2019

Companies Act 2006 Section 172 Statement (continued)

At the time of signing, the Company is reviewing its expenditure and plans for 2020 on an ongoing and regular basis due to the global COVID-19 pandemic. In light of this, some of the plans for 2020 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 Company's long-term success in mind, taking into account stakeholders and factors as described above. We 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
7 May 2020

Directors' report
for the year ended 31 December 2019

The directors present their report and the audited financial statements of Altro Limited ("the Company") for the year ended 31 December 2019.

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

Directors

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

Secretary

E P Boyle FCCA

Dividends

The directors have authorised and paid a dividend of £26.33 (2018: £22.17) per share, totalling £4.75m (2018: £4.0m). No further dividends have been proposed between 31 December 2019 (2018: nil) and the date of approval of the financial statements.

Employees

Inclusion:

The Company operates non-discriminatory employment policies which are designed to attract, retain and motivate the very best people, recognising that this can only be achieved through practising 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, focusing on the applicants' aptitudes, experience and abilities for the role.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate facilities are available, appropriate adjustments are made and training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Retention:

Staff are encouraged to plan their careers within the Company and to participate in appropriate ongoing training, consistent with the needs of the business. At the date of signing 25% of employees have between 10 and 20 years' continuous service and another 14% have more than 20 years' service. This is a reflection of the Company's culture and resulting high levels of employee engagement.

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.

Directors' report (continued)
for the year ended 31 December 2019

Employees (continued)

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

The directors engage both directly and indirectly with employees, in particular via two Executive Committees. These Executive Committees have a team of 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 and the senior managers have monthly meetings and follow these up with Town Hall meetings for the remainder of the Autoglym employees. Other engagement strategies are outlined below.

i) Information

The Company has an open and honest culture and employees are informed of decisions that are relevant to them as soon as practical. The Company 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, that are able to develop the most appropriate internal communications for their area of the business, whilst operating within a communications framework for the Company (and the wider Group of which Altro Limited is a part) 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 Company's strategies, policies and results.

ii) Consultation

The Company has taken appropriate steps during the financial year to introduce, maintain, and develop 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, employees in shared services and Altro Floors and Walls functions take part in the Sunday Times 100 Best Companies To Work For survey on an annual basis (in which we are proud to have been listed for 11 years). During 2019 employees in Autoglym roles took part in the Hive employee survey. The results of all employee surveys are analysed and shared with the directors and programmes are then developed to work on any areas highlighted for improvement. This is generally through a series of workshops and management meetings, as well as targeted meetings with any groups of employees that are identified as requiring additional support.

As a result of some of the feedback from these surveys, 60 managers have participated in a Management Development Programme during 2019.

As part of our commitment to employee safety, the Zero Harm programme has continued to be a focus during 2019. A Zero Harm survey was carried out with employees at the end of 2019 to understand employee feedback on the programme. This was the second such survey; the first having been carried out at the end of 2018.

iii) Direct Engagement

There has been a 'Breakfast with the Directors' programme in place for several years, whereby an open invitation is made to employees to go for breakfast with the Executive directors and some members of the Executive Committees and discuss any topic that they wish. This has been very successful, with 88 members of staff having participated since it began in 2014.

During 2019 all employees were invited to attend an Altro 100 Celebration in recognition of Altro Limited celebrating its centenary. The celebrations had a 1920s theme and were well attended by staff.

Employees (continued)

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

iii) Direct Engagement (continued)

All of the Executive directors deliver either 'Cascade' 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 also engages directly with employees, delivering an update on financial results and other performance KPIs in June and December of each year.

Executive directors also attend Christmas parties with the employees and both Executive and Non-Executive directors attended the UK 100 Years celebrations held in 2019.

iv) Employee Involvement in Company Performance

After a qualifying period, all 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. As members of the SIP, employees 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 Company.

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:

- Mental Health Awareness training has been delivered to managers and staff throughout both Divisions as a result of heightened awareness by the board of the need for such training in modern society;
- The board has continued to pay for an external Employee Assistance Programme for all employees to access advice on a range of welfare and financial topics free of charge.

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 Company. The directors thank all those who have worked so hard and contributed so much to achieve these results during a demanding time. The Company continues to develop and maintain a culture which encourages long service and we are proud that so many employees choose to remain with us over many years.

Directors' report (continued)
for the year ended 31 December 2019

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.

Zero Harm, Health and safety and the environment

Zero Harm, health, safety and environmental performance remain key business objectives globally. Our manufacturing and sustainability efforts are centred on making proactive, tangible improvements, which translate into real benefits for the environment and savings for the Company and its overseas subsidiaries.

Research and development

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

Pension schemes

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

The Defined Benefit Pension 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 Company made a special contribution of £2.8m (2018: £2.8m) to the DB Scheme in line with the triennial funding plan agreed with the Defined Benefit Pension Trustees.

Many employees who were previously members of the Defined Benefit Scheme have chosen to become members of a Defined Contribution Scheme.

Charitable and political donations

The Company contributed £138,000 (2018: £131,000) for charitable purposes. There were no political contributions (2018: nil).

Going concern

Overall, the Company benefits from a strong financial position, with no external borrowing and significant liquidity. As at 31 December 2019 the Company has liquid resources of £4.1 million comprising cash and cash equivalents. In addition, there is an agreed overdraft facility of £6m.

As a wholly owned subsidiary of The Altro Group plc and as the main trading and manufacturing entity of the Group, the Company's performance is heavily influenced by sales and performance of its overseas subsidiaries in its international markets. Therefore, as part of assessing the ability of the Company to continue as a going concern, management has considered the impact of COVID-19 on the Group as a whole.

During the assessment management conducted two scenario analyses with sufficient depth and duration, considering different levels of revenue reduction and associated working capital implications. The sensitivities applied were informed by internal and external data sources, including a review of the Group's most recent production levels and short-term order book, commercial manager feedback and review of regional macroeconomic forecasts. Using this data, management created Scenario A and Scenario B which modelled the effect of incremental reductions to revenue at regional and aggregated levels on the Group's results for the period to 31 December 2021.

Going concern (continued)

The scenarios also accounted for the working capital implications of reduced sales activity and the mitigating actions available to management.

The scenarios tested include material reductions in demand and changes to working capital:

- Scenario A: A reduction in overall revenue globally for the period May to December 2020 by 19% compared with the original 2020 budget, with a return to 2020 forecast levels in 2021. The consequential financial effects, such as the under-absorption of fixed costs and risk of increased working capital were also considered.
- Scenario B: A more marked impact of COVID-19 with a reduction in overall revenue globally for the period May to December 2020 by 37% compared with the original 2020 budget, with a return to 2020 forecast levels in 2021. The consequential financial effects, such as the under-absorption of fixed costs and risk of increased working capital, were also considered.

In each scenario, sufficient liquidity was demonstrated. In the event of such further deterioration of market conditions as a result of the COVID-19 pandemic, and implementation of the mitigating actions identified by the board, the Company is expected to have sufficient liquidity to meet obligations when they fall due for a period of at least 12 months after 7 May 2020.

As at the date of signing, trading performance is ahead of both scenarios outlined and cash and cash equivalents are at a similar level to those as at the balance sheet date. However, the directors recognise that there is inherent uncertainty attached to the timing and quantum of future sales and receipts thereon due to the COVID-19 pandemic. In the event of a prolonged lockdown and significant further decline in the global trading environment, the estimated revenue numbers underpinning the models may not be achieved. If this were to happen further cost and salary savings would be possible, and if this was not enough then the Company may need to obtain external funding. Whilst the directors believe such funding would be forthcoming, they have not applied for it given its necessity is yet to be determined.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The directors are confident that they will be able to achieve the levels of revenue and savings as per the models outlined above in an appropriate time frame to allow the Company to continue in operational existence for a period of 12 months after the date of signing these financial statements without the need for additional funding. However, should the trading decline further the directors are confident that they would be able to secure funding. Hence, it is appropriate that these financial statements are prepared on a going concern basis. These financial statements do not reflect changes that would result if the financial statements were not prepared on a 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 Company also purchased and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of itself and its directors.

Post balance sheet events

Both market conditions and business activities have been impacted by the global spread of COVID-19. Business operations have largely been continuing, with necessary adjustments to working practices and mitigation plans being developed and implemented as appropriate. The Company is at various stages in the process of evaluating, applying for and implementing initiatives offered by the UK government, and will continue to do so as further guidance is provided.

Directors' report (continued)
for the year ended 31 December 2019

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 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 Company and of the profit or loss of the 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 Company will continue in business.

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

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

The directors of the ultimate parent company are responsible for the maintenance and integrity of the 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.

Directors' confirmations

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 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 Company's auditors are aware of that information.

Independent auditors

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

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

E P Boyle
Secretary
7 May 2020

Independent auditors' report to the members of Altro Limited
for the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Altro Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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 and financial statements (the "Annual report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of comprehensive income, the statement of changes in equity 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 company 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The company's ability to continue in operational existence for the next 12 months has been impacted by the COVID-19 pandemic. The COVID-19 pandemic has created uncertainty for the business because the duration of the lockdown is unknown and the consequential longer-term impact on trading is also unknown. As both of these factors are uncertain as at the time of signing of the report, this may result in the company requiring access to further funding, which has not been explored as at the date of signing. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Altro Limited
for the year ended 31 December 2019

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 2019 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 company and its 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 set out on page 18, 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 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 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.

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 received 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 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
7 May 2020

Profit and loss account

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	5	**113,373**	111,616
Cost of sales		**(56,525)**	(58,200)
Gross profit		**56,848**	53,416
Distribution costs		**(23,601)**	(22,851)
Administrative expenses		**(23,703)**	(19,532)
Operating profit	6	**9,544**	11,033
Income from shares in group undertakings		-	567
Profit before interest and taxation		**9,544**	11,600
Interest receivable and similar income	8	**729**	471
Interest payable and similar expenses	8	**(105)**	(147)
Profit before taxation		**10,168**	11,924
Tax on profit	9	**(1,428)**	(926)
Profit for the financial year		**8,740**	10,998

All the above results derive from continuing operations.

Statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		**8,740**	10,998
Other comprehensive (expense) / income:			
Remeasurements of net Defined Benefit Pension Scheme asset	21	**(11,188)**	3,084
Total tax on components of Other comprehensive (expense) / income	9	**1,388**	(956)
Other comprehensive (expense) / income for the year		**(9,800)**	2,128
Total comprehensive (expense) / income for the year		**(1,060)**	13,126

Balance sheet
as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	**474**	673
Tangible assets	12	**11,117**	10,262
Investments	13	**5,034**	4,977
		16,625	15,912
Current assets			
Inventories	14	**16,554**	15,727
Debtors: amounts falling due after more than one year	15	**16,603**	14,399
Debtors: amounts falling due within one year	16	**21,092**	23,308
Cash at bank and in hand		**4,136**	4,889
		58,385	58,323
Creditors: amounts falling due within one year	17	**(11,401)**	(11,242)
Net current assets		**46,984**	47,081
Total assets less current liabilities		**63,609**	62,993
Creditors: amounts falling due after more than one year	18	**(2,228)**	(2,549)
Provisions for liabilities	19	**(262)**	(1,419)
Deferred tax liability	19	**-**	(1,052)
Defined Benefit Pension Scheme (liability) / asset	21	**(1,974)**	6,186
Net assets		**59,145**	64,159
Capital and reserves			
Called up share capital	24	**180**	180
Share premium account		**46**	46
Retained earnings		**58,919**	63,933
Total equity		**59,145**	64,159

The notes on pages 24 to 47 are an integral part of these financial statements.

The financial statements on pages 21 to 47 were approved by the Board on 7 May 2020 and signed on its behalf by

R J Kahn

Managing Director

Statement of changes in equity
for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2018	180	46	54,709	54,935
Profit for the financial year	-	-	10,998	10,998
Other comprehensive income for the year	-	-	2,128	2,128
Total comprehensive income for the year	-	-	**13,126**	**13,126**
Dividends paid	-	-	(4,000)	(4,000)
Parent company capital contribution from share-based payment	-	-	98	98
Total transactions with owners, recognised directly in equity	-	-	**(3,902)**	**(3,902)**
Balance as at 31 December 2018	**180**	**46**	**63,933**	**64,159**
Balance as at 1 January 2019	180	46	63,933	64,159
Profit for the financial year	-	-	8,740	8,740
Other comprehensive expense for the year	-	-	(9,800)	(9,800)
Total comprehensive income for the year	-	-	**(1,060)**	**(1,060)**
Dividends paid	-	-	(4,750)	(4,750)
Parent company capital contribution from share-based payment	-	-	796	796
Total transactions with owners, recognised directly in equity	-	-	**(3,954)**	**(3,954)**
Balance as at 31 December 2019	**180**	**46**	**58,919**	**59,145**

Notes to the financial statements
for the year ended 31 December 2019

1 General information

Altro Limited ("the Company") manufactures and sells safety and other flooring, wall and ceiling systems, resin systems and vehicle care and car wash products. The Company trades internationally and operates with a number of recognised brand names.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The Company is a wholly owned subsidiary of The Altro Group plc. The address of the registered office is Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW.

2 Statement of compliance

The financial statements of Altro Limited 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 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 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 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 Company has adopted these amendments.

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 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 results of the Company and its subsidiaries are included in the consolidated financial statements of The Altro Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

(b) Going concern

As outlined in detail in the going concern section of the Directors' report, the directors recognise that there is inherent uncertainty attached to the timing and quantum of future sales and receipts thereon due to the COVID-19 outbreak. In the event of a prolonged lockdown and significant further decline in the global trading environment, the estimated revenue numbers underpinning the models outlined in the Directors' report may not be achieved. If this were to happen further cost and salary savings would be possible, and if this was not enough then the Company may need to obtain external funding. Whilst the directors believe such funding would be forthcoming, they have not applied for it given its necessity is yet to be determined.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The directors are confident that they will be able to achieve the levels of revenue and savings as per the models outlined in an appropriate time frame to allow the Company to continue in operational existence for a period of 12 months after the date of signing these financial statements without the need for additional funding. However, should the trading decline further the directors are confident that they would be able to secure funding. Hence, it is appropriate that these financial statements are prepared on a going concern basis.

3 Accounting policies (continued)

(b) Going concern (continued)

These financial statements do not reflect changes that would result if the financial statements were not prepared on a going concern basis.

(c) 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, under FRS 102 paragraph 1.12B, on the basis that it is a qualifying entity and its ultimate parent company, The Altro Group plc, includes the Company's cash flows in its consolidated financial statements;

(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 of The Altro Group plc;

(iii) from disclosing transactions with other wholly owned Group companies as stated in paragraph 33.1A of FRS 102: Related party disclosures.

(iv) from disclosing key management personnel compensation as per FRS 102 paragraph 33.7.

(d) Foreign currency

(i) Functional and presentational currency

The Company's functional and presentational currency is the pound sterling. This is rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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.

(e) 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 Company'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.

3 Accounting policies (continued)

(f) Investments

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

Borrowing costs are recognised in profit and loss in the period in which they are incurred.

(g) Tangible assets and depreciation

The cost of tangible 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 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:
- 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.

(h) 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.

(i) 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.

(j) Financial instruments

The Company 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.

3 Accounting policies (continued)

(j) Financial instruments (continued)

(i) Financial assets (continued)

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 payables, 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, that is when the contractual obligation is discharged, cancelled or expires.

(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.

(k) Provisions

Provisions are recognised when the Company 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.

(l) Turnover

The Company 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 Company and value added taxes.

3 Accounting policies (continued)

(l) Turnover (continued)

The Company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company 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 Company.

(m) Research and development

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

(n) Employee benefits

The Company 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 Company operates a Defined Benefit Pension Scheme ("DB Scheme"), 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 Company also operates a number of Defined Contribution Pension Schemes (DC Schemes). The pension costs for the DC Schemes represent contributions payable by the Company in the year.

(iv) Share-based payment

The board of The Altro Group plc issues share options to certain employees of the Company. 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 Company's estimation of shares that will eventually vest, is expensed on a straight line basis over the vesting period.

The calculation of the fair value of the share options issued by The Altro Group plc 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 Company 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 Altro Group plc's shares at the balance sheet date and the option exercise price, spread pro-rata over the vesting period of the options.

3 Accounting policies (continued)

(o) 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.

(p) 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.

4 Critical accounting judgements and estimation uncertainty

Key accounting estimates and assumptions

The Company 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 is closed to future accrual, the Company 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.

Provisions

Management utilises guidance provided to it by its legal advisers, and other experts as appropriate, in assessing the requirement for, and estimating the value of, obligations existing at the balance sheet date.

Inventory provisioning

The Company 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 14 for the net carrying amount of the inventory and associated provision.

5 Turnover

Turnover by geographical area was:

	2019		2018	
	£'000	**%**	£'000	%
Territory				
United Kingdom	**71,795**	**63**	71,935	65
Continental Europe	**16,175**	**14**	15,938	14
The Americas	**15,746**	**14**	14,606	13
Australia and Asia Pacific	**4,057**	**4**	3,367	3
Rest of world	**5,600**	**5**	5,770	5
	113,373	**100**	111,616	100

Turnover is comprised of revenue from the sale of goods.

6 Operating profit

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

	2019	2018
	£'000	£'000
Amortisation of intangible assets	**306**	331
Depreciation of tangible assets	**2,367**	2,185
Inventory obsolescence charges	**237**	566
Bad debt impairment and (reversals)	**375**	(107)
Research and development	**2,077**	2,035
Operating lease charges	**823**	797
Foreign exchange losses	**(1,343)**	(260)
Fees payable to the Company's auditors for the audit of the financial statements	**25**	23
Fees payable to the Company's auditors and their associates for other services:		
- tax compliance services	**14**	12
- tax advisory services	**-**	10
- corporate finance services	**9**	4
- other non audit services	**40**	12
Total amount payable to the Company's auditors and their associates	**88**	61

7 Employees and directors

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

	2019 Number	2018 Number
Manufacturing	**157**	154
Sales and marketing	**180**	182
Warehouse and distribution	**68**	76
Administration and management	**134**	128
	539	540

Employee costs, including directors, during the year were:

	2019 £'000	2018 £'000
Wages and salaries	**21,903**	21,207
Social security costs	**2,377**	2,229
Other pension costs	**1,308**	1,118
Employee share schemes (note 23)	**796**	98
Other staff benefits	**256**	138
	26,640	24,790

Directors

The directors' emoluments were as follows:

	2019 £'000	2018 £'000
Aggregate emoluments	**1,555**	1,553
Defined Contribution Pension Scheme contributions	**186**	186
	1,741	1,739

Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (31 December 2018: one) in the year ended 31 December 2019.

During the year 72,786 (2018: 58,189) phantom options were awarded to the directors and 56,277 (2018: 27,204) were exercised.

7 Employees and directors (continued)

Highest paid director

	2019 £'000	2018 £'000
Highest paid director:		
Aggregate emoluments	**737**	711
Defined Contribution Pension Scheme contributions	**186**	186
	923	897

The amount of the accrued pension in the DB Scheme of the highest paid director at 31 December 2019 is £167k (2018: £163k). No approved share options (2018: none) and 30,527 phantom share options (2018: 27,204) were exercised by the highest paid director in the year.

8 Net interest income / (expense)

	2019 £'000	2018 £'000
Other interest receivable and similar income:		
short term deposits	**31**	16
other	**79**	63
loans to subsidiary companies	**391**	341
finance income on DB Scheme assets (note 21)	**228**	51
Interest receivable and similar income	**729**	471
Interest payable and similar charges:		
loans from subsidiary companies	**(105)**	(147)
Interest payable and similar expenses	**(105)**	(147)
Net interest income	**624**	324

Notes to the financial statements (continued)
for the year ended 31 December 2019

9 Tax on profit

a) Tax expense included in profit or loss

	2019 £'000	2018 £'000
Current tax:		
UK corporation and income tax:		
current tax on income for the year	**1,308**	1,271
adjustments in respect of prior years	**110**	(319)
Current tax charge	**1,418**	952
Deferred tax:		
timing differences - origination and reversal	**10**	(26)
Deferred tax credit	**10**	(26)
Tax on profit	**1,428**	926

b) Tax expense included in Other comprehensive income	2019 £'000	2018 £'000
Deferred tax:		
timing differences - origination and reversal	**(1,388)**	956
Tax expense included in Other comprehensive income	**(1,388)**	956

9 Tax on profit (continued)

c) Reconciliation of tax charge

The total tax charge for the year is lower (2018: lower) than the applicable rate of corporation tax in the UK of 19% (2018: 19%).

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

	2019 £'000	2018 £'000
Profit before taxation	**10,168**	11,924
Tax charge on profit before taxation of 19% (2018: 19%)	**1,932**	2,266
Income not subject to tax	**(20)**	(192)
Expenses not deductible for tax purposes	**282**	122
Research and development enhanced allowances	**(211)**	(283)
Pension contributions in excess of charge	**(473)**	(542)
Depreciation in excess of capital allowances	**(71)**	24
Movement in short-term timing differences	**83**	(69)
Adjustments in respect of prior years	**110**	(319)
Deferred tax on share schemes	**(74)**	43
Group relief	**(64)**	(84)
Other	**(66)**	(40)
Tax charge for the year	**1,428**	926

d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19%.

Notes to the financial statements (continued)

for the year ended 31 December 2019

10 Dividends

	2019 £'000	2018 £'000
Authorised and paid £26.33 per share (2018: £22.17)	**4,750**	4,000

No further dividends have been proposed between 31 December 2019 (2018: nil) and the date of approval of the financial statements.

11 Intangible assets

	Franchise £'000	Goodwill £'000	Computer Software £'000	Total £'000
Cost				
At 1 January 2019	141	2,488	2,400	5,029
Additions	-	-	107	107
Disposal	-	-	(935)	(935)
Transfers	-	-	-	-
At 31 December 2019	**141**	**2,488**	**1,572**	**4,201**
Accumulated amortisation				
At 1 January 2019	115	2,135	2,106	4,356
Disposal	-	-	(935)	(935)
Charge for the year	7	137	162	306
Transfers	-	-	-	-
At 31 December 2019	**122**	**2,272**	**1,333**	**3,727**
Net book value				
At 31 December 2019	**19**	**216**	**239**	**474**
At 31 December 2018	26	353	294	673

12 Tangible assets

	Land and buildings Short leasehold £'000	Plant equipment and vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 January 2019	102	39,586	1,559	41,247
Additions	-	1,330	1,892	3,222
Disposals	-	(3,802)	-	(3,802)
Transfers	-	2,210	(2,210)	-
At 31 December 2019	**102**	**39,324**	**1,241**	**40,667**
Accumulated depreciation				
At 1 January 2019	102	30,883	-	30,985
Charge for the year	-	2,367	-	2,367
Disposals	-	(3,802)	-	(3,802)
At 31 December 2019	**102**	**29,448**	**-**	**29,550**
Net book value at 31 December 2019	**-**	**9,876**	**1,241**	**11,117**
Net book value at 31 December 2018	-	8,703	1,559	10,262

13 Investments

	£'000
Cost	
At 1 January 2019	7,853
Additions	57
At 31 December 2019	**7,910**
Provisions for impairment	
At 1 January 2019	(2,876)
Charge for the year	-
At 31 December 2019	**(2,876)**
Net book value	
At 31 December 2019	**5,034**
At 31 December 2018	4,977

The directors believe that the carrying value of the investments at 31 December 2019 is supported by their underlying net assets.

Notes to the financial statements (continued)
for the year ended 31 December 2019

13 Investments (continued)

The principal trading subsidiaries at 31 December 2019 were:

Company	Address of registered office	Class of shares	% of shares held	Activity
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 Street, 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 Road, 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

Dormant entities

The following companies, registered at the same address as the Company as detailed in note 28 are wholly owned by the Company but are dormant at the year end:

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

Recofloor Limited (registered at Unit 2 Tudor House, Meadway, Bramhall, Stockport, SK7 2DG), also dormant at the year end, is 50% owned by the Company.

14 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	**6,005**	5,758
Work in progress	**489**	575
Finished goods and goods held for resale	**10,060**	9,394
	16,554	15,727

Inventories are stated after provisions for impairment of £3,036k (2018: £2,799k).

15 Debtors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed by group undertakings	**16,253**	14,049
Loan	**350**	350
	16,603	14,399

Amounts owed by group undertakings comprise €17,400k (2018: €13,900k) which accrues interest at 3% above EURIBOR per annum; and US$2,000k (2018: US$2,000k) which accrues interest at 4.4% per annum. The EUR balance has no set repayment date, and the USD balance is in renewal.

16 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	**13,063**	13,866
Amounts owed by group undertakings	**5,269**	7,150
Deferred tax asset (note 19)	**336**	-
Other debtors	**533**	164
Prepayments and accrued income	**1,891**	2,128
	21,092	23,308

Amounts owed by group undertakings falling due within one year are unsecured, repayable on demand and accrue interest at relevant agreed rates to the extent that such balances are overdue but are otherwise interest-free.

Trade debtors are stated after provisions for impairment of £542k (2018: £167k).

17 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**5,031**	4,626
Amounts owed to group undertakings	**452**	362
Other taxation and social security	**971**	1,160
Corporation tax	**174**	226
Other creditors	**93**	99
Accruals and deferred income	**4,680**	4,769
	11,401	11,242

Amounts owed to group undertakings falling due within one year are unsecured, interest-free and repayable on demand.

18 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	**2,228**	2,549

Amounts owed to group undertakings comprise AUD$3,800k (2018: AUD$3,800K) which accrues interest at 5.37% per annum; and €250k (2018: €500k) which accrues interest at 1.95% per annum. The AUD balance is currently in renewal, and the EUR balance falls due for repayment on 29 March 2021. Both balances are unsecured.

19 Provisions for liabilities

	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2019	(16)	1,435	1,419
Charged to profit and loss account	115	248	363
Utilised in the year	(105)	(665)	(770)
Released in the year	-	(750)	(750)
At 31 December 2019	**(6)**	**268**	**262**

Other provisions represent estimated amounts in respect of dilapidations, reparations and other matters as advised by our legal advisors. 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.

Deferred tax

	2019 £'000	2018 £'000
Accelerated capital allowances	**277**	162
Other short-term timing differences	**(283)**	(178)
Deferred tax asset	**(6)**	(16)

19 Provisions for liabilities (continued)

Deferred tax liability relating to Defined Benefit Pension Scheme asset

	2019 £'000	2018 £'000
At 1 January	**(1,052)**	(96)
Deferred tax credit / (charge) to Other comprehensive income	**1,388**	(956)
At 31 December	**336**	(1,052)

20 Operating lease commitments

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

	2019		2018	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	**239**	**519**	182	547
between one and five years	**969**	**693**	399	723
after five years	**2,948**	**-**	3,029	-
	4,156	**1,212**	3,610	1,270

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

The Company 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 2017; the results have been updated to 31 December 2019 by a qualified independent actuary and showed a deficit at that date of £1,974k (2018: £6,186k surplus) 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 (2018: £2,800k) per year going forward.

i) Net pension liability

The pension liability at 31 December was as follows:

	2019	2018
	£'000	£'000
Fair value of DB Scheme assets	**146,712**	131,526
Present value of DB Scheme liabilities	**(148,686)**	(125,340)
Net Pension asset	**(1,974)**	6,186

The present value of unfunded DB Scheme liabilities is nil (2018: nil). The irrecoverable surplus in the DB Scheme is nil (2018: nil).

ii) Analysis of assets and expected rates of return

The fair value of plan assets at 31 December were:

	2019	2018
	£'000	£'000
LDI funds and cash	**103,509**	90,272
Diversified Growth Funds	**43,203**	41,254
Fair value of DB Scheme assets	**146,712**	131,526

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.

21 Retirement benefits (continued)

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

iii) Financial and demographic assumptions

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

	2019 %	2018 %
Rate of increase in pensions in payment (post 2006)	**2.2**	2.2
Rate of increase in pensions in payment (post 1997, pre 2006)	**3.5**	3.6
Rate of increase in pensions in payment (pre 1997)	**3.0**	3.0
Discount rate	**2.0**	3.0
RPI Inflation	**3.0**	3.2
CPI Inflation	**2.1**	2.1

The assumed life expectancies on retirement at age 65 were:

		2019 Years	2018 Years
Retiring today	males	**21.7**	21.9
	females	**23.7**	23.8
Retiring in 20 years' time	males	**23.1**	23.3
	females	**25.0**	25.4

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

	2019 £'000	2018 £'000
Fair value of DB Scheme assets at 1 January	**131,526**	137,262
Interest income on DB Scheme assets	**3,939**	3,550
Actuarial gain / (loss)	**11,701**	(7,819)
Contributions by employer	**2,800**	2,800
Benefits paid	**(3,254)**	(4,267)
Fair value of DB Scheme assets at 31 December	**146,712**	131,526

Notes to the financial statements (continued)

for the year ended 31 December 2019

21 Retirement benefits (continued)

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

v) Changes in present value of DB Scheme liabilities

	2019	2018
	£'000	£'000
Present value of DB Scheme liabilities at 1 January	**125,340**	136,698
Interest cost	**3,711**	3,499
Remeasurement gain / (loss)	**22,889**	(10,903)
Benefits paid	**(3,254)**	(4,267)
Past service cost	-	313
Present value of DB Scheme liabilities at 31 December	**148,686**	125,340

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

	2019	2018
	£'000	£'000
Administration expenses	**338**	377
Past service cost	-	313
Total operating charge	**338**	690
Interest on DB Scheme net asset	**(228)**	(51)
Total finance income (note 8)	**(228)**	(51)

vii) Amounts recognised in Other comprehensive (expense) / income

	2019	2018
	£'000	£'000
Actual return on DB Scheme assets less interest income - gain / (loss)	**11,701**	(7,819)
Remeasurement (loss) / gain on DB Scheme liabilities	**(22,889)**	10,903
	(11,188)	3,084

(b) Defined Contribution Pension Schemes (DC Schemes)

The Company makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Company in the year in respect of these schemes were £1,307k (2018: £1,169k). There were no accrued contributions at the year end (2018: nil). Contributions of £1,163k were prepaid at the year end (2018: £1,349k).

22 Financial instruments

The Company has the following financial instruments:

	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	**13,063**	13,866
- Amounts owed by group undertakings	**21,522**	21,199
- Other debtors	**533**	164
- Loans	**350**	350
	35,468	35,579
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	**107**	95
Financial liabilities measured at amortised cost		
- Trade creditors	**5,031**	4,626
- Other creditors	**93**	99
- Accruals	**4,680**	4,769
- Amounts owed to group undertakings	**2,680**	2,911
	12,484	12,405

Derivative financial instruments - forward contracts

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for purchases and sales. As at 31 December 2019, the outstanding contracts all mature within 12 months (2018: 12 months) of the year end. The Company committed to buy €11,000k for a fixed sterling amount (2018: €4,000k). At 31 December 2019 the Company had also committed to sell AUD$2,000k, CAD$4,750k, SEK 7,000k and US$10,500k for fixed sterling amounts (2018: AUD$2,000k, CAD$4,000k, SEK 7,000k and US$8,000k).

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 £107k loss (2018: £95k loss). This balance is included within the Other creditors (note 17).

Notes to the financial statements (continued)
for the year ended 31 December 2019

23 Share-based payment

During the year ended 31 December 2019, the Company operated three share-based payment arrangements, as follows:

Company Share Option Plans

The Altro Group plc 2007 United Kingdom Approved Share Option Scheme (the '2007 Approved Scheme') was introduced in 2007, however no further grants can be made under this scheme. In 2018 a new scheme was therefore introduced, known as The Altro Group plc Company Share Option Plan (the '2018 Approved Scheme'). Under the 2018 Approved Scheme the board of The Altro Group plc can grant options over shares in The Altro Group plc to employees of the Company. 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 Approved Scheme at the balance sheet date and no participants in the 2018 Approved Scheme. As appropriate, the board of The Altro Group plc has made annual grants since the inception of the Approved Schemes. Options granted under the Approved Schemes 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 of The Altro Group plc can grant options over notional shares in The Altro Group plc to employees of the Company. 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 and five participants in the Phantom Plan 2018 at the balance sheet date. As appropriate, the board of The Altro Group plc 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 Altro Group plc.

Share Incentive Plan

The SIP was introduced in 2003 and the board of The Altro Group plc can award free shares in The Altro Group plc to UK-based employees of the Company. 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 495 participating employees at the balance sheet date (2018: 488). The board of The Altro Group plc has made annual awards since 2003 and there are no performance conditions attached to an award. An award is satisfied by the issue of equity shares in The Altro Group plc. The exercise price is nil and dividends are paid as they fall due.

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

	2019	2018
	£'000	£'000
Expense arising from share-based payment arrangements	**796**	98

A reconciliation of option and SIP movements over the year to 31 December 2019 is shown on page 46. 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 financial statements (continued)
for the year ended 31 December 2019

23 Share-based payment (continued)

	2019 Number of options	2019 Weighted average exercise price pence	2018 Number of options	2018 Weighted average exercise price pence
Outstanding at 1 January	**791,994**	**598**	775,732	593
Granted during the year	**144,276**	**511**	131,458	623
Exercised during the year	**(103,971)**	**492**	(88,835)	515
Cancelled / lapsed during the year	**-**	**-**	(26,361)	678
Outstanding at 31 December	**832,299**	**593**	791,994	598
Exercisable at 31 December	**451,693**	**594**	418,288	595

During the year three directors exercised share options (2018: one).

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 scheme:	**2019**	2018
Risk-free interest rate	**0.8% - 1.1%**	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 2019**	**Number of options 2018**	**Exercise price pence**	**Exercisable between**
Approved	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
Total Approved		**17,630**	17,630		
Phantom	Cash	-	46,307	475	11.04.2015 and 11.04.2019
		55,984	55,984	521	11.04.2016 and 11.04.2020
		64,331	64,331	467	11.04.2017 and 11.04.2021
		53,857	63,827	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	-	511	06.09.2022 and 06.09.2026
Total Phantom		**469,679**	428,178		
Share Incentive Plan	Equity	**344,990**	346,186		
Total Share Incentive Plan		**344,990**	346,186		
Total share options outstanding		**832,299**	791,994		

Notes to the financial statements (continued)
for the year ended 31 December 2019

24 Called up share capital

Authorised, called up, allotted and fully paid share capital

	2019 £'000	2018 £'000
Authorised:		
200,000 ordinary shares of £1 each (2018: 200,000 ordinary shares of £1 each)	**200**	200
Called up, allotted and fully paid:		
180,433 ordinary shares of £1 each (2018: 180,433 ordinary shares of £1 each)	**180**	180

25 Capital commitments

	2019 £'000	2018 £'000
Contracted but not provided for	**1,114**	2,170

26 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.

27 Events after the reporting period

Both market conditions and business activities have been impacted by the global spread of COVID-19. Business operations have largely been continuing, with necessary adjustments to working practices and mitigation plans being developed and implemented as appropriate. The Company is at various stages in the process of evaluating, applying for and implementing initiatives offered by the UK government, and will continue to do so as further guidance is provided.

28 Ultimate parent company

The immediate and ultimate parent company and controlling party is The Altro Group plc, for which Group financial statements are prepared. The Company is incorporated in Great Britain and registered in England and Wales. Copies of the Group financial statements are available from the Company Secretary at The Altro Group plc, Works Road, Letchworth Garden City, SG6 1NW. For the year ended 31 December 2019, the largest and smallest group in which the results of the Company are consolidated is that headed by The Altro Group plc.