



**altro**



**The Annual Report**

and

**Consolidated  
Financial Statements**

of

**The Altro Group plc**

for the year ended

**31 December 2019**

Company Registration Number: 01493087



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# Directors and advisers

## Directors

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

## Secretary

E P Boyle FCCA

## Registered office

Works Road  
Letchworth Garden City  
Hertfordshire  
SG6 1NW

## Company registration number

01493087

## Independent auditors

PricewaterhouseCoopers LLP  
54 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DU

## Registrars

Link Market Services Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Chairman's statement for the year ended 31 December 2019

The result for the year ended 31 December 2019 was a profit before taxation of £10.6m (2018: £10.0m) on sales of £151.3m (2018: £145.2m).

In 2019, the board continued to invest in people, research and development, manufacturing and marketing in both the Altro Floors and Walls and Autoglym divisions in the UK and overseas.

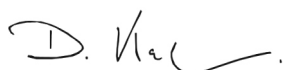
At the time of writing, we are in the midst of an unprecedented event: the global COVID-19 pandemic. We believe that we are in a stronger position than many companies at this challenging time; however, in order to protect our position, the board have made a number of changes to our plans for 2020. We wrote to shareholders about these measures in early April. Some of the changes are outlined below and include the decision not to seek the approval of shareholders at the Annual General Meeting for the purchase of any of the Company's own shares. There will therefore be no Company buyback of shares in 2020.

An interim dividend of 4.5p per share (2018: 4.5p) was paid to shareholders in November 2019. However, given the current uncertainty created by COVID-19 the board have taken the decision not to recommend a final dividend at the Annual General Meeting to be held in June. Whether to pay a further dividend will be reviewed later in the year depending on the facts and circumstances at that time.

A share valuation of 380p was obtained from Investec Bank plc in March 2020 (December 2019: 738p; August 2019: 714p; April 2019: 614p) on behalf of the Trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP). The board believes the significant change in share price is a reflection of the uncertainty in all of our major markets at this time as well as forecast turnover reductions due to COVID-19.

The Company continued to support share ownership by employees in 2019, setting aside £332k (2018: £332k) of shares for employees. The Company manages this through the SIP. In 2019, the actual cost in relation to the SIP was £331k (2018: £303k). In line with the above decisions on the final dividend and buyback of own shares, the directors do not currently plan to make an award under the SIP Scheme in 2020, although this will be reviewed later in the year.

In addition to the changes outlined above, the Group is currently reviewing expenditure in order to preserve cash throughout all operations. This is to ensure the long-term success of the Company and wider Group for the benefit of all the employees, shareholders and other stakeholders. This includes taking part in the Coronavirus Job Retention Scheme in the UK and similar measures where appropriate in international subsidiaries. I would like to thank our staff for their commitment at this challenging time and our shareholders for their continued support.



**D J Kahn**

# Strategic report

## for the year ended 31 December 2019

The directors present their Strategic report on the Group for the year ended 31 December 2019.

### Principal activities and review of the business

The Altro Group plc (the "Company") is an unquoted public limited company and the holding company of the Altro group of companies (together, the "Group"). The Group's balance sheet is disclosed on page 24 and the profit attributable to its shareholders is disclosed on page 23.

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 and its subsidiaries worked to increase its market presence and market share in the UK and internationally for the Altro, Altro Debolon, and Autoglym product ranges. The Altro Debolon range was re-branded towards the end of 2019 under the Altro range. All areas of the business have contributed to the result for the year.

### Financial review

The consolidated profit and loss account for the year is set out on page 23.

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

- Turnover - increase of 4.2% (2018: up 1.4%)
- Operating profit - increase of 3.5% (2018: down 10.2%)
- Net funds including long term loans - increase of 19.6% (2018: down 3.5%)
- Shareholders' funds - decrease of 6.1% (2018: up 8.6%)

The Group's net funds including long term loans as at 31 December 2019 were £14.2m (2018: £11.9m).

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

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

### Future developments

The Group continues to look to grow both its UK and overseas markets in the longer term. More immediately, as a result of the unprecedented changes created by COVID-19, the Group is 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 Group has procedures and systems to manage these. Aside from the current pandemic, the key business risks affecting the Group are considered to relate to competition from other manufacturers, 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 Group's operations expose it to a variety of financial risks, including the effects of changes in currency exchange rates, credit exposure, and changes in prices, liquidity and interest rates.

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

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

#### *Currency risk*

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

#### *Credit risk*

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

#### *Price risk*

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

#### *Liquidity risk*

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

#### *Interest rate risk*

The Group has limited exposure to interest rate risk as it has no external borrowings. There is an exposure to the impact of longer term rate movements in the UK Defined Benefit Pension Scheme, which is managed by the Trustees of the Scheme and their advisers.

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

### Companies Act 2006 Section 172 Statement

The board of The Altro Group plc 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 Group 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.

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

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. One of the Non-Executive Directors was previously a long-serving senior employee of the Group who therefore understands what has made the Group 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 Group for 36 years. Both Divisional CEOs are board members, ensuring the Divisions maintain a long-term, Group focus and are strategically aligned. This also ensures that the culture of the Group, its purpose and values are maintained throughout both Divisions and through all subsidiaries. The composition of the board of Altro Limited (the Group's primary trading subsidiary) is identical to the board of The Altro Group plc and at least one director of every other international subsidiary is either a director of The Altro Group plc or a member of one of the Executive Committees (see below). This is to ensure that governance is closely aligned within the Group and all of its subsidiaries.

The board has long-established Executive Committees for each of its Divisions that regularly engage with various stakeholder groups and report back to the board. These committees work with all relevant subsidiaries around the globe. 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
<p><b>a)</b> The likely consequences of any decision in the long term</p>	<p>The Group has always considered the longer term and the oldest company in the Group (Altro Limited) 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.</p> <p>The Group has chosen to have two complementary, but distinct Divisions. This forms part of a long-term risk mitigation strategy as the Divisions are affected by economic and other challenges at different rates and in different ways. For example, raw materials differ between the Divisions, reducing raw material price risk.</p> <p>Protecting the long-term viability of the Group is central to every board discussion and decision-making process.</p> <p>The board reviews detailed international 5-year plans and these are updated on an annual basis.</p>	<p>The board has taken decisions during the year to reject certain contracts that the board considered contained terms that could pose a significant risk to the Group. 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 Group for its long-term success.</p> <p>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 Group.</p>
<p><b>b)</b> The interests of the Company's employees</p>	<p>See the Employees section of the Directors' report, as well as the Stakeholder table below.</p>	<p>See the Employees section of the Directors' report, as well as the Stakeholder table below.</p>
<p><b>c)</b> The need to foster the Company's business relationships with suppliers, customers and others</p>	<p>See the Stakeholder table below.</p>	<p>See the Stakeholder table below.</p>
<p><b>d)</b> The impact of the Company's operations on the community and the environment</p>	<p>See both 'Community' and 'Environment' in the Stakeholder table below.</p>	<p>See both 'Community' and 'Environment' in the Stakeholder table below.</p>

## 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
<p><b>e)</b> The desirability of the Company maintaining a reputation for high standards of business conduct</p>	<p>The board takes abiding by laws in every region very seriously and all new legislation that may affect the Group is considered carefully by an appropriate group of individuals selected by the board.</p> <p>The board has an Anti Bribery Group that engages with employees to ensure compliance with the Bribery Act 2010. The employee handbook also sets out a clear whistle-blowing procedure, which further supports the culture of encouraging high standards of business conduct.</p> <p>In order to ensure high standards of business conduct both manufacturing subsidiaries (UK and Germany) have obtained ISO accreditations, as follows:</p> <ul style="list-style-type: none"> <li>- ISO 14001 (Environmental Management Systems)</li> <li>- ISO 9001 (Quality Management)</li> </ul> <p>The Autoglym Division also has:</p> <ul style="list-style-type: none"> <li>- ISO 45001 (Occupational Health and Safety) accreditation</li> </ul>	<p>For example, the board set up a Steering Committee to prepare the Group 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.</p> <p>A list of countries that employees are prohibited from dealing with is maintained and updated on a regular basis.</p> <p>Every Altro Limited member of staff attends 'Dignity at Work' training as part of their induction and there is a network of Dignity at Work coaches that staff can consult. The aim of this programme is to ensure high standards of conduct by employees for the benefit of employees and other stakeholders.</p> <p>The Altro Limited 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).</p>
<p><b>f)</b> The need to act fairly as between members of the Company</p>	<p>The board considers the impact of decisions on shareholders as a whole and are always mindful of the differing levels of access to information between shareholder groups (i.e. employee shareholders versus non-employee shareholders).</p> <p>See also the Shareholder notes in the Stakeholder table below.</p>	<p>The board has maintained a desire to have only one class of shareholder to facilitate fairness between members.</p> <p>In addition, the board ensures shareholders who are not employees have access to performance data, not only through the annual report and accounts, but also through an interim statement, which it voluntarily produces and was last distributed in November 2019.</p> <p>The board has also chosen to maintain a list of share transaction rules designed to promote fairness between members, which it updated during 2019.</p>

# 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).

<p><b>CUSTOMERS</b>  <i>Without customer engagement we would not be able to ascertain the direction in which to take our innovation programmes and ultimately would not be able to grow sales.</i></p>	
<p>We have a variety of routes to market and as such a variety of customer groups as follows:</p> <ul style="list-style-type: none"> <li>• Business Partners (including Agents, Distributors, Franchisees and Researchers)</li> <li>• Product users (such as installers (Floors and Walls), valeters and dealerships (Autoglym)) and specifiers (such as architects)</li> <li>• End consumers</li> </ul>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>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.</p> <p>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.</p> <p>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 distributors, professional key account holders and auto specialist retailers and also hosts training days for franchisees, valeters and motor dealerships’ staff.</p> <p>In addition to all of the above, representatives of the Group 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 factories in Letchworth and in Dessau in Germany.</p>	<p>The Group 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.</p> <p>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.</p> <p>(See also ‘Quality Programme’ under Principal Decisions).</p> <p>Our Autoglym Division launched 5 new products for retail customers and 2 new professional products in 2019.</p> <p>During 2019, the Group 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.</p>

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

Companies Act 2006 Section 172 Statement (continued)

<b>SUPPLIERS</b>	
<i>Our suppliers are vital to our long-term success, as they enable us to continue to deliver high-quality product to our customers. Ensuring our supply chain meets our high standards helps to ensure the integrity of our products and maintain our ethical business values.</i>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>The Group carries out regular reviews of many of its suppliers and invites some to visit our sites. During such visits the Group's Zero Harm programme is discussed with suppliers as the Group believes mutual sharing of such information strengthens health and safety matters within the supply chain for everyone's benefit.</p> <p>As needed, the Group sends staff from its Head Office to visit international suppliers in order to check on the welfare of the suppliers' staff and also carry out checks that national minimum wage is being paid along the supply chain.</p> <p>The Group 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.</p> <p>The Group also supports some suppliers with improving their own supply chains and processes.</p>	<p>The Group brought in a Supply Chain Manager in 2015 and has continued to invest in this area in 2019 to continue to enhance supplier engagement.</p> <p>The Group has made decisions during 2019 to use certain suppliers based on their ethical values and welfare records, rather than on a pure cost basis.</p> <p>During 2019 the main UK trading subsidiary (Altro Limited) worked with a small supplier to change their manufacturing processes to enable the Group to continue to purchase from them. The Group were 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 Group and the supplier.</p>

<b>EMPLOYEES</b>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>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.</p>	<p>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.</p>

<b>PENSIONERS</b>	
<i>Our pensioners have often dedicated many years to serving the Group and we are mindful of our responsibility to them as well as how our current workforce plan for retirement in a society where retirement savings are often inadequate.</i>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>The Group sends a representative to each Defined Benefit Pension Trustee meeting and engages regularly with the Trustees and scheme actuary.</p> <p>There is a Defined Contribution Pension Scheme Group, who meet regularly with the administrators of the scheme to review performance.</p> <p>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.</p>	<p>To give an added layer of protection, the Company has in place a cross-guarantee for the defined benefit pension scheme and the Group has put £2.8m into funding the deficit during 2019. Altro Limited also pays pension scheme costs for administration, investment advice and other pension fund fees.</p> <p>(See also 'Increased Pensions Contributions' in Principal Decisions section below).</p> <p>The Group 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.</p>

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

### Companies Act 2006 Section 172 Statement (continued)

<b>SHAREHOLDERS</b>	
<i>As an unlisted Group with several hundred shareholders we are proud that shareholder engagement is an integral part of our annual calendar.</i>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>The board understands the importance of the shareholders and therefore, for many years, has engaged a professional registrar company to take care of shareholder enquiries and for registering changes to shareholdings. The company secretarial team alert the directors to any specific shareholder requests or concerns and this allows a close link between the board and shareholders.</p> <p>The Group holds an Annual General Meeting (“AGM”) and in order to encourage maximum interaction and feedback from shareholders, this is followed by an informal reception where shareholders can talk with members of the board.</p>	<p>In addition to our external Registrar, the Group understands that some shareholders prefer more personal interaction and therefore shareholders are also able to directly contact the company secretarial team.</p> <p>The directors considered feedback from shareholders regarding their preferred methods of share disposal and this led to again offering a buyback of £1m (as in 2018), compared to £2m in 2017. (See ‘Buyback and Cancellation of Shares’ under Principal Decisions below).</p> <p>The Board also noted feedback from some shareholders that they would like more detailed, tangible information at the AGM and this led to shareholders being shown a video of some of the Group’s achievements during the 2019 AGM.</p> <p>(See also ‘Dividends’ under Principal Decisions below).</p>

<b>COMMUNITY</b>	
<i>The directors are aware that the Group is reliant on its local communities and owes them all a duty of care when carrying out its operations.</i>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>The board is proud of the location of its factory in Letchworth, the first garden city, and considers carefully the impact that it may have on the surrounding area and community. This is also true for all other locations.</p> <p>The main UK trading entity of the Group engages with local schools through providing work experience opportunities for employees’ children, as well as training and coaching at a local school.</p> <p>In the UK, 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.</p> <p>The Autoglym Division works with a local organisation that aims to help the long-term unemployed back into work and to enhance their employability.</p>	<p>The Group donates Altro and Autoglym product to several local causes and charities and allows all staff, in every location worldwide, one day off per year to help out at any health charity of their choice. Staff are encouraged to choose local projects, so that the Group has a positive impact on the local community.</p> <p>During 2019 the Group donated 2% of 2018 profit generated by its Altro Floors and Walls division globally to The Altro Foundation Limited, which achieved charitable status during 2019. In addition to an annual financial donation, the Group also donates UK staff time to assist the charity.</p> <p>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.</p>

# Strategic report (continued)

## for the year ended 31 December 2019

Companies Act 2006 Section 172 Statement (continued)

<b>ENVIRONMENT</b>	
<i>As manufacturers of products that involve chemical processing it is of utmost importance that we respect the environment and take the environmental effect of our products and operations into account.</i>	
<b>Engagement Strategies</b>	<b>Outcomes</b>
<p>As a responsible business, the board constantly considers the impact of the Group, its locations and products on the environment.</p> <p>Within the Group there are various relationships and memberships of industry environmental groups maintained, such as:</p> <ul style="list-style-type: none"> <li>- VinylPlus (a voluntary commitment of the European PVC industry for sustainable development and recycling);</li> <li>- Membership of the European Resilient Floor Covering Manufacturers Institute Circular Economy Committee;</li> <li>- 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.</li> </ul> <p>The main UK trading entity (Altro Limited) maintains ISO 14001 (Environmental Management Systems) accreditation across both Divisions to ensure compliance with environmental standards and to enhance environmental performance.</p> <p>The manufacturing subsidiary in Germany also has ISO 14001 accreditation, as well as ISO 50001 (Energy Management) accreditation.</p>	<p>With this in mind, the Group tries to make sustainable flooring and for this reason the Group is able to offer up to 20 year guarantees with many of its flooring products. The board has always felt this to be important because of the environmental effect that the 'throw-away' culture has on the environment and adhesive-free products have been introduced in recent years, also for environmental reasons.</p> <p>The Group also takes seriously the need to find ways to prevent redundant product from being sent to landfill. In 2009 Altro and Polyflor jointly formed Recofloor, a vinyl flooring take-back scheme that operates in the UK and Ireland. By the end of 2019 Recofloor had recycled more than 4,900 tons of flooring.</p> <p>The Group has its other manufacturing site in Germany and has a stake in AgpR, a similar recycling scheme there. In 2019 the Group, along with other shareholders, contributed financially to enable AgpR to continue with its recycling operations.</p> <p>Both The Altro Group plc and Altro Limited also maintain investments in DB Group (Holdings) Limited, who developed an ultra-low carbon concrete (Cemfree) to help reduce carbon emissions in the construction industry.</p> <p>During 2019, the Autoglym Division worked with its supply chain to incorporate recycled materials into some packaging.</p>

### Other matters to which the board have regard when decision making

- **Zero Harm**  
Having a happy and healthy workforce is vital to our work and this is why the board have asked that Zero Harm is the first item considered at every meeting.
- **The need to constantly innovate**  
Bringing new products to the market benefits customers including distributors, installers and end users, as well as the Group itself.
- **The importance of efficiency**  
Efficient production lines and processes benefit not only the Group, but also customers 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.

# Strategic report (continued)

## for the year ended 31 December 2019

Companies Act 2006 Section 172 Statement (continued)

### Principal Decisions

We define Principal Decisions as those that have a significant impact on the Company and/or Group and/or our stakeholders. Principal Decisions that are currently confidential to the Group are not included in the below list. Any such decision would be included in future 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 14p per share during the year*

The board recommended a final dividend of 9.5p, which was subsequently approved by shareholders at the AGM, as well as paying an interim dividend of 4.5p later in the year. 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 there is a large employee shareholder base (through its UK share schemes) and its commitments to funding the pension schemes.

#### *ii) Buyback and cancellation of shares*

The board offered shareholders the opportunity to sell shares back to the Company up to a total value of £1m worth of shares during 2019. The board considered the limited opportunities shareholders have for selling shares in the Company, along with the cash position of the Company and concluded that it was in the interests of the Company, as well as shareholders and employees (through the SIP), to make the offer of buying in shares. However, the decision to again offer fewer shares than in 2017 (2018: £1m, 2017: £2m) was taken based on the economic conditions that could affect the Company over the short and longer term and the lack of shareholder take-up of the buy-back in the previous year.

#### *iii) 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.

#### *iv) Launch of Group-wide 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 in the UK and then to international subsidiaries 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.

#### *v) 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 Group, as well as several other stakeholder groups.

#### *vi) 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.

#### *vii) Approval of Group 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, by rolling out employee surveys to the international

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

Companies Act 2006 Section 172 Statement (continued)

Principal Decisions (continued)

*vii) Approval of Group Budget (continued)*

subsidiaries during 2020. The board also considered customer feedback in regards to product innovation when approving the strategic focus of the budgets for 2020.

At the time of signing, the Group 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 Group'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 consolidated financial statements of The Altro Group plc ("the Company") - Company Registration Number: 01493087 - and its subsidiary undertakings (together, "the Group") for the year ended 31 December 2019. The directors of the Company, all of whom have been directors during the year and up to the date of signing the financial statements, are listed on page 2.

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

#### Dividends

Owing to the current uncertainty created by COVID-19, the directors have taken the decision not to recommend a final dividend at this time (2018: 9.5p). This decision will be reviewed later in 2020. An interim dividend of 4.5p (2018: 4.5p) was paid in November 2019. Diluted earnings per share were 50.3p (2018: 53.1p).

#### Share capital

During 2019, the Company bought back and cancelled 46,050 (2018: 146,733) ordinary shares of 10p each (representing 0.3% (2018: 0.9%) of the called up share capital) at a price of 614p per share (2018: 598p per share) for a total of £0.3m (2018: £0.9m) with a nominal value of £5k (2018: £15k). No shares (2018: none) were issued during the year. The Company will not seek the approval of shareholders at the Annual General Meeting for the purchase of any of its own shares. There will therefore be no Company buyback of shares in 2020.

#### Share Incentive Plan (SIP)

46,498 shares under the SIP have been awarded in 2019 to 499 employees (2018: 53,279 shares awarded to 488 employees). The Company set aside £332k (2018: £332k) of shares for employees in 2019. This allocation was the seventeenth under the SIP. In line with the above decisions on the final dividend and buyback of own shares, the directors do not currently plan to make an award under the SIP in 2020, although this will be reviewed later in the year.

#### Employee Benefit Trust (EBT)

Shares continued to be purchased by the EBT throughout 2019 for use in the Group share schemes. At the date of signing the EBT has suspended the purchase of shares. This is as a result of its funding being paused during the COVID-19 pandemic. The financial results of the EBT are incorporated into the consolidated financial statements of the Group and the financial statements of the Company.

#### Employees

##### *Inclusion:*

The Group operates non-discriminatory employment policies which are designed to attract, retain and motivate the very best people, recognising that this can only be achieved through practising equal opportunities regardless of 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 Group continues and that appropriate facilities are available, appropriate adjustments are made and training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

##### *Retention:*

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

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

### Employees (continued)

#### *Directors' Engagement with and Regard to Employees:*

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

The directors engage both directly and indirectly with Group employees, in particular via two Executive Committees. These Executive Committees have a team of international senior managers reporting to them. Together, the members of the Altro Floors and Walls Executive Committee and other senior managers form the Strategic Planning Team for the Altro Floors and Walls Division and meet at least twice a year to contribute to the strategies of the Division. A further layer of management is then involved in Strategy Implementation meetings and these managers work together with their teams to disseminate information and provide employee feedback on strategy. Members of the Altro Floors and Walls Executive Committee meet with all staff within the Division twice a year through Team Briefings, where they share financial performance information and progress on key strategies. Cascade Briefings also take place within the Division on a monthly basis. For the Autoglym Division, the Executive Committee 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 Group has an open and honest culture and employees are informed of decisions that are relevant to them as soon as practical. The Group uses an intranet site for many of these communications, but also cascades information through the management structure ahead of intranet announcements. This is to ensure a personal touch in delivering information and allowing for questions to be answered.

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

#### *ii) Consultation*

The Group 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 UK 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 and training was scheduled for the worldwide senior managers to take place during 2020.

In our German subsidiary there is frequent and active engagement with the workers counsel and this has been strengthened by the employment of a dedicated HR Manager for the region, based locally in Dessau, as well as a new Operations Director. During 2019 approval was given for the addition of another HR representative in the US subsidiary, taking into account the growth of that region.

As part of our commitment to employee safety, the Zero Harm programme has continued to be a focus during 2019 and was introduced to the international subsidiaries during the year. 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.

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

### Employees (continued)

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

##### *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.

Richard Kahn (Managing Director) visited the majority of international locations during 2019. These visits included presenting an annual overview of business operations, significant plans for the future and a review of performance during the year.

During 2019 all employees were invited to attend an Altro 100 Celebration in recognition of Altro Limited celebrating its centenary. Different celebrations were hosted in the various regions, with all of them having a 1920s theme and were well attended by staff.

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 of the Group also engages directly with every global team, delivering an update on financial results and other performance KPIs in June and December of each year.

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 Group.

#### *Decisions Affecting Employees:*

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

- 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 globally to access advice on a range of welfare and financial topics free of charge. The board also extended this programme to Japan when this subsidiary was incorporated in early 2019;
- Work has been undertaken in 2019 to prepare for the global roll-out of a competency framework for employees, designed to help employees develop the behaviours and attributes which will assist them in being successful within the Group on a long-term basis and promote a happy and healthy working environment;
- During the 2020 budget process (which took place in 2019) a decision was made to roll out the employee survey internationally in 2020.

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.

## **Directors' report (continued)**

### **for the year ended 31 December 2019**

#### **Employees (continued)**

##### *Thanks*

Our success is due to the teamwork and co-operation of the people within the Group. The directors thank all those who have worked so hard and contributed so much to achieve these results during a demanding time. The Group continues to develop and maintain a culture which encourages long service and we are proud that so many employees choose to remain with us over many years.

#### **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 business. See the Strategic report for more detail on how the board considers Zero Harm, Health, Safety and the Environment.

#### **Research and development**

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

#### **Group pension schemes**

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

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

During the year the Group made a special contribution of £2.8m (2018: £2.8 m) to the DB Scheme in line with the triennial funding plan agreed with the Pension Trustees. The Company also provided a guarantee to the Pension Trustees in respect of the present and future obligations and liabilities of Altro Limited to the DB Scheme (See note 22).

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

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

#### **Charitable and political donations**

The Group contributed £230k (2018: £134k) for charitable purposes. There were no political contributions (2018: nil).

# Directors' report (continued)

## for the year ended 31 December 2019

### Going concern

Overall, the Group benefits from a strong financial position, with no external borrowing and significant liquidity. As at 31 December 2019 the Group has liquid resources of £14.2 million comprising cash and cash equivalents. In addition, there is an agreed overdraft facility of £6m.

As part of assessing the ability of the Group and Company to continue as a going concern, management also considered the impact of COVID-19 on its business. During this 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. 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 Group 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 Group and 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 Group's and 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 Group and 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 Group is at various stages in the process of evaluating, applying for and implementing initiatives offered by respective governments, 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 Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

### Statement of disclosure of information to auditors

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

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

### Independent auditors

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

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



**E P Boyle**  
Secretary  
7 May 2020

# Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2019

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### 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 group's and company's ability to continue as a going concern. The group's and 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 group and 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 group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were 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.

# Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2019

## Reporting on other information (continued)

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.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect the financial statements set out on page 20, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

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](http://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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



**Suzanne Woolfson (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
7 May 2020



## Consolidated profit and loss account for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Turnover</b>	5	<b>151,338</b>	145,240
Cost of sales		<b>(66,770)</b>	(66,468)
<b>Gross profit</b>		<b>84,568</b>	78,772
Distribution costs		<b>(39,057)</b>	(37,827)
Administrative expenses		<b>(35,271)</b>	(31,054)
<b>Operating profit</b>		<b>10,240</b>	9,891
Interest receivable and similar income	8	<b>355</b>	134
Interest payable and similar expenses	8	<b>(29)</b>	(25)
<b>Profit before taxation</b>	6	<b>10,566</b>	10,000
Tax on profit	9	<b>(2,488)</b>	(1,474)
<b>Profit for the financial year</b>		<b>8,078</b>	8,526

All the above results derive from continuing operations.

## Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Profit for the financial year</b>		<b>8,078</b>	8,526
<b>Other comprehensive (expense) / income :</b>			
Currency translation differences arising on consolidation		<b>(994)</b>	59
Remeasurements of net Defined Benefit Pension Scheme balance	22	<b>(11,188)</b>	3,084
Total tax on components of Other comprehensive (expense) / income	9	<b>1,388</b>	(956)
<b>Other comprehensive (expense) / income for the year, net of tax</b>		<b>(10,794)</b>	2,187
<b>Total comprehensive (expense) / income for the year</b>		<b>(2,716)</b>	10,713

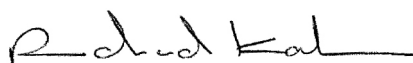
# Consolidated balance sheet

as at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	12	2,194	2,645
Investment property	13	549	568
Tangible assets	14	41,600	41,808
		<b>44,343</b>	45,021
<b>Current assets</b>			
Inventories	16	25,025	24,983
Debtors: amounts falling due after more than one year	17	686	751
Debtors: amounts falling due within one year	18	21,849	22,761
Cash at bank and in hand		16,552	13,690
		<b>64,112</b>	62,185
<b>Creditors: amounts falling due within one year</b>	19	<b>(18,642)</b>	(17,180)
<b>Net current assets</b>		<b>45,470</b>	45,005
<b>Total assets less current liabilities</b>		<b>89,813</b>	90,026
Provisions for liabilities	20	(702)	(1,891)
Deferred tax liability	20	-	(1,052)
Defined Benefit Pension Scheme (liability)/ asset	22	(1,974)	5,693
<b>Net assets</b>		<b>87,137</b>	92,776
<b>Capital and reserves</b>			
Called up share capital	26	1,657	1,662
Share premium account		7,218	7,218
Other reserves		(3,164)	(2,695)
Retained earnings		81,426	86,591
<b>Total equity</b>		<b>87,137</b>	92,776

The notes on pages 29 to 58 are an integral part of these financial statements.

The financial statements on pages 23 to 58 were approved by the Board on 7 May 2020 and signed on its behalf by



**R J Kahn**

Managing Director

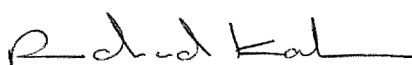
# Company balance sheet

as at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	14	25,079	25,779
Investments	15	13,195	12,399
		<b>38,274</b>	38,178
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	17	108	28
Cash at bank and in hand		6,373	4,475
		<b>6,481</b>	4,503
<b>Creditors: amounts falling due within one year</b>	19	<b>(3,304)</b>	(2,269)
<b>Net current assets</b>		<b>3,177</b>	2,234
<b>Total assets less current liabilities</b>		<b>41,451</b>	40,412
<b>Net assets</b>		<b>41,451</b>	40,412
<b>Capital and reserves</b>			
Called up share capital	26	1,657	1,662
Share premium account		7,218	7,218
Other reserves		(3,164)	(2,695)
Retained earnings			
- At 1 January		34,227	34,083
- Profit for the financial year		3,962	3,140
- Other changes in retained earnings		(2,449)	(2,996)
Total retained earnings		35,740	34,227
<b>Total equity</b>		<b>41,451</b>	40,412

The notes on pages 29 to 58 are an integral part of these financial statements.

The financial statements on pages 23 to 58 were approved by the Board on 7 May 2020 and signed on its behalf by



**R J Kahn**  
Managing Director

## Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Other reserves		Retained earnings £'000	Total £'000	Non- Controlling Interest £'000	Total equity £'000
			Capital	Own				
			redemption reserve	shares				
			£'000	£'000				
<b>The Group</b>								
Balance as at 1 January 2018	1,677	7,218	1,051	(4,128)	79,599	85,417	(716)	84,701
Profit for the financial year	-	-	-	-	8,526	8,526	-	8,526
Other comprehensive income for the year	-	-	-	-	2,187	2,187	-	2,187
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>10,713</b>	<b>10,713</b>	-	<b>10,713</b>
Dividends paid	-	-	-	-	(2,248)	(2,248)	-	(2,248)
Purchase of own shares	(15)	-	15	-	(877)	(877)	-	(877)
Purchase of own shares for the SIP	-	-	-	-	(332)	(332)	-	(332)
Purchase of own shares by the EBT	-	-	-	(457)	-	(457)	-	(457)
Disposal of own shares by the EBT	-	-	-	824	161	985	-	985
Increase in reserves arising from share-based payments	-	-	-	-	300	300	-	300
<b>Total transactions with owners, recognised directly in equity</b>	<b>(15)</b>	<b>-</b>	<b>15</b>	<b>367</b>	<b>(2,996)</b>	<b>(2,629)</b>	<b>-</b>	<b>(2,629)</b>
<b>Acquisition of non-controlling interest (note 30)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(725)</b>	<b>(725)</b>	<b>716</b>	<b>(9)</b>
<b>Total changes in ownership interests in subsidiaries that do not result in a loss of control</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(725)</b>	<b>(725)</b>	<b>716</b>	<b>(9)</b>
<b>Balance as at 31 December 2018</b>	<b>1,662</b>	<b>7,218</b>	<b>1,066</b>	<b>(3,761)</b>	<b>86,591</b>	<b>92,776</b>	<b>-</b>	<b>92,776</b>
Balance as at 1 January 2019	1,662	7,218	1,066	(3,761)	86,591	92,776	-	92,776
Profit for the financial year	-	-	-	-	8,078	8,078	-	8,078
Other comprehensive expense for the year	-	-	-	-	(10,794)	(10,794)	-	(10,794)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,716)</b>	<b>(2,716)</b>	<b>-</b>	<b>(2,716)</b>
Dividends paid	-	-	-	-	(2,235)	(2,235)	-	(2,235)
Purchase of own shares	(5)	-	5	-	(283)	(283)	-	(283)
Purchase of own shares for the SIP	-	-	-	-	(332)	(332)	-	(332)
Purchase of own shares by the EBT	-	-	-	(750)	-	(750)	-	(750)
Disposal of own shares by the EBT	-	-	-	276	67	343	-	343
Increase in reserves arising from share-based payments	-	-	-	-	334	334	-	334
<b>Total transactions with owners, recognised directly in equity</b>	<b>(5)</b>	<b>-</b>	<b>5</b>	<b>(474)</b>	<b>(2,449)</b>	<b>(2,923)</b>	<b>-</b>	<b>(2,923)</b>
<b>Balance as at 31 December 2019</b>	<b>1,657</b>	<b>7,218</b>	<b>1,071</b>	<b>(4,235)</b>	<b>81,426</b>	<b>87,137</b>	<b>-</b>	<b>87,137</b>

## Company statement of changes in equity for the year ended 31 December 2019

			Other reserves			Total equity £'000
	Called up	Share	Capital	Own	Retained	
	share	premium	redemption	shares	earnings	
	capital	account	reserve	shares	earnings	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>The Company</b>						
Balance as at 1 January 2018	1,677	7,218	1,051	(4,128)	34,083	39,901
Profit for the financial year	-	-	-	-	3,140	3,140
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,140</b>	<b>3,140</b>
Dividends paid	-	-	-	-	(2,248)	(2,248)
Purchase of own shares	(15)	-	15	-	(877)	(877)
Purchase of own shares for the SIP	-	-	-	-	(332)	(332)
Purchase of own shares by the EBT	-	-	-	(457)	-	(457)
Disposal of own shares by the EBT	-	-	-	824	161	985
Capital contribution arising from share-based payments	-	-	-	-	300	300
<b>Total transactions with owners, recognised directly in equity</b>	<b>(15)</b>	<b>-</b>	<b>15</b>	<b>367</b>	<b>(2,996)</b>	<b>(2,629)</b>
<b>Balance as at 31 December 2018</b>	<b>1,662</b>	<b>7,218</b>	<b>1,066</b>	<b>(3,761)</b>	<b>34,227</b>	<b>40,412</b>
Balance as at 1 January 2019	1,662	7,218	1,066	(3,761)	34,227	40,412
Profit for the financial year	-	-	-	-	3,962	3,962
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,962</b>	<b>3,962</b>
Dividends paid	-	-	-	-	(2,235)	(2,235)
Purchase of own shares	(5)	-	5	-	(283)	(283)
Purchase of own shares for the SIP	-	-	-	-	(332)	(332)
Purchase of own shares by the EBT	-	-	-	(750)	-	(750)
Disposal of own shares by the EBT	-	-	-	276	67	343
Capital contribution arising from share-based payments	-	-	-	-	334	334
<b>Total transactions with owners, recognised directly in equity</b>	<b>(5)</b>	<b>-</b>	<b>5</b>	<b>(474)</b>	<b>(2,449)</b>	<b>(2,923)</b>
<b>Balance as at 31 December 2019</b>	<b>1,657</b>	<b>7,218</b>	<b>1,071</b>	<b>(4,235)</b>	<b>35,740</b>	<b>41,451</b>

## Consolidated statement of cash flows

### for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash from operating activities	27	12,750	8,563
Taxation paid		(2,660)	(1,626)
<b>Net cash generated from operating activities</b>		<b>10,090</b>	<b>6,937</b>
<b>Cash flow from investing activities</b>			
Additional subsidiary investment		-	(9)
Purchase of intangible assets	12	(135)	(103)
Purchase of tangible assets	14	(4,207)	(4,786)
Proceeds from disposals of tangible assets		3	9
Prior year loans granted to third parties		-	360
Interest received		127	83
<b>Net cash used in investing activities</b>		<b>(4,212)</b>	<b>(4,446)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to owners of the parent	10	(2,235)	(2,248)
Interest paid		(29)	(25)
Sale of own shares by the EBT (net of costs of issue)		343	985
Purchase of own shares by the EBT and for the SIP		(1,082)	(789)
Purchase of own shares		(283)	(877)
Prior year shareholder loan from non-controlling interests		-	(1,665)
<b>Net cash used in financing activities</b>		<b>(3,286)</b>	<b>(4,619)</b>
Net increase / (decrease) in cash and cash equivalents		2,592	(2,128)
Cash and cash equivalents at the beginning of the year		11,862	13,956
Exchange gains on cash and cash equivalents		(265)	34
<b>Cash and cash equivalents at the end of the year</b>		<b>14,189</b>	<b>11,862</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		16,552	13,690
Overdrafts and short-term borrowings	19	(2,363)	(1,828)
<b>Cash and cash equivalents</b>		<b>14,189</b>	<b>11,862</b>

# Notes to the consolidated financial statements

## for the year ended 31 December 2019

### 1 General information

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

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

### 2 Statement of compliance

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

### 3 Accounting policies

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

#### (a) Basis of accounting

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

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

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

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

#### (b) 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 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 Group and 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 Group's and 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 Group and 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.

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2019

### 3 Accounting policies (continued)

#### (b) Going concern (continued)

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.

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

#### (d) Basis of consolidation

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

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

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

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

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

#### (e) Foreign currency

##### (i) Functional and presentational currency

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

##### (ii) Transactions and balances

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



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

### 3 Accounting policies (continued)

#### (e) Foreign currency (continued)

##### (ii) Transactions and balances (continued)

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

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

##### (iii) Translation

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

#### (f) Capital contributions

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

#### (g) Goodwill and intangible assets

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

The annual rates used for intangible assets are:

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

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

#### (h) Investments - Company

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.

#### (i) Tangible assets and depreciation

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

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2019

### 3 Accounting policies (continued)

#### (i) Tangible assets and depreciation (continued)

The annual rates used for other assets are:

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

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

#### (j) 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.

#### (k) 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.

#### (l) Financial instruments

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

##### *(i) Financial assets*

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

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

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2019

### 3 Accounting policies (continued)

#### (l) Financial instruments (continued)

##### (i) Financial assets (continued)

to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### (ii) Financial liabilities

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

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

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

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

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

Financial liabilities are derecognised when the liability is extinguished, 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.

#### (m) Provisions

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

#### (n) Turnover

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

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

#### (o) Research and development

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

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

### 3 Accounting policies (continued)

#### (p) Employee benefits

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

##### *(i) Short term benefits*

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

##### *(ii) Defined Benefit Pension Scheme*

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

Pension costs for the DB Scheme have been accounted for in accordance with FRS 102 section 28: Employee benefits. The assets of the DB Scheme are measured at current bid price, and the liabilities using a projected unit method and discounted at a high quality corporate bond rate.

The DB Scheme asset or liability is recognised in full on the balance sheet, with the associated deferred tax liability or asset recognised separately. The cost charged to operating profit is the service cost of the DB Scheme. The interest costs are included in the net finance charge or income in the profit and loss account. Actuarial gains or losses are recognised in Other comprehensive income.

##### *(iii) Defined Contribution Pension Schemes*

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

##### *(iv) Share-based payment*

The Group issues share options to certain employees. The fair value of equity-settled share-based payments is measured at the date of the grant. The fair value of cash-settled share-based payments is remeasured at the end of each year. The charge, based on fair value and the Group's estimation of shares that will eventually vest, is expensed on a straight line basis over the vesting period.

The calculation of the fair value of the share options issued by the Group has been based on the Black-Scholes valuation model, using a number of subjective assumptions, the most significant of which is that the expected volatility of the Group's share valuation will be 30%.

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

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

#### (q) 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.

#### (r) 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.

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

### 3 Accounting policies (continued)

#### (r) Dividends (continued)

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.

#### (s) EPS

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

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

#### (t) Investment Property

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

### 4 Critical accounting judgements and estimation uncertainty

#### Key accounting estimates and assumptions

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

#### Defined Benefit Pension Scheme

Although the Defined Benefit Pension Scheme (DB Scheme) is closed to future accrual, the Group has an obligation to fund the Scheme. The present value of the obligation/asset 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.

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

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

### 5 Turnover

Turnover by geographical area was:

	2019		2018	
	£'000	%	£'000	%
<b>Territory</b>				
United Kingdom	71,795	48	71,936	50
Continental Europe	24,765	16	24,528	17
The Americas	41,292	27	36,490	25
Australia and Asia Pacific	10,452	7	9,324	6
Rest of world	3,034	2	2,962	2
	<b>151,338</b>	<b>100</b>	<b>145,240</b>	<b>100</b>

Turnover is comprised of revenue from the sale of goods.

### 6 Profit before taxation

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

	2019	2018
	£'000	£'000
Amortisation of intangible assets	487	515
Depreciation of tangible assets	4,065	3,683
Loss on disposal of tangible fixed assets	10	24
Inventory obsolescence (reversals) and charges	(463)	799
Bad debt impairments and (reversals)	383	(148)
Research and development	2,077	2,035
Operating lease charges	1,956	1,950
Foreign exchange loss / (gain)	617	(167)
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	58	55
Fees payable to the Company's auditors and their associates for other services:		
- the audit of the Company's subsidiaries	38	36
- tax compliance services	17	15
- 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	162	132

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

### 7 Employees and directors

#### Group employees

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

	2019 Number	2018 Number
Manufacturing	208	204
Sales and marketing	317	320
Warehouse and distribution	99	104
Administration and management	197	189
	<b>821</b>	817

Employee costs, including directors, during the year were:

	2019 £'000	2018 £'000
Wages and salaries	35,164	34,192
Social security costs	3,893	3,798
Other pension costs	1,589	1,410
Employee share schemes (note 24)	796	98
Other staff benefits	1,366	1,179
	<b>42,808</b>	40,677

All staff are employed by subsidiaries within the Group. The Company has no employees (2018: nil).

#### Directors

The directors' emoluments were as follows:

	2019 £'000	2018 £'000
Aggregate emoluments	1,555	1,553
Defined Contribution Pension Scheme contributions	186	186
	<b>1,741</b>	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.

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

### 7 Employees and directors (continued)

#### Highest paid director

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

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.

#### Key management

The compensation paid or payable to key management has been included in the above schedule for directors.

### 8 Net interest expense

	2019	2018
	£'000	£'000
Interest receivable and similar income:		
short term deposits	48	20
other	79	63
finance income on DB Scheme assets (note 22)	228	51
<b>Interest receivable and similar income</b>	<b>355</b>	<b>134</b>
Interest payable and similar expenses:		
bank overdraft	(29)	(25)
<b>Interest payable and similar expenses</b>	<b>(29)</b>	<b>(25)</b>
<b>Net interest income</b>	<b>326</b>	<b>109</b>



## Notes to the consolidated 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
<b>Current tax:</b>		
UK corporation and income tax:		
current tax on income for the year	1,308	1,396
adjustments in respect of prior years	172	(295)
	<b>1,480</b>	<b>1,101</b>
<b>Foreign tax:</b>		
current tax on income for the year	1,064	654
adjustments in respect of prior years	-	(264)
	<b>1,064</b>	<b>390</b>
<b>Current tax charge</b>	<b>2,544</b>	<b>1,491</b>
<b>Deferred tax:</b>		
timing differences - origination and reversal	(56)	(17)
<b>Deferred tax credit</b>	<b>(56)</b>	<b>(17)</b>
<b>Tax on profit</b>	<b>2,488</b>	<b>1,474</b>
(b) Tax expense included in Other comprehensive income	2019 £'000	2018 £'000
<b>Deferred tax:</b>		
timing differences - origination and reversal	(1,388)	956
<b>Tax expense included in Other comprehensive income</b>	<b>(1,388)</b>	<b>956</b>

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 9 Tax on profit (continued)

##### (c) Reconciliation of tax charge

The total tax charge for the year is higher (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	2018
	£'000	£'000
<b>Profit before taxation</b>	<b>10,566</b>	10,000
Tax charge on profit before taxation of 19% (2018: 19%)	<b>2,008</b>	1,900
Income not subject to tax	<b>(20)</b>	(82)
Expenses not deductible for tax purposes	<b>282</b>	122
Research and development enhanced allowances	<b>(211)</b>	(283)
Pension contributions in excess of charge	<b>(473)</b>	(542)
Depreciation in excess of capital allowances	<b>18</b>	85
Movement in short-term timing differences	<b>18</b>	(60)
Differences in UK income tax and overseas tax rates	<b>867</b>	789
Adjustments in respect of prior years	<b>172</b>	(559)
Deferred tax on share schemes	<b>(74)</b>	43
Other	<b>(99)</b>	61
<b>Tax charge for the year</b>	<b>2,488</b>	1,474

##### (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 consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 10 Dividends per share

	2019	2018
	£'000	£'000
Final dividend for prior year of 9.5p per share (2018: 9.5p)	1,516	1,525
Interim dividend for current year of 4.5p per share (2018: 4.5p)	719	723
	<b>2,235</b>	2,248

A final dividend will not be proposed (2018: 9.5p) for the year ended 31 December 2019 at the Annual General Meeting in June 2020. Based on the number of shares in issue at the date of this report, this would equate to a dividend of nil (2018: £1,579k).

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

#### 11 Earnings per share

	2019	2018
	£'000	£'000
<b>Profit for the financial year attributable to owners of the parent</b>	<b>8,078</b>	8,526

	2019	2018
	Number	Number
	of shares	of shares
Weighted average number of shares in issue	16,644,669	16,688,456
Weighted average number of shares held by the Employee Benefit Trust	(586,549)	(622,479)
Basic weighted average number of shares in issue	16,058,120	16,065,977
Dilutive effect of share option schemes	988	472
<b>Diluted weighted average number of shares</b>	<b>16,059,108</b>	16,066,449

#### Earnings per share

Basic	50.3p	53.1p
Diluted	50.3p	53.1p

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

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

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 12 Intangible assets

The Group	Franchise £'000	Goodwill £'000	Computer Software £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	141	5,105	2,844	8,090
Additions	-	-	135	135
Currency translation differences	-	(106)	(22)	(128)
Disposals	-	-	(935)	(935)
<b>At 31 December 2019</b>	<b>141</b>	<b>4,999</b>	<b>2,022</b>	<b>7,162</b>
<b>Accumulated amortisation</b>				
At 1 January 2019	115	3,039	2,291	5,445
Currency translation differences	-	(19)	(10)	(29)
Charge for the year	7	248	232	487
Disposals	-	-	(935)	(935)
<b>At 31 December 2019</b>	<b>122</b>	<b>3,268</b>	<b>1,578</b>	<b>4,968</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>19</b>	<b>1,731</b>	<b>444</b>	<b>2,194</b>
At 31 December 2018	26	2,066	553	2,645

#### Company

The Company does not hold any intangible assets (2018: none).

#### 13 Investment property

The Group	Freehold Buildings £'000
<b>At Fair value</b>	
At 1 January 2019	568
Net gain from fair value adjustments on investment property	13
Currency translation differences	(32)
<b>At 31 December 2019</b>	<b>549</b>
<b>Provisions</b>	
At 1 January 2019	-
<b>At 31 December 2019</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>549</b>
At 31 December 2018	568

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 14 Tangible assets

The Group	Land and buildings			Plant equipment and vehicles	Assets under construction	Total
	Freehold	Long leasehold	Short leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 January 2019	4,171	35,968	846	47,872	1,631	90,488
Currency translation differences	(304)	-	(367)	(741)	-	(1,412)
Additions	13	96	139	2,067	1,892	4,207
Disposals	-	-	(5)	(4,946)	-	(4,951)
Transfers	-	-	-	2,210	(2,210)	-
<b>At 31 December 2019</b>	<b>3,880</b>	<b>36,064</b>	<b>613</b>	<b>46,462</b>	<b>1,313</b>	<b>88,332</b>
At valuation	256	4,394	-	-	-	4,650
At cost	3,624	31,670	613	46,462	1,313	83,682
<b>At 31 December 2019</b>	<b>3,880</b>	<b>36,064</b>	<b>613</b>	<b>46,462</b>	<b>1,313</b>	<b>88,332</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	1,323	11,035	621	35,701	-	48,680
Currency translation differences	(166)	-	(355)	(554)	-	(1,075)
Charge for the year	64	780	92	3,129	-	4,065
Disposals	-	-	(2)	(4,936)	-	(4,938)
<b>At 31 December 2019</b>	<b>1,221</b>	<b>11,815</b>	<b>356</b>	<b>33,340</b>	<b>-</b>	<b>46,732</b>
<b>Net book value</b>						
<b>At 31 December 2019</b>	<b>2,659</b>	<b>24,249</b>	<b>257</b>	<b>13,122</b>	<b>1,313</b>	<b>41,600</b>
At 31 December 2018	2,848	24,933	225	12,171	1,631	41,808
Comparable amounts determined according to the historical cost convention:						
cost (at 31 December 2019)	1,962	34,358	613	46,462	-	83,395
accumulated depreciation	(1,208)	(11,569)	(356)	(33,340)	-	(46,473)
<b>Net book value</b>						
<b>At 31 December 2019</b>	<b>754</b>	<b>22,789</b>	<b>257</b>	<b>13,122</b>	<b>-</b>	<b>36,922</b>
At 31 December 2018	943	23,473	225	12,171	-	36,812

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

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 14 Tangible assets (continued)

The Company	Land and buildings		Assets under construction	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 January 2019	1,095	35,967	72	37,134
Additions	-	96	-	96
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>At 31 December 2019</b>	<b>1,095</b>	<b>36,063</b>	<b>72</b>	<b>37,230</b>
At valuation	256	4,394	-	4,650
At cost	839	31,669	72	32,580
<b>At 31 December 2019</b>	<b>1,095</b>	<b>36,063</b>	<b>72</b>	<b>37,230</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	319	11,036	-	11,355
Charge for the year	16	780	-	796
Disposals	-	-	-	-
<b>At 31 December 2019</b>	<b>335</b>	<b>11,816</b>	<b>-</b>	<b>12,151</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>760</b>	<b>24,247</b>	<b>72</b>	<b>25,079</b>
At 31 December 2018	776	24,931	72	25,779
Comparable amounts determined according to the historical cost convention):				
cost (at 31 December 2019)	969	34,358	-	35,327
accumulated depreciation (at 31 December 2019)	(326)	(11,580)	-	(11,906)
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>643</b>	<b>22,778</b>	<b>-</b>	<b>23,421</b>
At 31 December 2018	659	23,462	-	24,121

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2019

### 15 Investments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January	-	-	12,399	12,301
Capital contribution arising from share-based payment charge	-	-	796	98
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>13,195</b>	<b>12,399</b>

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

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

#### Principal trading subsidiaries

The principal trading subsidiaries at 31 December 2019 were:

Company	Address of registered office	Class of shares	% of shares held	Activity
Altro Limited	Works Road, Letchworth Garden City, Hertfordshire. SG6 1NW, UK	Ordinary	100	Manufacturing & marketing
Altro APAC Pty Limited	3 St Andrews Court, Rowville, VIC. 3178, Australia	Ordinary	100	Distribution
Altro GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	-	100	Distribution
Altro Nordic AB	Box 9055, 200 39, Malmö, Sweden	Ordinary	100	Distribution
Altro Scandess SA	Urbana OFIC. 2-C y Gje. 32-1 sto, Playa De Riazor 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 Rd, Shanghai 201107, China	-	100	Distribution
Altro Japan K.K.	C/O Mazars Japan K.K., ATT New Tower 11F, 2-11-7, Akasaka, Minato-ku, Tokyo	-	100	Distribution
Altro Debolon Holding GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Holding Company
Altro Debolon GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Holding Company
Debolon Dessauer Bodenbeläge GmbH & Co KG	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Manufacturing & distribution
Altro Debolon Beteiligungen Verwaltungs GmbH	Ebertallee 209, 06846 Dessau-Roßlau, Germany	Ordinary	100	Holding Company

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

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

### 15 Investments (continued)

#### Dormant entities

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

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

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

### 16 Inventories

#### Group

	2019	2018
	£'000	£'000
Raw materials and consumables	6,590	6,327
Work in progress	799	946
Finished goods and goods held for resale	17,636	17,710
	<b>25,025</b>	<b>24,983</b>

Inventories are stated after provisions for impairment of £4,967k (2018: £5,430k).

#### Company

The Company has no inventories at 31 December 2019 (2018: nil).

### 17 Debtors: amounts falling due after more than one year

Group	Group	Group	Company	Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans	350	350	-	-
Other debtors	-	401	-	-
Deferred tax asset (note 20)	336	-	108	28
	<b>686</b>	<b>751</b>	<b>108</b>	<b>28</b>

Other debtors comprise a pension asset for funding the Debolon Dessauer Bodenbeläge GmbH & Co KG pension. The pension liability is disclosed separately in the accounts and included in note 22.

#### Company

The Company has no loans at 31 December 2019 (2018: nil).



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

### 18 Debtors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade debtors	18,006	18,932	-	-
Other debtors	766	456	-	-
Corporation tax	357	354	-	-
Deferred tax asset (note 20)	353	359	-	-
Prepayments and accrued income	2,367	2,660	-	-
	<b>21,849</b>	<b>22,761</b>	<b>-</b>	<b>-</b>

Trade debtors and other debtors are stated after provisions for impairment of £681k (2018: £298k).

### 19 Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans and overdrafts	2,363	1,828	2,363	1,828
Trade creditors	5,888	5,552	-	-
Amounts owed to group undertakings	-	-	177	110
Corporation tax	258	371	64	124
Other taxation and social security	1,590	1,550	-	-
Other creditors	913	854	-	-
Accruals and deferred income	7,630	7,025	700	207
	<b>18,642</b>	<b>17,180</b>	<b>3,304</b>	<b>2,269</b>

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

### 20 Provisions for liabilities

#### The Group

	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2019	(359)	1,891	1,532
(Credited) / charged to profit and loss account	(56)	345	289
Utilised in the year	-	(698)	(698)
Released in the year	-	(814)	(814)
Currency translation movements	62	(22)	40
<b>At 31 December 2019</b>	<b>(353)</b>	<b>702</b>	<b>349</b>

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

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

### 20 Provisions for liabilities (continued)

The Company	Deferred tax £'000	Total £'000
At 1 January 2019	(28)	(28)
Credited to profit and loss account	(80)	(80)
<b>At 31 December 2019</b>	<b>(108)</b>	<b>(108)</b>

Deferred tax	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Accelerated capital allowances	169	134	(108)	(28)
Other short-term timing differences	(265)	(160)	-	-
Overseas deferred tax	(257)	(333)	-	-
<b>Deferred tax asset</b>	<b>(353)</b>	<b>(359)</b>	<b>(108)</b>	<b>(28)</b>

Deferred tax asset / (liability) relating to Defined Benefit Pension Scheme asset

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

### 21 Operating lease commitments

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

The Group	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	1,086	801	948	820
between one and five years	1,947	795	2,057	834
after five years	2,948	-	3,029	-
	<b>5,981</b>	<b>1,596</b>	<b>6,034</b>	<b>1,654</b>

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2019

### 22 Retirement benefits

#### (a) Defined Benefit Pension Scheme

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

A full actuarial valuation was carried out as at 30 April 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.

The Group took on a DB Scheme liability as part of the acquisition of Debolon Dessauer Bodenbeläge GmbH & Co KG; this scheme is closed to future accrual. An asset to fund the liability was also acquired. This is disclosed within other debtors (note 17). This net liability was transferred out of the Group during 2019.

#### (i) 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)
UK Pension (liability) / asset	(1,974)	6,186
Other Group pension liabilities	-	(493)
<b>Group pension (liability) / asset</b>	<b>(1,974)</b>	<b>5,693</b>

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

#### (ii) UK Defined Benefit Pension Scheme - 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
<b>Fair value of DB Scheme assets</b>	<b>146,712</b>	<b>131,526</b>

The DB Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by the Company.

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

### 22 Retirement benefits (continued)

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

##### (iii) UK Defined Benefit Pension Scheme - 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	2018
		Years	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) UK Defined Benefit Pension Scheme - Changes in fair value of DB Scheme assets

	2019	2018
	£'000	£'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)
<b>Fair value of DB Scheme assets at 31 December</b>	<b>146,712</b>	<b>131,526</b>

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

## 22 Retirement benefits (continued)

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

#### (v) UK Defined Benefit Pension Scheme - 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
<b>Present value of DB Scheme liabilities at 31 December</b>	<b>148,686</b>	<b>125,340</b>

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

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

#### (vii) UK Defined Benefit Pension Scheme - 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
	<b>(11,188)</b>	<b>3,084</b>

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

The Group makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Group in the year in respect of these schemes were £1,589k (2018: £1,461k). There were no accrued contributions at the year end (2018: nil). Contributions of £1,163k were prepaid at the year end (2018: £1,349k).

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

### 23 Financial instruments

#### Group

The Group has the following financial instruments:

	2019	2018
	£'000	£'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
- Trade debtors	18,006	18,932
- Other debtors	766	857
- Loans	350	350
	<b>19,122</b>	<b>20,139</b>
<b>Financial liabilities at fair value through profit or loss</b>		
Foreign exchange forward contracts	107	95
<b>Financial liabilities measured at amortised cost</b>		
- Trade creditors	5,888	5,552
- Accruals	7,630	7,025
- Other creditors	913	854
- Bank overdrafts and other borrowings	2,363	1,828
	<b>16,794</b>	<b>15,259</b>

#### Derivative financial instruments - forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for purchases and sales. At 31 December 2019, the outstanding contracts all mature within 12 months (2018: 12 months) of the year end. The Group committed to buy €11,000k for a fixed sterling amount (2018: €4,000k). At 31 December 2019 the Group 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 Other creditors (note 19).

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2019

### 24 Share-based payment

During the year ended 31 December 2019, the Group 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 can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market value of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are generally reserved for employees at senior and director level. There are four participants remaining in the 2007 Approved Scheme and no participants in the 2018 Approved Scheme at the balance sheet date. As appropriate, the Company 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 can grant options over notional shares in the Company to employees of the Group. The contractual life of a Phantom Option is seven years and options are granted with a fixed exercise price set by the board and usually equal to the market price of the shares under option at the date of grant. Awards are generally reserved for employees at senior and director level. There are five participants remaining in the Phantom Plan 2005 and five participants in the Phantom Plan 2018 at the balance sheet date. As appropriate, the Company has made annual grants under one of the Phantom Plans since 2006. Phantom Options granted under either Phantom Plan will become exercisable on the third anniversary of the date of grant. There are no performance conditions attached to the exercise of Phantom Options that have been granted to date under either Phantom Plan. A Phantom Option is usually satisfied in cash and therefore does not normally result in the issuing of shares in the Company.

#### The Altro Group plc Share Incentive Plan (SIP)

The SIP was introduced in 2003 and the board can award free shares in the Company to UK-based employees of Altro Limited. Under current legislation free shares must be kept in trust for a minimum of three years and for five years to take advantage of full tax benefits. There is an upper statutory limit of £3,600 worth of shares per tax year. Awards are granted with a fixed price equal to the market price of the shares at the date of award. Awards under the SIP are reserved for employees who have been in continuous employment for a period of seven months prior to the grant date. There are 495 participating employees at the balance sheet date (2018: 488). The Company 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. The exercise price is nil and dividends are paid as they fall due.

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

	2019	2018
	£'000	£'000
<b>Expense arising from share-based payment arrangements</b>	<b>796</b>	<b>98</b>

A reconciliation of option and SIP movements over the year to 31 December 2019 is shown on page 54. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

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

### 24 Share-based payment (continued)

	2019		2018	
	Number of options	Weighted average exercise price pence	Number of options	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
<b>Outstanding at 31 December</b>	<b>832,299</b>	<b>593</b>	<b>791,994</b>	<b>598</b>
<b>Exercisable at 31 December</b>	<b>451,693</b>	<b>594</b>	<b>418,288</b>	<b>595</b>

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		Exercise price pence	Exercisable between
		2019	2018		
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
<b>Total Approved</b>		<b>17,630</b>	<b>17,630</b>		
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		
<b>Total Phantom</b>		<b>469,679</b>	<b>428,178</b>		
Share Incentive Plan	Equity	344,990	346,186		
<b>Total Share Incentive Plan</b>		<b>344,990</b>	<b>346,186</b>		
<b>Total share options outstanding</b>		<b>832,299</b>	<b>791,994</b>		



## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 25 Investment in own shares

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

	<b>At 31 December 2019</b>	At 31 December 2018
Number of shares in the Company owned by the EBT	<b>621,991</b>	545,753
Nominal value of shares held	<b>£62,199</b>	£54,575
Cost price of shares held	<b>£4,235,710</b>	£3,761,000
Prevailing valuation of the shares (pence)	<b>738</b>	511
Total market value of shares	<b>£4,590,294</b>	£2,788,798
Maximum number of shares in the Company owned by the EBT during the year	<b>636,155</b>	664,899
Minimum number of shares in the Company owned by the EBT during the year	<b>547,647</b>	520,336

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

Dividends payable on these shares are waived.

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

### 26 Called up share capital

#### Authorised, called up, allotted and fully paid share capital

	2019	2018
	£'000	£'000
Authorised:		
50,000,000 ordinary shares of 10p each (2018: 50,000,000 ordinary shares of 10p each)	5,000	5,000
Called up, allotted and fully paid:		
16,573,931 ordinary shares of 10p each (2018: 16,619,981 ordinary shares of 10p each)	1,657	1,662

#### Movements in share capital in the year

	2019	2018
	Number of shares	Number of shares
At 1 January	16,619,981	16,766,714
Shares issued	-	-
Own shares purchased	(46,050)	(146,733)
<b>At 31 December</b>	<b>16,573,931</b>	<b>16,619,981</b>

#### Allotment of shares

During the year zero (2018: zero) options were exercised to acquire ordinary shares. 56,277 (2018: 27,204) options were exercised under The Altro Group plc Phantom Share Option Scheme 2005, which did not result in the issue of shares.

#### Purchase of own shares

During the year the Company purchased and subsequently cancelled 46,050 (2018: 146,733) of its own shares. The nominal value of the shares was £4,605 (2018: £14,673) and the amount paid was £283k (2018: £877k).

#### Shareholder analysis

As at 31 December 2019	Number	Shares (millions)	%
Directors and their families	16	10.5	64
Employees, ex-employees and their families	421	4.7	28
The Share Incentive Plan and the Employee Benefit Trust	15	0.4	2
Other	16	1.0	6
	<b>468</b>	<b>16.6</b>	<b>100</b>

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2019

#### 27 Notes to the consolidated cash flow statement

	2019	2018
	£'000	£'000
<b>Profit for the financial year</b>	<b>8,078</b>	8,526
Adjustments for:		
Tax on profit	2,488	1,474
Net interest income	(326)	(109)
<b>Operating profit</b>	<b>10,240</b>	9,891
Amortisation of intangible assets	487	515
Depreciation of tangible assets	4,065	3,683
Loss on disposal of tangible assets	10	24
Post employment benefits less payments	(2,800)	(2,487)
Share based payment charge	796	98
Currency translation differences and other non-cash movements	148	(395)
(Decrease) in net provisions	(1,174)	(467)
Working capital movements:		
- (Increase) in inventories	(497)	(2,725)
- Decrease in debtors and prepayments	1,434	620
- Increase / (decrease) in payables	41	(194)
<b>Net cash inflow from operating activities</b>	<b>12,750</b>	8,563

#### 28 Capital commitments

Group	2019	2018
	£'000	£'000
Contracted but not provided for	1,321	2,183

#### Company

The Company does not have any capital commitments at 31 December 2019 (2018: nil).

#### 29 Contingent Liabilities

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

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

### 30 Non-controlling interests

The movement in non-controlling interests was as follows:	2019	2018
	£'000	£'000
At 1 January	-	(716)
Currency translation differences	-	-
Loss for the financial year attributable to non-controlling interests	-	-
Acquisition of remaining interest in Altro Debolon Holding GmbH	-	716
At 31 December	-	-

On 1 January 2018, the Group acquired the remaining 20% of the issued share capital of Altro Debolon Holding GmbH for a purchase consideration of £9k (€10k). The Group now holds 100% of the equity share capital of Altro Debolon Holding GmbH. At the date of acquisition the Group derecognised the carrying amount of the non-controlling interest of £716k and recorded a decrease in equity attributable to owners of the parent of £725k.

### 31 Related party transactions

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

### 32 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 Group is at various stages in the process of evaluating, applying for and implementing initiatives offered by respective governments, and will continue to do so as further guidance is provided.

### 33 Ultimate parent company

The ultimate parent undertaking and controlling party is The Altro Group plc, a company registered in England and Wales. For the year ended 31 December 2019, The Altro Group plc is the parent undertaking of the largest and smallest group of undertakings whose results are consolidated in these financial statements at 31 December 2019.

## Five year financial summary

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

### The Group

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
<b>Balance sheet</b>					
Fixed assets	44,343	45,021	44,202	44,123	40,344
Current assets	64,112	62,185	63,370	65,845	57,214
<b>Total assets</b>	<b>108,455</b>	107,206	107,572	109,968	97,558
Ordinary shareholders' funds	87,137	92,776	84,701	70,224	71,345
Other creditors	19,344	20,123	22,928	23,844	18,293
Defined Benefit Pension Scheme liability / (asset)	1,974	(5,693)	(57)	15,900	7,920
<b>Total funds employed</b>	<b>108,455</b>	107,206	107,752	109,968	97,558
<b>Turnover and profits</b>					
Turnover	151,338	145,240	143,301	137,963	121,374
Operating profit	10,240	9,891	11,014	11,280	10,963
Profit for the financial year	8,078	8,526	8,098	8,168	9,632
Ordinary dividends	2,235	2,248	2,259	2,322	2,334
	Pence	Pence	Pence	Pence	Pence
<b>Diluted earnings per share</b>	<b>50.3</b>	53.1	52.0	50.6	57.4
<b>Adjusted earnings per share</b>	<b>50.3</b>	53.1	52.0	50.6	57.4
<b>Dividends per share</b>	<b>14.0</b>	14.0	14.0	14.0	14.0
<b>Net assets per share</b>	<b>525.7</b>	558.2	505.2	412.6	415.7
<b>Gearing ratio %</b>	<b>0.0</b>	0.0	2.0	2.3	0.0
<b>Average number of employees</b>	<b>821</b>	817	811	783	632



