

Altro Limited

Annual report and financial statements

for the year ended 31 December 2020

Company Registration Number: 00154159

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Strategic report

for the year ended 31 December 2020

The directors present their Strategic report on Altro Limited (“the Company”) for the year ended 31 December 2020.

Principal activities and review of the business

The Company is a wholly owned subsidiary of The Altro Group plc. Its balance sheet is disclosed on page 23 and the profit for the financial year is disclosed on page 22 of this Annual report and financial statements.

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

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

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

Financial review

The profit and loss account for the year is set out on page 22 of this Annual report and financial statements.

At 31 December 2020, the Company had cash of £14.0m (2019: £4.1m) and net assets of £67.1m (2019: £59.1m).

Key performance indicators

Turnover of £103.5m (2019: £113.4m) represents a decrease of 8.8% (2019: increase of 1.6%). Operating profit was £10.5m (2019: £9.5m), an increase of 9.7% (2019: 13.5% decrease).

Turnover has fallen year on year primarily driven by the impact of the pandemic and associated lockdowns in the UK. However, operating profit has increased because of a focus on cost savings (outlined in more detail in the Companies Act 2006 Section 172 statement), and government grants received. Performance against the KPIs is considered more than satisfactory given the events of 2020 and the overall economic environment in our markets.

Health and safety (Zero Harm) is a key priority for the Company and this has remained the case throughout 2020. The Board reviews a number of Zero Harm metrics every month, including accident instances, which have fallen by 37% from 2019 to 2020. Whilst some level of this reduction may be attributable to lower numbers of staff on site during the pandemic, this remains a significant achievement as the business continued to manufacture throughout the year and has had to adapt processes across all sites to ensure COVID safety.

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

Future developments

The Company continues to look to grow both its UK and overseas markets. As a result of the unprecedented changes created by COVID-19, the Company is now focussed on responding to the evolving conditions across its international markets.

Principal risks and uncertainties

The business is subject to a number of risks and the Company has procedures and systems to manage these. Aside from the current pandemic, the key business risks affecting the Company are considered to relate to competition from other manufacturers, loss of manufacturing facility, increased raw material and energy costs, significant data loss (including cyber crime), regulatory changes, fluctuations in the UK and global economy and any action which may be taken by governments in our major markets.

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

Strategic report (continued)

for the year ended 31 December 2020

Financial risk management

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

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

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

Currency risk

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

Credit risk

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

Price risk

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

Liquidity risk

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

Interest rate risk

The Company has limited exposure to interest rate risk as borrowings are nil. There is also an exposure to the impact of longer term rate movements in the Defined Benefit Pension Scheme, which is managed by the Trustees of the Scheme and their advisers.

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement

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

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

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

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

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

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

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

Companies Act 2006 Section 172 Statement (continued)

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

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

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

Strategic report (continued)

for the year ended 31 December 2020

Companies act 2006 Section 172 Statement (continued)

CA2006 s.172 Matters a-f	How the directors have had regard to this matter	The effect of that regard
<p>e) The desirability of the Company maintaining a reputation for high standards of business conduct</p>	<p>The Board takes abiding by laws in every region very seriously and all new legislation that may affect the Company 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 the Company has ISO accreditations, as follows: ISO 14001 (Environmental Management Systems) ISO 45001 (Occupational Health and Safety) accreditation in the Autoglym Division</p>	<p>The Data Protection Steering Committee continued with its work. In particular, during 2020, the Committee worked to ensure the continued safety of data with staff working from home. New guidelines were introduced to manage this new way of working and a video guide was produced for staff.</p> <p>COVID safety was a particular focus within the Company to meet or exceed local requirements.</p> <p>A list of countries that employees are prohibited from dealing with is maintained and updated on a regular basis and was reviewed by the Board during 2020.</p> <p>Every member of staff attends 'Dignity at Work' training as part of their induction and there is a network of Dignity at Work coaches that staff can consult. The aim of this programme is to raise awareness of diversity in the workplace and ensure high standards of conduct by employees. This has continued throughout the pandemic with the training being delivered virtually.</p> <p>The Gender Pay Gap Report for April 2020 shows a median Gender Pay Gap of 2.37%, compared to a UK National Median Gender Pay Gap of 17.3% (Source: Office for National Statistics 2019).</p>
<p>f) The need to act fairly as between members of the Company</p>	<p>The Board considers the impact of decisions on shareholders as a whole.</p> <p>See also the Shareholder notes in the Stakeholder table below.</p>	<p>As a wholly owned subsidiary of The Altro Group plc, the Company has only one shareholder to consider at present.</p> <p>See also the Shareholder notes in the Stakeholder table below.</p>

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

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

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

CUSTOMERS	
<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>	
We have a variety of routes to market and as such a variety of customer groups as follows:	
<ul style="list-style-type: none"> • Business Partners (including Agents, Distributors, Franchisees and Researchers) • Product users (such as installers (Altro Floors and Walls), valeters and dealerships (Autoglym)) and specifiers (such as architects) • End consumers 	
Engagement Strategies	Outcomes
<p>Both Divisions have dedicated sales and marketing functions, as well as their own customer care centres, which remained operational throughout the pandemic. The technical services teams generally make hundreds of customer visits each year to give advice and aftersales support. Although in-person visits were not possible for much of 2020, technical services support for customers remained consistent throughout the year, utilising tools such as photographs and video-calls to assist. Where in-person visits were possible, an in-depth Risk Assessment was carried out ahead of each visit and appropriate COVID-19 safety measures taken to ensure both staff and customer safety.</p> <p>Both Divisions of the business run customer feedback programmes, which usually entail well over 100 customer visits to the manufacturing plants each year. These customers view new product samples and are asked for feedback about product design, quality and potential future innovations. Feedback from these programmes is reported to the Board and senior managers. Although customer visits to site were not possible for much of the year, feedback has continued to be sought by other means and product improvements based on customer feedback have continued.</p> <p>The Autoglym Division works closely with its franchisees, with regular meetings (which took place virtually post March 2020), bulletins, ongoing product training and new franchisee induction programmes. There is also a bi-annual franchisee conference. Autoglym has regular engagement with international distributors, professional key account holders and auto specialist retailers.</p>	<p>As a result of customers informing us that they would be working into the night to install floors and walls on some of the Nightingale hospital projects, a rota was put in place to temporarily provide support late into the evening and at weekends. This involved the customer-care centre, sales, logistics, marketing and technical services.</p> <p>Our Autoglym Division launched 5 new products for retail customers and 2 new professional products in 2020. These products included hand, multi-surface and aircon sanitisers in response to customer demand generated by the COVID-19 pandemic. An anti-viral car fogger was also introduced to help our automotive dealership customers sanitise cars in a time efficient manner.</p> <p>The Autoglym Division also responded to requests coming from valet customers for a product to help remove bird-dropping marks from car paintwork, which led to the launch of a professional product to meet this need in 2020.</p> <p>In early 2020 our Altro Floors and Walls Division launched an adhesive-free range as part of a project to develop re-useable products (see also 'Environment') that also meet customer requests for a product that is faster to lay.</p> <p>Although most customer events had to be cancelled owing to the pandemic, contact with customers was quickly adapted to video-conferencing and many free-of-charge training events were hosted by both Divisions to allow customers to continue to access learning, in particular during lockdown periods.</p> <p>During 2020 the Autoglym Division supported its franchisees by allowing direct debits to be delayed where needed to assist with cashflow.</p>

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

Companies Act 2006 Section 172 Statement (continued)

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

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

PENSIONERS	
<i>Our pensioners have often dedicated many years to serving the Company and we are mindful of our responsibility to them as well as how our current workforce plan for retirement in a society where retirement savings are often inadequate.</i>	
Engagement Strategies	Outcomes
The Company sends a representative to each Defined Benefit Pension Trust meeting and engages regularly with the Trustees and Scheme Actuary. Both the Independent Trustee and Scheme Actuary were invited to a Board Meeting during 2020 and did so in September.	To give an added layer of protection, the Company has a cross-guarantee in place from The Altro Group plc for the DB Scheme and has again put £2.8m into funding the deficit during 2020. The Company also pays pension scheme costs for administration, investment advice and other pension fund fees.

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

PENSIONERS <i>(continued)</i>	
Engagement Strategies	Outcomes
<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 arrangements and these become more frequent as employees approach retirement. Employees are also given access to online information about how to plan for retirement and the potential worth of their pension savings in real terms.</p>	<p>Despite the pandemic, the Company took the decision to continue with a change in pension scheme provider for its UK Defined Contribution Scheme during 2020 to ensure members of the scheme could access improved rates and service.</p> <p>The Company has a 'Run down to Retirement' scheme in the UK, whereby employees are prepared for this significant life event through a series of seminars and then a gradual reduction in working days over the last four months of employment, whilst maintaining full pay and benefits. The scheme was quickly adapted to be delivered virtually during the pandemic.</p>

SHAREHOLDERS	
<i>As the principal trading subsidiary of The Altro Group plc we are proud of the alignment we have with our parent company and sole shareholder.</i>	
Engagement Strategies	Outcomes
<p>Whilst maintaining its independent decision-making power, the Board always takes into consideration the policies and decisions of its sole shareholder (The Altro Group plc) when reaching decisions.</p> <p>In order to further ensure close alignment and engagement with its shareholder, the Company has a Board of directors identical to that of its parent company.</p>	<p>As directors of both the Company and its parent entity, the Board members are all individually aware of the needs, policies and principles of the sole shareholder and are therefore able to actively take these into consideration when making decisions on behalf of the Company.</p> <p>(See also 'Payment of dividends totalling £3.0m during the year' under Principal Decisions below.)</p>

COMMUNITY	
<i>The directors are aware that the Company is reliant on its local communities and owes them all a duty of care when carrying out its operations.</i>	
Engagement Strategies	Outcomes
<p>The Board is proud of the location of its factory in Letchworth, the first garden city, and considers carefully the impact that it may have on the surrounding area and community. This is also true for all other locations.</p> <p>The Company engages with local schools through providing work experience opportunities for employees' children, as well as training and coaching at a local school.</p> <p>The Company also allows all staff, in every location, one day off per year to help out at any health charity of their choice. Staff are encouraged to choose local projects, so that the Group has a positive impact on the local community. The Company also supports staff involvement with other charity days and events, such as Macmillan coffee mornings.</p>	<p>The Company donates to local causes and charities. For example, during 2020 the Autoglym Division donated 4,800 litres of hand sanitiser to local community organisations to help them during the pandemic when many were struggling with supply. A cash donation was also made by the Division to a local foodbank.</p> <p>The Altro Floors and Walls Division also donated flooring materials and gave technical assistance to a project that teaches offenders skills to help them back into paid employment on leaving prison.</p> <p>During 2020 the Company continued to donate a portion of profits to The Altro Foundation Limited, which is a corporate Foundation with charitable status. In addition to an annual financial donation, the Company also continued to donate staff time to assist the charity. Again, adaptations were made as necessary for this to be done by video-conferencing, rather than through travel.</p>

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

ENVIRONMENT	
<i>As manufacturers of products that involve chemical processing it is of utmost importance that we respect the environment and take the environmental effect of our products and operations into account.</i>	
Engagement Strategies	Outcomes
<p>As a responsible business, the Board constantly considers the impact of the Company, its locations and products on the environment. The Company tries to make sustainable flooring and for this reason the Company is able to offer up to 20 year guarantees with many of its flooring products. The Board has always felt this to be important because of the environmental effect that the ‘throw-away’ culture has on the environment.</p> <p>There are various relationships and memberships of industry environmental groups maintained by the Company and its subsidiaries, such as:</p> <ul style="list-style-type: none"> - VinylPlus (a voluntary commitment of the European PVC industry for sustainable development and recycling); - Membership of the European Resilient Floor Covering Manufacturers Institute Circular Economy Committee; - A member of the Altro Floors and Walls Executive Committee represents The Contract Flooring Association (CFA), of which Altro Limited are members, on the Construction Product Association’s (CPA) Sustainability Policy Group. <p>The Company maintains ISO 14001 (Environmental Management Systems) accreditation across both Divisions to ensure compliance with environmental standards and to enhance environmental performance.</p> <p>The Company also always considers environment and sustainability in its capital expenditure and investment decisions.</p>	<p>The Company uses green electricity throughout all operations and continually works to improve the sustainability and environmental impact of its products. For example, almost 99% of all floors produced by the Company contain a bio-plasticizer that comes from a renewable source and adhesive-free flooring products have been introduced in recent years, with a new selection of these launched in early 2020. Removing the need for adhesives has environmental benefits and these floors are easier to recycle at the end of their life. During 2020 we were proud to supply some of the Nightingale Hospital projects with this product. Because the product is not bonded to the floor, as these temporary facilities are closed the flooring can be re-laid and utilised elsewhere.</p> <p>The Company takes seriously the need to find ways to prevent redundant product from being sent to landfill. In 2009 Altro and Polyflor jointly formed Recofloor, a vinyl flooring take-back scheme that operates in the UK and Ireland to help others recycle product. Despite the pandemic, Recofloor recycled almost 400 tonnes of flooring during 2020.</p> <p>Altro Limited, and its parent (The Altro Group plc), both maintain investments in DB Group (Holdings) Limited, who developed an ultra-low carbon concrete (Cemfree) to help reduce carbon emissions in the construction industry.</p> <p>See also the Emissions and energy consumption section in the Directors’ report.</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 Company itself.
- **The importance of efficiency**
Efficient production lines and processes benefit not only the Company, but also customers, employees and the environment.
- **Maintaining the highest levels of quality in everything we do**
Quality is one of our main principles in both Divisions and is what we believe sets us apart from others.
- **Ensuring the systems (mechanical, technological, manual and other) are in place to provide a stable business platform and support efficiency**
No business can function well without robust systems in place and this is especially true in manufacturing.

Strategic report (continued)

for the year ended 31 December 2020

Companies Act 2006 Section 172 Statement (continued)

Principal Decisions

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

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

i) COVID-19 Related Cost-Saving Measures

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

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

- *to the extent possible, to suspend all discretionary expenditure;*
- *suspension of funding for employee share schemes;*
- *suspension of January 2021 pay award increases;*
- *to temporarily suspend recruitment; and*
- *the furloughing of UK staff.*

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

ii) Payment of dividends totalling £3.0m during the year

The Board declared a total interim dividend payment of £3m (£16.63 per share). The Board considered shareholder expectations in setting these dividends, along with the cash position of the Company and felt that by the time in the year that it was paid (December) the Company was in a position to pay the dividend, despite the challenging trading conditions. In reaching the dividend decision, the Board took into account the fact that, through share schemes, the majority of its employees are shareholders of the parent company (to whom the dividend is paid) and its commitments to funding the Company's pension schemes.

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

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

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

Companies Act 2006 Section 172 Statement (continued)

Principal Decisions (continued)

iv) Approval of Budget

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

v) Appointment of an Independent Non-Executive Chair

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

Current Position

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

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

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



E P Boyle
Secretary
30 April 2021

Directors' report

for the year ended 31 December 2020

The directors present their report and the audited financial statements of Altro Limited ("the Company") for the year ended 31 December 2020.

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

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

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

*Non-executive

Secretary

E P Boyle FCCA

Dividends

The directors have authorised and paid a dividend of £16.63 (2019: £26.33) per share, totalling £3.0m (2019: £4.75m). No further dividends have been proposed between 31 December 2020 (2019: nil) and the date of approval of the financial statements.

Statement on employee engagement

Inclusion:

The Company operates non-discriminatory employment policies which are designed to attract, retain and motivate the very best people, recognising that this can only be achieved through practising equal opportunities regardless of disability, life threatening disease, sexual orientation, gender reassignment, pregnancy and maternity, religion or belief, race (including ethnic origin, colour, citizenship, nationality and national origin), marital and civil partnership status, age and gender. For example, applications for employment by disabled persons are always fully considered, focusing on the applicants' aptitudes, experience and abilities for the role and in the event of recruiting a disabled member of staff or an existing member of staff becoming disabled, every effort is made to ensure that appropriate facilities are available, appropriate adjustments are made and training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Retention:

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

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

Statement on employee engagement (continued)

Directors' Engagement with and Regard to Employees:

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

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

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

i) Information

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

The business operates as two primary Divisions 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 Company (and wider group of which Altro Limited is a part) that ensures all employees are systematically provided with relevant information on matters that may impact them as employees. Therefore, all employees receive regular updates on the Company's strategies, policies and results.

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

ii) Consultation

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

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

Directors' report (continued)

for the year ended 31 December 2020

Statement of employee engagement (continued)

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

ii) Consultation (continued)

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

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

iii) Direct Engagement

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

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

iv) Employee Involvement in Company Performance

After a qualifying period, 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 wider group's performance. No SIP Award was made during 2020 (see Principal Decisions), however the majority of staff remain SIP members and therefore receive all the same financial information that is disseminated to shareholders.

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

v) Common Awareness

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

Decisions Affecting Employees:

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

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

Directors' report (continued)

for the year ended 31 December 2020

Statement of employee engagement (continued)

Decisions Affecting Employees: (continued)

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

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

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

Thanks

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

Stakeholder Engagement (Suppliers, Customers and Others)

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

Emissions and energy consumption

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

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

Intensity metric: (Tonnes of CO₂e/£m UK Turnover)	31.2	17.4
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Energy efficiency action

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

Directors' report (continued)

for the year ended 31 December 2020

Emissions and energy consumption (continued)

Report Methodology

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

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

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

Research and development

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

Pension schemes

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

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

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

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

Charitable and political donations

The Company contributed £182,000 (2019: £138,000) for charitable purposes. There were no political contributions (2019: nil).

Going concern

Overall, the Company benefits from a strong financial position, with no external borrowing and significant liquidity. As at 31 December 2020 the Company had liquid resources of £14.0m (2019: £4.1m) comprising cash and cash equivalents. In addition, there is an agreed overdraft facility of £6.0m (2019: £6.0m).

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

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

Directors' report (continued)

for the year ended 31 December 2020

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.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland") and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

Directors' confirmations

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

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

Independent auditors

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

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



E P Boyle
Secretary
30 April 2021

Independent auditors' report to the members of Altro Limited for the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, Altro Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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 Altro Limited for the year ended 31 December 2020

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

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Independent auditors' report to the members of Altro Limited for the year ended 31 December 2020

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Watford

30 April 2021

Profit and loss account for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	5	103,451	113,373
Cost of sales		(52,065)	(56,525)
Gross profit		51,386	56,848
Distribution costs		(21,314)	(23,601)
Administrative expenses		(21,495)	(23,823)
Other operating income		1,888	120
Operating profit	6	10,465	9,544
Profit before interest and taxation		10,465	9,544
Interest receivable and similar income	8	531	729
Interest payable and similar expenses	8	(111)	(105)
Profit before taxation		10,885	10,168
Tax on profit	9	(1,584)	(1,428)
Profit for the financial year		9,301	8,740

All the above results derive from continuing operations.

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		9,301	8,740
Other comprehensive income / (expense):			
Remeasurements of net Defined Benefit Pension Scheme asset	21	2,245	(11,188)
Total tax on components of Other comprehensive income / (expense)	9	(918)	1,388
Other comprehensive income / (expense) for the year		1,327	(9,800)
Total comprehensive income/ (expense) for the year		10,628	(1,060)

Balance sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	205	474
Tangible assets	12	9,508	11,117
Investments	13	5,034	5,034
		14,747	16,625
Current assets			
Inventories	14	15,759	16,554
Defined Benefit Pension Scheme asset	21	3,060	-
Debtors: amounts falling due after more than one year	15	17,038	16,603
Debtors: amounts falling due within one year	16	19,708	21,092
Cash at bank and in hand		13,964	4,136
		69,529	58,385
Creditors: amounts falling due within one year	17	(14,144)	(11,401)
Net current assets		55,385	46,984
Total assets less current liabilities		70,132	63,609
Creditors: amounts falling due after more than one year	18	(2,369)	(2,228)
Provisions for liabilities	19	(92)	(262)
Deferred tax liability	19	(582)	-
Defined Benefit Pension Scheme liability	21	-	(1,974)
Net assets		67,089	59,145
Capital and reserves			
Called up share capital	24	180	180
Share premium account		46	46
Retained earnings		66,863	58,919
Total equity		67,089	59,145

The notes on pages 25 to 48 are an integral part of these financial statements.

The financial statements on pages 22 to 48 were approved by the Board on 30 April 2021 and signed on its behalf by



R J Kahn
Managing Director

Statement of changes in equity

for the year ended 31 December 2020

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019	180	46	63,933	64,159
Profit for the financial year	-	-	8,740	8,740
Other comprehensive expense for the year	-	-	(9,800)	(9,800)
Total comprehensive expense for the year	-	-	(1,060)	(1,060)
Dividends paid	-	-	(4,750)	(4,750)
Parent company capital contribution from share-based payment	-	-	796	796
Total transactions with owners, recognised directly in equity	-	-	(3,954)	(3,954)
Balance as at 31 December 2019	180	46	58,919	59,145
Balance as at 1 January 2020	180	46	58,919	59,145
Profit for the financial year	-	-	9,301	9,301
Other comprehensive income for the year	-	-	1,327	1,327
Total comprehensive income for the year	-	-	10,628	10,628
Dividends paid	-	-	(3,000)	(3,000)
Parent company capital contribution from share-based payment	-	-	316	316
Total transactions with owners, recognised directly in equity	-	-	(2,684)	(2,684)
Balance as at 31 December 2020	180	46	66,863	67,089

Notes to the financial statements (continued)

for the year ended 31 December 2020

1 General information

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

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

2 Statement of compliance

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

3 Accounting policies

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

(a) Basis of accounting

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

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

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

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

(b) Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, under FRS 102 paragraph 1.12B, on the basis that it is a qualifying entity and its ultimate parent company, The Altro Group plc, includes the Company's cash flows in its consolidated financial statements;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statements of The Altro Group plc;
- (iii) from disclosing transactions with other wholly owned Group companies as stated in paragraph 33.1A of FRS 102: Related party disclosures; and

Notes to the financial statements (continued)

for the year ended 31 December 2020

3 Accounting policies (continued)

(c) Foreign currency

(i) Functional and presentational currency

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

(ii) Transactions and balances

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

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

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

(d) Goodwill and intangible assets

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

The annual rates used for intangible assets are:

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

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

(e) Investments

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

(f) Tangible assets and depreciation

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

The annual rates used for other assets are:

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

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

3 Accounting policies (continued)

(g) 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.

(h) 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.

(i) Financial instruments

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

(i) Financial assets

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

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

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

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

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

(ii) Financial liabilities

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

3 Accounting policies (continued)

(i) Financial instruments (continued)

(ii) Financial liabilities (continued)

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

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

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

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

(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.

(j) Provisions

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

(k) Turnover

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

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

(l) Research and development

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

(m) Employee benefits

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

(i) Short term benefits

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

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

3 Accounting policies (continued)

(m) Employee benefits (continued)

(ii) Defined Benefit Pension Scheme

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

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

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

(iii) Defined Contribution Pension Schemes

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

(iv) Share-based payment

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

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

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

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

(n) 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.

(o) Dividends

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

3 Accounting policies (continued)

(p) Other operating income

Government grants

Government grants are recognised by the Company when there is reasonable assurance that the conditions attaching to them will be met, and that the grants will be received. The Company has adopted the accruals model, which requires the grant income to be matched against the related costs for which the grant is intended to compensate.

(q) Share capital

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

4 Critical accounting judgements and estimation uncertainty

Key accounting estimates and assumptions

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

Defined Benefit Pension Scheme

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

Impairment of investments and goodwill

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

Inventory provisioning

The Company manufactures, markets, and sells a range of different products as detailed within the principal activities section of the Strategic report. These are subject to changing consumer demands, and as a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

Notes to the financial statements (continued)

for the year ended 31 December 2020

5 Turnover

Turnover by geographical area was:

Territory	2020		2019	
	£'000	%	£'000	%
United Kingdom	64,581	63	71,795	63
Continental Europe	15,094	15	16,175	14
The Americas	13,747	13	15,746	14
Australia and Asia Pacific	4,434	4	4,057	4
Rest of world	5,595	5	5,600	5
	103,451	100	113,373	100

Turnover is comprised of revenue from the sale of goods.

6 Operating profit

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

	2020	2019
	£'000	£'000
Amortisation of intangible assets	277	306
Depreciation of tangible assets	2,516	2,367
Inventory obsolescence charges	178	237
Bad debt (reversals) and impairment	(77)	375
Research and development	1,791	2,077
Operating lease charges	739	823
Government grants (included within Other operating income)	(1,780)	-
Foreign exchange (gains) / losses	(1,185)	1,343
Fees payable to the Company's auditors for the audit of the financial statements	33	25
Fees payable to the Company's auditors and their associates for other services:		
- tax compliance services	14	14
- tax advisory services	-	-
- corporate finance services	2	9
- other non audit services	17	40
Total amount payable to the Company's auditors and their associates	66	88

Notes to the financial statements (continued)

for the year ended 31 December 2020

7 Employees and directors

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

	2020	2019
	Number	Number
Manufacturing	142	149
Sales and marketing	166	172
Warehouse and distribution	67	68
Administration and management	149	150
	524	539

Employee costs, including directors, during the year were:

	2020	2019
	£'000	£'000
Wages and salaries	21,818	21,903
Social security costs	2,289	2,377
Other pension costs	1,315	1,308
Employee share schemes (note 23)	316	796
Other staff benefits	284	256
	26,022	26,640

Directors

The directors' emoluments were as follows:

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

Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (31 December 2019: one) in the year ended 31 December 2020.

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

7 Employees and directors (continued)

Highest paid director

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

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

Key management

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

8 Net interest income / (expense)

	2020	2019
	£'000	£'000
Other interest receivable and similar income:		
short term deposits	4	31
other	63	79
loans to subsidiary companies	464	391
finance income on DB Scheme assets (note 21)	-	228
Interest receivable and similar income	531	729
Interest payable and similar charges:		
loans from subsidiary companies	(100)	(105)
finance charge on DB Scheme (note 21)	(11)	-
Interest payable and similar expenses	(111)	(105)
Net interest income	420	624

Notes to the financial statements (continued)

for the year ended 31 December 2020

9 Tax on profit

a) Tax expense included in profit or loss

	2020	2019
	£'000	£'000
<hr/>		
Current tax:		
UK corporation and income tax:		
current tax on income for the year	1,622	1,308
adjustments in respect of prior years	6	110
<hr/>		
Current tax charge	1,628	1,418
<hr/>		
Deferred tax:		
timing differences - origination and reversal	(44)	10
<hr/>		
Deferred tax credit	(44)	10
<hr/>		
Tax on profit	1,584	1,428
<hr/>		

b) Tax expense / (income) included in Other comprehensive income

	2020	2019
	£'000	£'000
<hr/>		
Deferred tax:		
timing differences - origination and reversal	918	(1,388)
<hr/>		
Tax expense / (income) included in Other comprehensive income	918	(1,388)
<hr/>		

Notes to the financial statements (continued)

for the year ended 31 December 2020

9 Tax on profit (continued)

c) Reconciliation of tax charge

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

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

	2020	2019
	£'000	£'000
Profit before taxation	10,885	10,168
Tax charge on profit before taxation of 19% (2019: 19%)	2,068	1,932
Income not subject to tax	-	(20)
Expenses not deductible for tax purposes	266	282
Research and development enhanced allowances	(159)	(211)
Pension contributions in excess of charge	(530)	(473)
Depreciation in excess/(deficit) of capital allowances	60	(71)
Movement in short-term timing differences	(16)	83
Adjustments in respect of prior years	6	110
Deferred tax on share schemes	(29)	(74)
Group relief	(52)	(64)
Other	(30)	(66)
Tax charge for the year	1,584	1,428

d) Tax rate changes

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

10 Dividends

	2020	2019
	£'000	£'000
Authorised and paid £16.63 per share (2019: £26.33)	3,000	4,750

No further dividends have been proposed between 31 December 2020 (2019: nil) and the date of approval of the financial statements.

11 Intangible assets

	Franchise	Goodwill	Computer Software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	141	2,488	1,572	4,201
Additions	-	-	8	8
Disposal	-	-	(15)	(15)
At 31 December 2020	141	2,488	1,565	4,194
Accumulated amortisation				
At 1 January 2020	122	2,272	1,333	3,727
Disposal	-	-	(15)	(15)
Charge for the year	7	137	133	277
At 31 December 2020	129	2,409	1,451	3,989
Net book value				
At 31 December 2020	12	79	114	205
At 31 December 2019	19	216	239	474

Notes to the financial statements (continued)

for the year ended 31 December 2020

12 Tangible assets

	Land and buildings Short leasehold £'000	Plant equipment and vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 January 2020	102	39,324	1,241	40,667
Additions	-	565	342	907
Disposals	-	(42)	-	(42)
Transfers	-	992	(992)	-
At 31 December 2020	102	40,839	591	41,532
Accumulated depreciation				
At 1 January 2020	102	29,448	-	29,550
Charge for the year	-	2,516	-	2,516
Disposals	-	(42)	-	(42)
At 31 December 2020	102	31,922	-	32,024
Net book value at 31 December 2020	-	8,917	591	9,508
Net book value at 31 December 2019	-	9,876	1,241	11,117

13 Investments

	£'000
Cost	
At 1 January 2020	7,910
Additions	-
At 31 December 2020	7,910
Provisions for impairment	
At 1 January 2020	(2,876)
Charge for the year	-
At 31 December 2020	(2,876)
Net book value at 31 December 2020	5,034
Net book value at 31 December 2019	5,034

The directors believe that the carrying value of the investments at 31 December 2020 is supported by their underlying net assets.

Notes to the financial statements (continued)

for the year ended 31 December 2020

13 Investments (continued)

The principal trading subsidiaries at 31 December 2020 were:

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

Dormant entities

The following companies, registered at the same address as the Company as detailed in note 27 are wholly owned by the Company 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 Polomox Limited

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

14 Inventories

	2020	2019
	£'000	£'000
Raw materials and consumables	5,399	6,005
Work in progress	578	489
Finished goods and goods held for resale	9,782	10,060
	15,759	16,554

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

Inventories are stated after provisions for impairment of £3,214k (2019: £3,036k).

15 Debtors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Amounts owed by group undertakings	17,038	16,253
Loan	-	350
	17,038	16,603

Amounts owed by group undertakings comprise €17,400k (2019: €17,400k) which accrues interest at 3% above EURIBOR per annum; and US\$2,000k (2019: US\$2,000k) which accrues interest at 5.25% per annum. The EUR balance has no set repayment date, and the USD balance is set for repayment on 7 May 2022. The loan balance is stated after provisions for impairment of £700k (2019: £350k).

16 Debtors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade debtors	13,055	13,063
Amounts owed by group undertakings	4,098	5,269
Deferred tax asset (note 19)	-	336
Other debtors	574	533
Prepayments and accrued income	1,981	1,891
	19,708	21,092

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

Trade debtors are stated after provisions for impairment of £465k (2019: £542k).

Notes to the financial statements (continued)

for the year ended 31 December 2020

17 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	3,646	5,031
Amounts owed to group undertakings	373	452
Other taxation and social security	3,425	971
Corporation tax	250	174
Other creditors	-	93
Accruals and deferred income	6,450	4,680
	14,144	11,401

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

18 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Amounts owed to group undertakings	2,369	2,228

Amounts owed to group undertakings comprise AUD\$3,800k (2019: AUD\$3,800k) which accrues interest at 3.85% per annum; and €250k (2019: €250k) which accrues interest at 1.75% per annum. The AUD balance is currently in renewal, and the EUR balance falls due for repayment on 29 March 2023. Both balances are unsecured.

19 Provisions for liabilities

	Deferred tax	Other	Total
	£'000	£'000	£'000
At 1 January 2020	(6)	268	262
Charged to profit and loss account	52	113	165
Utilised in the year	(96)	(179)	(275)
Released in the year	-	(60)	(60)
At 31 December 2020	(50)	142	92

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

Deferred tax

	2020	2019
	£'000	£'000
Accelerated capital allowances	330	277
Other short-term timing differences	(380)	(283)
Deferred tax asset	(50)	(6)

Notes to the financial statements (continued)

for the year ended 31 December 2020

19 Provisions for liabilities (continued)

Deferred tax liability / (asset) relating to Defined Benefit Pension Scheme asset	2020	2019
	£'000	£'000
At 1 January	(336)	1,052
Deferred tax charge / (credit) to Other comprehensive income	918	(1,388)
At 31 December	582	(336)

20 Operating lease commitments

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

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	228	470	239	519
between one and five years	875	564	969	693
after five years	2,866	-	2,948	-
	3,969	1,034	4,156	1,212

Notes to the financial statements (continued)

for the year ended 31 December 2020

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

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

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

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

i) Net pension liability

The pension liability at 31 December was as follows:

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

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

ii) Analysis of assets and expected rates of return

The fair value of plan assets at 31 December were:

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

21 Retirement benefits (continued)

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

iii) Financial and demographic assumptions

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

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

The assumed life expectancies on retirement at age 65 were:

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

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

iv) Changes in fair value of DB Scheme assets

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

21 Retirement benefits (continued)

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

v) Changes in present value of DB Scheme liabilities

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

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

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

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

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

(b) Defined Contribution Pension Schemes (DC Schemes)

The Company makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Company in the year in respect of these schemes were £1,315k (2019: £1,308k). There were no accrued contributions at the year end (2019: nil). Contributions of £977k were prepaid at the year end (2019: £1,163k).

Notes to the financial statements (continued)

for the year ended 31 December 2020

22 Financial instruments

The Company has the following financial instruments:

	2020	2019
	£'000	£'000
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts	355	-
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	13,055	13,063
- Amounts owed by group undertakings	21,136	21,522
- Other debtors	574	533
- Loans	-	350
	34,765	35,468
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	-	107
Financial liabilities measured at amortised cost		
- Trade creditors	3,646	5,031
- Other creditors	-	93
- Accruals	6,450	4,680
- Amounts owed to group undertakings	2,742	2,680
	12,838	12,484

Derivative financial instruments - forward contracts

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

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for each of the currencies against sterling. The fair value of the forward foreign currency contracts is £355k gain (2019: £107k loss). This balance is included within the Other debtors (note 16) (2019: Other creditors (note 17)).

Notes to the financial statements (continued)

for the year ended 31 December 2020

23 Share-based payment

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

Company Share Option Plans (CSOP)

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

Phantom Share Option Plans

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

Share Incentive Plan

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

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

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

A reconciliation of option and SIP movements over the year to 31 December 2020 is shown on page 47. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

Notes to the financial statements (continued)

for the year ended 31 December 2020

23 Share-based payment (continued)

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

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

The weighted average fair value of the share options granted during the year was calculated using the Black-Scholes option valuation model, with the following assumptions and inputs:

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

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

24 Called up share capital

Authorised, called up, allotted and fully paid share capital	2020	2019
	£'000	£'000
Authorised:		
200,000 ordinary shares of £1 each (2019: 200,000 ordinary shares of £1 each)	200	200
Called up, allotted and fully paid:		
180,433 ordinary shares of £1 each (2019: 180,433 ordinary shares of £1 each)	180	180

25 Capital commitments

	2020	2019
	£'000	£'000
Contracted but not provided for	752	1,114

26 Related party transactions

The Company has taken advantage of the exemption available in paragraph 33.1A of FRS 102: Related party disclosures and has not disclosed transactions with other wholly owned Group companies.

27 Ultimate parent company

The immediate and ultimate parent company and controlling party is The Altro Group plc, for which Group financial statements are prepared. The Company is incorporated in Great Britain and registered in England and Wales. Copies of the Group financial statements are available from the Company Secretary at The Altro Group plc, Works Road, Letchworth Garden City, SG6 1NW. For the year ended 31 December 2020, the largest and smallest group in which the results of the Company are consolidated is that headed by The Altro Group plc.