



**altro**



**The Annual Report**

and

**Consolidated  
Financial Statements**

of

**The Altro Group plc**

for the year ended

**31 December 2018**

Company Registration Number: 01493087

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## Chairman's statement for the year ended 31 December 2018

The result for the year ended 31 December 2018 was a profit before taxation of £10.0m (2017: £10.7m) on sales of £145.2m (2017: £143.3m).

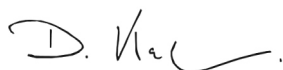
Despite the increase in sales, profit before taxation was £0.7m below the prior year. Investment continued in people, research and development, manufacturing and marketing in the Altro Floors and Walls division both in the UK and Germany, and in Autoglym in the UK. It is expected that this will lead to continued growth in 2019 and future years.

An interim dividend of 4.5p per share (2017: 4.5p) was paid to shareholders in November 2018. At the Annual General Meeting in June, the Company proposes to seek the approval of shareholders to pay a final dividend of 9.5p per share (2017: 9.5p) on 26 July 2019 to those shareholders on the register at close of business on 5 July 2019. The total dividend will therefore be 14.0p per share for the year to 31 December 2018 (2017: 14.0p).

A share valuation of 614p was obtained from Investec Bank plc in April 2019 (November 2018: 511p; August 2018: 623p; April 2018: 598p) on behalf of the Trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP).

The Company continues to support share ownership by employees and plans to set aside £332k (2017: £332k) of shares for employees in 2019. The Company manages this through the SIP. In 2018, the actual cost in relation to the SIP was £303k (2017: £291k).

The Company intends to seek the approval of shareholders at the Annual General Meeting for the purchase of a number of its own shares. The Share Repurchase Scheme, together with the EBT, provides a market for the shareholders whilst reducing the dilution of shares in issue resulting from the allotment of shares to employees.



**D J Kahn**

# Strategic report

## for the year ended 31 December 2018

The directors present their Strategic report on the Group for the year ended 31 December 2018.

### Principal activities and review of the business

The Altro Group plc ("the Company") is an unquoted public limited company and the holding company of the Altro group of companies (together, "the Group"). The Group's balance sheet is disclosed on page 14 and the profit attributable to its shareholders is disclosed on page 13.

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

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

During the year, the Company and its subsidiaries worked to increase its market presence and market share in the UK and internationally for the Altro, Altro Debolon, and Autoglym product ranges. All areas of the business have contributed to the result for the year and are well placed to continue building on this position during 2019.

### Financial review

The consolidated profit and loss account for the year is set out on page 13.

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

- Turnover - increase of 1.4% (2017: up 3.9%)
- Operating profit - decrease of 10.2% (2017: down 2.4%)
- Net funds including long term loans - decrease of 3.5% (2017: down 17.6%)
- Shareholders' funds - increase of 8.6% (2017: up 21.1%)

The Group's net funds including long term loans as at 31 December 2018 were £11.9m (2017: £12.3m).

The performance against KPIs is considered satisfactory given the overall economic environment in our markets and the changes to the Group structure.

Expenditure during the year has included investment in buildings, plant and machinery throughout the Group as well as additional contributions of £2.8m (2017: £2.5m) to the Defined Benefit Pension Scheme.

### Future developments

The Group continues to look to grow both its UK and overseas markets. As part of this, on 26 April 2019, the Group incorporated an entity in Japan to promote the Altro Floors and Walls portfolios in the Japanese market. To enable continued growth in future years, the Group plans to continue investing in its people, its capital expenditure and research and development.

### Principal risks and uncertainties

The business is subject to a number of risks and the Group has procedures and systems to manage these. The key business risks affecting the Group are considered to relate to competition from other manufacturers, increased raw material and energy costs, regulatory changes, fluctuations in the UK and global economy and any action which may be taken by governments in our major markets to address their budget deficits.

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

## Strategic report (continued) for the year ended 31 December 2018

### Financial risk management

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

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

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

#### *Currency risk*

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

#### *Credit risk*

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

#### *Price risk*

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

#### *Liquidity risk*

The Group has positive cash balances with various banks and appropriate overdraft facilities in place where considered necessary.

#### *Interest rate risk*

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

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



**E P Boyle**  
Secretary  
2 May 2019

# Directors' report

## for the year ended 31 December 2018

The directors present their report and the audited consolidated financial statements of The Altro Group plc ("the Company") - Company Registration Number: 01493087 - and its subsidiary undertakings (together, "the Group") for the year ended 31 December 2018. The directors of the Company, all of whom have been directors during the year and up to the date of signing the financial statements, are listed on page 12.

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

### Dividends

The directors recommend a final dividend of 9.5p (2017: 9.5p) per share, resulting in a total dividend of 14.0p (2017: 14.0p) per share for the year. Based on the number of shares in issue at the date of this report, this would equate to a final dividend of £1.5m (2017: £1.5m). The total dividend paid in the year was 14.0p per share. Diluted earnings per share were 53.1p (2017: 52.0p). Assuming approval by shareholders at the Annual General Meeting, the final dividend will be paid on 26 July 2019 to all those on the share register at close of business on 5 July 2019.

### Share capital

During 2018, the Company bought back and cancelled 146,733 (2016: 259,067) ordinary shares of 10p each (representing 0.9% (2017: 1.5%) of the called up share capital) at a price of 598p per share (2017: 772p per share) for a total of £0.9m (2017: £2.0m) with a nominal value of £15k (2017: £26k). No shares (2017: 5,825) were issued during the year.

The Company intends to seek the approval of shareholders at the Annual General Meeting for the purchase of a number of its own shares. This will be the twenty-fifth year in which the Company will run the Share Repurchase Scheme for the benefit of shareholders.

### Share Incentive Plan (SIP)

53,279 shares under the SIP have been awarded in 2018 to 488 employees (2017: 46,513 shares awarded to 482 employees). The Company plans to set aside £332k (2017: £332k) of shares for employees in 2019. This allocation will be the seventeenth under the SIP.

### Employee Benefit Trust (EBT)

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

### Employees

The Group operates non-discriminatory employment policies which are designed to attract, retain and motivate the very best people, recognising that this can only be achieved through offering equal opportunities regardless of age, disability, gender, race, religion, colour, nationality, marital status and sexual orientation.

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

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

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

# Directors' report (continued)

## for the year ended 31 December 2018

### Employees (continued)

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

The Group has taken appropriate steps during the financial year to maintain, and develop arrangements aimed at consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

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

### Health and safety and the environment

Health and safety and environmental performance remain key business objectives globally. Our manufacturing and sustainability efforts are centred on making proactive, tangible improvements, which translate into real benefits for the environment and savings for the business.

### Research and development

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

### Group pension schemes

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

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

During the year the Group made a special contribution of £2.8m (2017: £2.5m) to the DB Scheme in line with the triennial funding plan agreed with the Pension Trustees. The Company also provided a guarantee to the Pension Trustees in respect of the present and future obligations and liabilities of Altro Limited to the DB scheme (See note 23).

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

### Charitable and political donations

The Group contributed £134k (2017: £163k) for charitable purposes. There were no political contributions (2017: nil).

### Going concern

In arriving at their decision to prepare these financial statements on the going concern basis, the directors have reviewed the Group's budget, forecasts and cash flow projections for 2019 and 2020, including proposed capital expenditure, and compared these with the Group's cash holdings, its committed borrowing facilities and projected gearing ratios.

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



# Directors' report (continued)

## for the year ended 31 December 2018

### Directors' liability insurance

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

### Post balance sheet events

On 26 April 2019, the Company incorporated a Japanese entity, Altro Japan K.K. It will be responsible for promoting the Altro Floors and Walls portfolios in the Japanese market.

### Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

### Statement of disclosure of information to auditors

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

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

## **Directors' report (continued)** **for the year ended 31 December 2018**

### **Independent auditors**

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

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

A handwritten signature in black ink, appearing to be 'E P Boyle', with a long horizontal stroke extending to the right.

**E P Boyle**  
Secretary  
2 May 2019

# Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2018

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2018; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

### Reporting on other information

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

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

# Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2018

## Reporting on other information (continued)

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

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

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



**Suzanne Woolfson (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
St Albans  
2 May 2019

## Directors and advisers

### Directors

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

### Secretary

E P Boyle FCCA

### Registered office

Works Road  
Letchworth Garden City  
Hertfordshire  
SG6 1NW

### Company registration number

01493087

### Independent auditors

PricewaterhouseCoopers LLP  
10 Bricket Road  
St Albans  
Herts  
AL1 3JX

### Registrars

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

## Consolidated profit and loss account for the year ended 31 December 2018

|   | Note | 2018<br>£'000 | 2017<br>£'000 |
|---|------|---------------|---------------|
| <b>Turnover</b>                                       | 5    | 145,240       | 143,301       |
| Cost of sales   |      | (66,468)      | (65,182)      |
| <b>Gross profit</b>                                   |      | 78,772        | 78,119        |
| Distribution costs                                    |      | (37,827)      | (35,370)      |
| Administrative expenses                               |      | (31,054)      | (31,735)      |
| <b>Operating profit</b>                               |      | 9,891         | 11,014        |
| Interest receivable and similar income                | 8    | 134           | 87            |
| Interest payable and similar expenses                 | 8    | (25)          | (403)         |
| <b>Profit before taxation</b>                         | 6    | 10,000        | 10,698        |
| Tax on profit   | 9    | (1,474)       | (2,600)       |
| <b>Profit for the financial year</b>                  |      | 8,526         | 8,098         |
| <b>Profit for the financial year attributable to:</b> |      |               |               |
| - Owners of the parent                                |      | 8,526         | 8,462         |
| - Non-controlling interests                           | 31   | -             | (364)         |
|   |      | 8,526         | 8,098         |

All the above results derive from continuing operations.

## Consolidated statement of comprehensive income for the year ended 31 December 2018

|  | Note | 2018<br>£'000 | 2017<br>£'000 |
|--|------|---------------|---------------|
| <b>Profit for the financial year</b>                       |      | 8,526         | 8,098         |
| <b>Other comprehensive Income / (expense) :</b>            |      |               |               |
| Currency translation differences arising on consolidation  |      | 59            | (222)         |
| Remeasurements of net Defined Benefit Pension Scheme asset | 23   | 3,084         | 13,856        |
| Total tax on components of Other comprehensive expense     | 9    | (956)         | (2,716)       |
| <b>Other comprehensive income for the year, net of tax</b> |      | 2,187         | 10,918        |
| <b>Total comprehensive income for the year</b>             |      | 10,713        | 19,016        |
| <b>Total comprehensive income attributable to</b>          |      |               |               |
| - Owners of the parent                                     |      | 10,713        | 19,400        |
| - Non-controlling interest                                 | 31   | -             | (384)         |
|  |      | 10,713        | 19,016        |


# Consolidated balance sheet

as at 31 December 2018

|  | Note | 2018<br>£'000   | 2017<br>£'000 |
|--|------|-----------------|---------------|
| <b>Fixed assets</b>  |      |                 |               |
| Intangible assets  | 12   | 2,645           | 2,797         |
| Investment property  | 13   | 568             | 466           |
| Tangible assets  | 14   | 41,808          | 40,939        |
|  |      | <b>45,021</b>   | 44,202        |
| <b>Current assets</b>  |      |                 |               |
| Inventories  | 16   | 24,983          | 22,042        |
| Debtors: amounts falling due after more than one year            | 17   | 751             | 780           |
| Debtors: amounts falling due within one year                     | 18   | 22,761          | 23,801        |
| Cash at bank and in hand   |      | 13,690          | 16,747        |
|  |      | <b>62,185</b>   | 63,370        |
| <b>Creditors: amounts falling due within one year</b>            | 19   | <b>(17,180)</b> | (18,796)      |
| <b>Net current assets</b>  |      | <b>45,005</b>   | 44,574        |
| <b>Total assets less current liabilities</b>                     |      |                 |               |
|  |      | <b>90,026</b>   | 88,776        |
| Creditors: amounts falling due after more than one year          | 20   | -               | (1,670)       |
| Provisions for liabilities                                       | 21   | (1,891)         | (2,366)       |
| Deferred tax liability   | 21   | (1,052)         | (96)          |
| <b>Net assets excluding Defined Benefit Pension Scheme asset</b> |      | <b>87,083</b>   | 84,644        |
| Defined Benefit Pension Scheme asset                             | 23   | 5,693           | 57            |
| <b>Net assets</b>  |      | <b>92,776</b>   | 84,701        |
| <b>Capital and reserves</b>                                      |      |                 |               |
| Called up share capital  | 27   | 1,662           | 1,677         |
| Share premium account  |      | 7,218           | 7,218         |
| Other reserves   |      | (2,695)         | (3,077)       |
| Retained earnings  |      | 86,591          | 79,599        |
| <b>Total equity attributable to owners of the parent</b>         |      | <b>92,776</b>   | 85,417        |
| Non-controlling interests  | 31   | -               | (716)         |
| <b>Total equity</b>  |      | <b>92,776</b>   | 84,701        |

The notes on pages 19 to 48 are an integral part of these financial statements.

The financial statements on pages 13 to 48 were approved by the Board on 2 May 2019 and signed on its behalf by



**R J Kahn**

Managing Director

# Company balance sheet

as at 31 December 2018

|   | Note | 2018<br>£'000  | 2017<br>£'000 |
|---|------|----------------|---------------|
| <b>Fixed assets</b>                                   |      |                |               |
| Tangible assets                                       | 14   | 25,779         | 26,136        |
| Investments   | 15   | 12,399         | 12,301        |
|   |      | <b>38,178</b>  | 38,437        |
| <b>Current assets</b>                                 |      |                |               |
| Debtors: amounts falling due after more than one year | 17   | 28             | -             |
| Cash at bank and in hand                              |      | 4,475          | 7,539         |
|   |      | <b>4,503</b>   | 7,539         |
| <b>Creditors: amounts falling due within one year</b> | 19   | <b>(2,269)</b> | (6,048)       |
| <b>Net current assets</b>                             |      | <b>2,234</b>   | 1,491         |
| <b>Total assets less current liabilities</b>          |      | <b>40,412</b>  | 39,928        |
| Provisions for liabilities                            | 21   | -              | (27)          |
| <b>Net assets</b>                                     |      | <b>40,412</b>  | 39,901        |
| <b>Capital and reserves</b>                           |      |                |               |
| Called up share capital                               | 27   | 1,662          | 1,677         |
| Share premium account                                 |      | 7,218          | 7,218         |
| Other reserves  |      | (2,695)        | (3,077)       |
| Retained earnings                                     |      |                |               |
| - At 1 January  |      | 34,083         | 33,298        |
| - Profit for the financial year                       |      | 3,140          | 4,904         |
| - Other changes in retained earnings                  |      | (2,996)        | (4,119)       |
| Total retained earnings                               |      | 34,227         | 34,083        |
| <b>Total equity</b>                                   |      | <b>40,412</b>  | 39,901        |

The notes on pages 19 to 48 are an integral part of these financial statements.

The financial statements on pages 13 to 48 were approved by the Board on 2 May 2019 and signed on its behalf by



**R J Kahn**

Managing Director



## Consolidated statement of changes in equity for the year ended 31 December 2018

|   | Called up    |              | Other reserves |                |                | Non-           |              | Total<br>equity<br>£'000 |
|---|--------------|--------------|----------------|----------------|----------------|----------------|--------------|--------------------------|
|   | share        | Share        | Capital        | Own            | Retained       | Controlling    |              |                          |
|   | capital      | premium      | redemption     | shares         | earnings       | Interest       |              |                          |
|   | account      | reserve      | reserve        | shares         | earnings       | Interest       |              |                          |
| £'000   | £'000        | £'000        | £'000          | £'000          | £'000          | £'000          | £'000        |                          |
| <b>The Group</b>  |              |              |                |                |                |                |              |                          |
| Balance as at 1 January 2017  | 1,702        | 7,189        | 1,025          | (3,678)        | 64,318         | 70,556         | (332)        | 70,224                   |
| Profit for the financial year   | -            | -            | -              | -              | 8,462          | 8,462          | (364)        | 8,098                    |
| Other comprehensive income for the year   | -            | -            | -              | -              | 10,938         | 10,938         | (20)         | 10,918                   |
| <b>Total comprehensive income for the year</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>19,400</b>  | <b>19,400</b>  | <b>(384)</b> | <b>19,016</b>            |
| Dividends paid  | -            | -            | -              | -              | (2,259)        | (2,259)        | -            | (2,259)                  |
| Purchase of own shares  | (26)         | -            | 26             | -              | (2,000)        | (2,000)        | -            | (2,000)                  |
| Purchase of own shares for the SIP  | -            | -            | -              | -              | (330)          | (330)          | -            | (330)                    |
| Purchase of own shares by the EBT   | -            | -            | -              | (777)          | -              | (777)          | -            | (777)                    |
| Disposal of own shares by the EBT   | -            | -            | -              | 327            | 166            | 493            | -            | 493                      |
| Shares issued   | 1            | 29           | -              | -              | -              | 30             | -            | 30                       |
| Increase in reserves arising from share-based payments  | -            | -            | -              | -              | 304            | 304            | -            | 304                      |
| <b>Total transactions with owners, recognised directly in equity</b>                                | <b>(25)</b>  | <b>29</b>    | <b>26</b>      | <b>(450)</b>   | <b>(4,119)</b> | <b>(4,539)</b> | <b>-</b>     | <b>(4,539)</b>           |
| <b>Balance as at 31 December 2017</b>   | <b>1,677</b> | <b>7,218</b> | <b>1,051</b>   | <b>(4,128)</b> | <b>79,599</b>  | <b>85,417</b>  | <b>(716)</b> | <b>84,701</b>            |
| Balance as at 1 January 2018  | 1,677        | 7,218        | 1,051          | (4,128)        | 79,599         | 85,417         | (716)        | 84,701                   |
| Profit for the financial year   | -            | -            | -              | -              | 8,526          | 8,526          | -            | 8,526                    |
| Other comprehensive income for the year   | -            | -            | -              | -              | 2,187          | 2,187          | -            | 2,187                    |
| <b>Total comprehensive income for the year</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>10,713</b>  | <b>10,713</b>  | <b>-</b>     | <b>10,713</b>            |
| Dividends paid  | -            | -            | -              | -              | (2,248)        | (2,248)        | -            | (2,248)                  |
| Purchase of own shares  | (15)         | -            | 15             | -              | (877)          | (877)          | -            | (877)                    |
| Purchase of own shares for the SIP  | -            | -            | -              | -              | (332)          | (332)          | -            | (332)                    |
| Purchase of own shares by the EBT   | -            | -            | -              | (457)          | -              | (457)          | -            | (457)                    |
| Disposal of own shares by the EBT   | -            | -            | -              | 824            | 161            | 985            | -            | 985                      |
| Increase in reserves arising from share-based payments  | -            | -            | -              | -              | 300            | 300            | -            | 300                      |
| <b>Total transactions with owners, recognised directly in equity</b>                                | <b>(15)</b>  | <b>-</b>     | <b>15</b>      | <b>367</b>     | <b>(2,996)</b> | <b>(2,629)</b> | <b>-</b>     | <b>(2,629)</b>           |
| <b>Acquisition of non-controlling interest (note 31)</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>(725)</b>   | <b>(725)</b>   | <b>716</b>   | <b>(9)</b>               |
| <b>Total changes in ownership interests in subsidiaries that do not result in a loss of control</b> | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>(725)</b>   | <b>(725)</b>   | <b>716</b>   | <b>(9)</b>               |
| <b>Balance as at 31 December 2018</b>   | <b>1,662</b> | <b>7,218</b> | <b>1,066</b>   | <b>(3,761)</b> | <b>86,591</b>  | <b>92,776</b>  | <b>-</b>     | <b>92,776</b>            |

## Company statement of changes in equity for the year ended 31 December 2018

|  | Called up        |              | Share<br>premium<br>account | Other reserves                   |                | Retained<br>earnings | Total<br>equity |       |       |       |
|--|------------------|--------------|-----------------------------|----------------------------------|----------------|----------------------|-----------------|-------|-------|-------|
|  | share<br>capital | £'000        |                             | Capital<br>redemption<br>reserve | Own<br>shares  |                      |                 | £'000 |       |       |
|  |                  |              |                             |                                  |                |                      |                 |       | £'000 | £'000 |
|  |                  |              |                             |                                  |                |                      |                 |       |       |       |
| <b>The Company</b>   |                  |              |                             |                                  |                |                      |                 |       |       |       |
| Balance as at 1 January 2017   | 1,702            | 7,189        | 1,025                       | (3,678)                          | 33,298         | 39,536               |                 |       |       |       |
| Profit for the financial year  | -                | -            | -                           | -                                | 4,904          | 4,904                |                 |       |       |       |
| <b>Total comprehensive income for the year</b>                       | -                | -            | -                           | -                                | <b>4,904</b>   | <b>4,904</b>         |                 |       |       |       |
| Dividends paid   | -                | -            | -                           | -                                | (2,259)        | (2,259)              |                 |       |       |       |
| Purchase of own shares   | (26)             | -            | 26                          | -                                | (2,000)        | (2,000)              |                 |       |       |       |
| Purchase of own shares for the SIP                                   | -                | -            | -                           | -                                | (330)          | (330)                |                 |       |       |       |
| Purchase of own shares by the EBT                                    | -                | -            | -                           | (777)                            | -              | (777)                |                 |       |       |       |
| Disposal of own shares by the EBT                                    | -                | -            | -                           | 327                              | 166            | 493                  |                 |       |       |       |
| Shares issued  | 1                | 29           | -                           | -                                | -              | 30                   |                 |       |       |       |
| Capital contribution arising from share-based payments               | -                | -            | -                           | -                                | 304            | 304                  |                 |       |       |       |
| <b>Total transactions with owners, recognised directly in equity</b> | <b>(25)</b>      | <b>29</b>    | <b>26</b>                   | <b>(450)</b>                     | <b>(4,119)</b> | <b>(4,539)</b>       |                 |       |       |       |
| <b>Balance as at 31 December 2017</b>                                | <b>1,677</b>     | <b>7,218</b> | <b>1,051</b>                | <b>(4,128)</b>                   | <b>34,083</b>  | <b>39,901</b>        |                 |       |       |       |
| Balance as at 1 January 2018   | 1,677            | 7,218        | 1,051                       | (4,128)                          | 34,083         | 39,901               |                 |       |       |       |
| Profit for the financial year  | -                | -            | -                           | -                                | 3,140          | 3,140                |                 |       |       |       |
| <b>Total comprehensive income for the year</b>                       | -                | -            | -                           | -                                | <b>3,140</b>   | <b>3,140</b>         |                 |       |       |       |
| Dividends paid   | -                | -            | -                           | -                                | (2,248)        | (2,248)              |                 |       |       |       |
| Purchase of own shares   | (15)             | -            | 15                          | -                                | (877)          | (877)                |                 |       |       |       |
| Purchase of own shares for the SIP                                   | -                | -            | -                           | -                                | (332)          | (332)                |                 |       |       |       |
| Purchase of own shares by the EBT                                    | -                | -            | -                           | (457)                            | -              | (457)                |                 |       |       |       |
| Disposal of own shares by the EBT                                    | -                | -            | -                           | 824                              | 161            | 985                  |                 |       |       |       |
| Capital contribution arising from share-based payments               | -                | -            | -                           | -                                | 300            | 300                  |                 |       |       |       |
| <b>Total transactions with owners, recognised directly in equity</b> | <b>(15)</b>      | -            | <b>15</b>                   | <b>367</b>                       | <b>(2,996)</b> | <b>(2,629)</b>       |                 |       |       |       |
| <b>Balance as at 31 December 2018</b>                                | <b>1,662</b>     | <b>7,218</b> | <b>1,066</b>                | <b>(3,761)</b>                   | <b>34,227</b>  | <b>40,412</b>        |                 |       |       |       |

## Consolidated statement of cash flows for the year ended 31 December 2018

|  | Note | 2018<br>£'000  | 2017<br>£'000  |
|--|------|----------------|----------------|
| Net cash from operating activities                         | 28   | 8,563          | 9,324          |
| Taxation paid  |      | (1,626)        | (2,926)        |
| <b>Net cash generated from operating activities</b>        |      | <b>6,937</b>   | <b>6,398</b>   |
| <b>Cash flow from investing activities</b>                 |      |                |                |
| Additional subsidiary investment                           |      | (9)            | -              |
| Purchase of intangible assets                              | 12   | (103)          | (51)           |
| Purchase of tangible assets                                | 14   | (4,786)        | (4,204)        |
| Proceeds from disposals of tangible assets                 |      | 9              | -              |
| Prior year loans granted to third parties                  | 18   | 360            | -              |
| Interest received  |      | 83             | 87             |
| <b>Net cash used in investing activities</b>               |      | <b>(4,446)</b> | <b>(4,168)</b> |
| <b>Cash flow from financing activities</b>                 |      |                |                |
| Dividends paid to owners of the parent                     | 10   | (2,248)        | (2,259)        |
| Interest paid  |      | (25)           | (21)           |
| Sale of own shares by the EBT (net of costs of issue)      |      | 985            | 523            |
| Purchase of own shares by the EBT and for the SIP          |      | (789)          | (1,107)        |
| Purchase of own shares                                     |      | (877)          | (2,000)        |
| Prior year shareholder loan from non-controlling interests |      | (1,665)        | -              |
| <b>Net cash used in financing activities</b>               |      | <b>(4,619)</b> | <b>(4,864)</b> |
| Net decrease in cash and cash equivalents                  |      | (2,128)        | (2,634)        |
| Cash and cash equivalents at the beginning of the year     |      | 13,956         | 16,507         |
| Exchange gains on cash and cash equivalents                |      | 34             | 83             |
| <b>Cash and cash equivalents at the end of the year</b>    |      | <b>11,862</b>  | <b>13,956</b>  |
| <b>Cash and cash equivalents consists of:</b>              |      |                |                |
| Cash at bank and in hand                                   |      | 13,690         | 16,747         |
| Overdrafts and short-term borrowings                       | 19   | (1,828)        | (2,791)        |
| <b>Cash and cash equivalents</b>                           |      | <b>11,862</b>  | <b>13,956</b>  |

# Notes to the consolidated financial statements

## for the year ended 31 December 2018

### 1 General information

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

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

### 2 Statement of compliance

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

### 3 Accounting policies

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

#### (a) Basis of accounting

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

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

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

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

#### (b) Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

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

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2018

### 3 Accounting policies (continued)

#### (b) Exemptions for qualifying entities under FRS 102 (continued)

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

#### (c) Basis of consolidation

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

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

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

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

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

#### (d) Foreign currency

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

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

##### *(ii) Transactions and balances*

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

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

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

##### *(iii) Translation*

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

#### (e) Capital contributions

In accordance with FRS 102 section 26: Share-based payment, as the Company has granted rights over its equity

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 3 Accounting policies (continued)

#### (e) Capital contributions (continued)

instruments to the employees of Altro Limited, there is a corresponding increase recognised in the investment in the subsidiary.

#### (f) Goodwill and intangible assets

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

The annual rates used for intangible assets are:

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

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

#### (g) Investments - Company

Investment in a subsidiary is held at cost less accumulated impairment losses.

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

#### (h) 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:

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

Where there is evidence of impairment, an impairment review is completed at least annually and fixed assets are written down to the 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.

#### (i) Deferred tax

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

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

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

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 3 Accounting policies (continued)

#### (j) Inventories

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

#### (k) Financial instruments

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

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

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

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

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

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

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

##### *(ii) Financial liabilities*

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

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

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

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

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

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

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2018

### 3 Accounting policies (continued)

#### (k) Financial instruments (continued)

##### *(iii) Offsetting*

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

#### (l) Provisions

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

#### (m) Turnover

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

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

#### (n) Research and development

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

#### (o) Employee benefits

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

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

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

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

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

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

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

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

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



## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 3 Accounting policies (continued)

#### (o) Employee benefits (continued)

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

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

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

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

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

#### (p) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

#### (q) Dividends

In accordance with FRS 102 section 32: Events after the end of the reporting period, dividends proposed after the balance sheet date are not charged to the profit and loss account in the year. A final dividend for the year ended 31 December 2018 will be proposed at the Annual General Meeting on 18 June 2019.

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

#### (r) EPS

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

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

#### (s) Investment property

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

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 4 Critical accounting judgements and estimation uncertainty

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

#### Defined Benefit Pension Scheme

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

#### Provisions

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

#### Inventory provisioning

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

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 5 Turnover

Turnover by geographical area was:

|                            | 2018           |            | 2017           |            |
|----------------------------|----------------|------------|----------------|------------|
|                            | £'000          | %          | £'000          | %          |
| <b>Territory</b>           |                |            |                |            |
| United Kingdom             | 71,936         | 50         | 72,759         | 51         |
| Continental Europe         | 24,528         | 17         | 24,208         | 17         |
| The Americas               | 36,490         | 25         | 34,273         | 24         |
| Australia and Asia Pacific | 9,324          | 6          | 9,337          | 6          |
| Rest of world              | 2,962          | 2          | 2,724          | 2          |
|                            | <b>145,240</b> | <b>100</b> | <b>143,301</b> | <b>100</b> |

Turnover is comprised of revenue from the sale of goods.

### 6 Profit before taxation

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

|   | 2018  | 2017  |
|---|-------|-------|
|   | £'000 | £'000 |
| Amortisation of intangible assets   | 515   | 282   |
| Depreciation of tangible assets   | 3,683 | 3,884 |
| Loss on disposal of tangible fixed assets   | 24    | 64    |
| Inventory obsolescence charges and (reversals)  | 799   | (109) |
| Bad debt reversals  | (148) | (59)  |
| Research and development  | 2,035 | 2,411 |
| Operating lease charges   | 1,950 | 1,916 |
| Foreign exchange gains  | (167) | (16)  |
| Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements | 55    | 54    |
| Fees payable to the Company's auditors and their associates for other services:                           |       |       |
| - the audit of the Company's subsidiaries   | 36    | 35    |
| - tax compliance services   | 15    | 13    |
| - tax advisory services   | 10    | 19    |
| - corporate finance services  | 4     | 22    |
| - other non-audit services  | 12    | 24    |
| Total amount payable to the Company's auditors and their associates                                       | 132   | 167   |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 7 Employees and directors

#### Group employees

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

|                               | 2018<br>Number | 2017<br>Number |
|-------------------------------|----------------|----------------|
| Manufacturing                 | 204            | 199            |
| Sales and marketing           | 320            | 321            |
| Warehouse and distribution    | 104            | 101            |
| Administration and management | 189            | 190            |
|                               | <b>817</b>     | 811            |

Employee costs, including directors, during the year were:

|                                  | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------|---------------|---------------|
| Wages and salaries               | 34,192        | 32,874        |
| Social security costs            | 3,798         | 3,765         |
| Other pension costs              | 1,410         | 1,847         |
| Employee share schemes (note 25) | 98            | 295           |
| Other staff benefits             | 1,179         | 1,315         |
|                                  | <b>40,677</b> | 40,096        |

All staff are employed by subsidiaries within the Group. The Company has no employees (2017: nil).

#### Directors

The directors' emoluments were as follows:

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Aggregate emoluments                              | 1,553         | 1,465         |
| Defined Contribution Pension Scheme contributions | 186           | 186           |
|   | <b>1,739</b>  | 1,651         |

Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (31 December 2017: one) in the year ended 31 December 2018.

During the year 58,189 (2017: 53,125) phantom options were awarded to the directors and 27,204 (2017: 73,182) were exercised.

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 7 Employees and directors (continued)

#### Highest paid director

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Highest paid director:                            |               |               |
| Aggregate emoluments                              | 711           | 686           |
| Defined Contribution Pension Scheme contributions | 186           | 186           |
|   | <b>897</b>    | 872           |

The amount of the accrued pension in the DB Scheme of the highest paid director at 31 December 2018 is £163k (2017: £159k). No approved share options (2017: none) and 27,204 phantom share options (2017: 41,139) were exercised by the highest paid director in the year.

#### Key management

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

### 8 Net interest expense

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Interest receivable and similar income:       |               |               |
| short term deposits                           | 20            | 17            |
| other   | 63            | 70            |
| finance income on DB Scheme (note 23)         | 51            | -             |
| <b>Interest receivable and similar income</b> | <b>134</b>    | 87            |
| Interest payable and similar expenses:        |               |               |
| bank overdraft                                | (25)          | (21)          |
| finance charge on DB Scheme (note 23)         | -             | (382)         |
| <b>Interest payable and similar expenses</b>  | <b>(25)</b>   | (403)         |
| <b>Net interest income / (expense)</b>        | <b>109</b>    | (316)         |

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2018

#### 9 Tax on profit

##### (a) Tax expense included in profit or loss

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Current tax:</b>                           |               |               |
| UK corporation and income tax:                |               |               |
| current tax on income for the year            | 1,396         | 1,711         |
| adjustments in respect of prior years         | (295)         | 204           |
|   | <b>1,101</b>  | <b>1,915</b>  |
| Foreign tax:                                  |               |               |
| current tax on income for the year            | 654           | 426           |
| adjustments in respect of prior years         | (264)         | 287           |
|   | <b>390</b>    | <b>713</b>    |
| <b>Current tax charge</b>                     | <b>1,491</b>  | <b>2,628</b>  |
| <b>Deferred tax:</b>                          |               |               |
| timing differences - origination and reversal | (17)          | (28)          |
| <b>Deferred tax credit</b>                    | <b>(17)</b>   | <b>(28)</b>   |
| <b>Tax on profit</b>                          | <b>1,474</b>  | <b>2,600</b>  |

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

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Deferred tax:</b>                                      |               |               |
| timing differences - origination and reversal             | 956           | 2,716         |
| <b>Tax expense included in Other comprehensive income</b> | <b>956</b>    | <b>2,716</b>  |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 9 Tax on profit (continued)

#### (c) Reconciliation of tax charge

The total tax charge for the year is lower (2017: higher) than the applicable rate of corporation tax in the UK of 19% (2017: 19.25%). The hybrid rate in 2017 is a result of a tax rate of 20% for financial year 2017 and 19% for financial year 2018.

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

|  | 2018          | 2017   |
|--|---------------|--------|
|  | £'000         | £'000  |
| <b>Profit before taxation</b>                              | <b>10,000</b> | 10,698 |
| Tax charge on profit before taxation of 19% (2017: 19.25%) | <b>1,900</b>  | 2,059  |
| Income not subject to tax                                  | <b>(82)</b>   | -      |
| Expenses not deductible for tax purposes                   | <b>122</b>    | 189    |
| Research and development enhanced allowances               | <b>(283)</b>  | (317)  |
| Pension contributions in excess of charge                  | <b>(542)</b>  | (408)  |
| Depreciation in excess of capital allowances               | <b>85</b>     | 121    |
| Movement in short-term timing differences                  | <b>(60)</b>   | (93)   |
| Differences in UK income tax and overseas tax rates        | <b>789</b>    | 506    |
| Adjustments in respect of prior years                      | <b>(559)</b>  | 491    |
| Deferred tax on share schemes                              | <b>43</b>     | 65     |
| Other  | <b>61</b>     | (13)   |
| <b>Tax charge for the year</b>                             | <b>1,474</b>  | 2,600  |

#### (d) Tax rate changes

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

## Notes to the consolidated financial statements (continued)

for the year ended 31 December 2018

### 10 Dividends per share

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Final dividend for prior year of 9.5p per share (2017: 9.5p)     | 1,525         | 1,534         |
| Interim dividend for current year of 4.5p per share (2017: 4.5p) | 723           | 725           |
|  | <b>2,248</b>  | 2,259         |

A final dividend of 9.5p (2017: 9.5p) per share for the year ended 31 December 2018 will be proposed at the Annual General Meeting on 18 June 2019. Based on the number of shares in issue at the date of this report, this would equate to a dividend of £1,579k (2017: £1,547k).

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

### 11 Earnings per share

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Profit for the financial year attributable to owners of the parent</b> | <b>8,526</b>  | 8,462         |

|  | 2018<br>Number<br>of shares | 2017<br>Number<br>of shares |
|--|-----------------------------|-----------------------------|
| Weighted average number of shares in issue                           | 16,688,456                  | 16,888,400                  |
| Weighted average number of shares held by the Employee Benefit Trust | (622,479)                   | (606,794)                   |
| Basic weighted average number of shares in issue                     | 16,065,977                  | 16,281,606                  |
| Dilutive effect of share option schemes                              | 472                         | 3,729                       |
| <b>Diluted weighted average number of shares</b>                     | <b>16,066,449</b>           | 16,285,335                  |

| <b>Earnings per share</b> |       |       |
|---------------------------|-------|-------|
| Basic                     | 53.1p | 52.0p |
| Diluted                   | 53.1p | 52.0p |

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

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



## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2018

#### 12 Intangible assets

| The Group                        | Franchise<br>£'000 | Goodwill<br>£'000 | Computer<br>Software<br>£'000 | Total<br>£'000 |
|----------------------------------|--------------------|-------------------|-------------------------------|----------------|
| <b>Cost</b>                      |                    |                   |                               |                |
| At 1 January 2018                | 141                | 5,085             | 2,489                         | 7,715          |
| Additions                        | -                  | -                 | 103                           | 103            |
| Currency translation differences | -                  | 20                | (3)                           | 17             |
| Transfers                        | -                  | -                 | 255                           | 255            |
| <b>At 31 December 2018</b>       | <b>141</b>         | <b>5,105</b>      | <b>2,844</b>                  | <b>8,090</b>   |
| <b>Accumulated amortisation</b>  |                    |                   |                               |                |
| At 1 January 2018                | 108                | 2,788             | 2,022                         | 4,918          |
| Currency translation differences | -                  | 3                 | 9                             | 12             |
| Charge for the year              | 7                  | 248               | 260                           | 515            |
| <b>At 31 December 2018</b>       | <b>115</b>         | <b>3,039</b>      | <b>2,291</b>                  | <b>5,445</b>   |
| <b>Net book value</b>            |                    |                   |                               |                |
| <b>At 31 December 2018</b>       | <b>26</b>          | <b>2,066</b>      | <b>553</b>                    | <b>2,645</b>   |
| At 31 December 2017              | 33                 | 2,297             | 467                           | 2,797          |

#### Company

The Company does not hold any intangible assets.

#### 13 Investment property

| The Group   | Freehold<br>Buildings<br>£'000 |
|---|--------------------------------|
| <b>At Fair value</b>  |                                |
| At 1 January 2018   | 466                            |
| Net gain from fair value adjustments on investment property | 97                             |
| Currency translation differences                            | 5                              |
| <b>At 31 December 2018</b>                                  | <b>568</b>                     |
| <b>Provisions</b>   |                                |
| At 1 January 2018   | -                              |
| <b>At 31 December 2018</b>                                  | <b>-</b>                       |
| <b>Net book value</b>                                       |                                |
| <b>At 31 December 2018</b>                                  | <b>568</b>                     |
| At 31 December 2017   | 466                            |

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2018

#### 14 Tangible assets

| The Group  | Land and buildings |                   |                    | Plant<br>equipment<br>and<br>vehicles | Assets<br>under<br>construction | Total         |
|--|--------------------|-------------------|--------------------|---------------------------------------|---------------------------------|---------------|
|  | Freehold           | Long<br>leasehold | Short<br>leasehold |                                       |                                 |               |
|  | £'000              | £'000             | £'000              | £'000                                 | £'000                           | £'000         |
| <b>Cost or valuation</b>   |                    |                   |                    |                                       |                                 |               |
| At 1 January 2018  | 4,113              | 35,473            | 833                | 46,026                                | 355                             | 86,800        |
| Currency translation differences   | 5                  | -                 | 32                 | 201                                   | -                               | 238           |
| Additions  | 53                 | 13                | 96                 | 2,392                                 | 2,232                           | 4,786         |
| Disposals  | -                  | (11)              | (115)              | (955)                                 | -                               | (1,081)       |
| Transfers  | -                  | 493               | -                  | 208                                   | (956)                           | (255)         |
| <b>At 31 December 2018</b>   | <b>4,171</b>       | <b>35,968</b>     | <b>846</b>         | <b>47,872</b>                         | <b>1,631</b>                    | <b>90,488</b> |
| At valuation   | 256                | 4,394             | -                  | -                                     | -                               | 4,650         |
| At cost  | 3,915              | 31,574            | 846                | 47,872                                | 1,631                           | 85,838        |
| <b>At 31 December 2018</b>   | <b>4,171</b>       | <b>35,968</b>     | <b>846</b>         | <b>47,872</b>                         | <b>1,631</b>                    | <b>90,488</b> |
| <b>Accumulated depreciation</b>  |                    |                   |                    |                                       |                                 |               |
| At 1 January 2018  | 1,246              | 10,304            | 619                | 33,692                                | -                               | 45,861        |
| Currency translation differences   | 11                 | -                 | 25                 | 148                                   | -                               | 184           |
| Charge for the year  | 66                 | 740               | 92                 | 2,785                                 | -                               | 3,683         |
| Disposals  | -                  | (9)               | (115)              | (924)                                 | -                               | (1,048)       |
| <b>At 31 December 2018</b>   | <b>1,323</b>       | <b>11,035</b>     | <b>621</b>         | <b>35,701</b>                         | <b>-</b>                        | <b>48,680</b> |
| <b>Net book value</b>  |                    |                   |                    |                                       |                                 |               |
| <b>At 31 December 2018</b>   | <b>2,848</b>       | <b>24,933</b>     | <b>225</b>         | <b>12,171</b>                         | <b>1,631</b>                    | <b>41,808</b> |
| At 31 December 2017  | 2,867              | 25,169            | 214                | 12,334                                | 355                             | 40,939        |
| Comparable amounts determined according to the historical cost convention: |                    |                   |                    |                                       |                                 |               |
| cost (at 31 December 2018)   | 2,253              | 34,262            | 846                | 47,872                                | -                               | 85,233        |
| accumulated depreciation   | (1,310)            | (10,789)          | (621)              | (35,701)                              | -                               | (48,421)      |
| <b>Net book value</b>  |                    |                   |                    |                                       |                                 |               |
| <b>At 31 December 2018</b>   | <b>943</b>         | <b>23,473</b>     | <b>225</b>         | <b>12,171</b>                         | <b>-</b>                        | <b>36,812</b> |
| At 31 December 2017  | 962                | 23,708            | 214                | 10,592                                | -                               | 35,476        |

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

## Notes to the consolidated financial statements (continued)

### for the year ended 31 December 2018

#### 14 Tangible assets (continued)

| The Company   | Land and buildings |                   | Assets<br>under<br>construction | Total         |
|---|--------------------|-------------------|---------------------------------|---------------|
|   | Freehold           | Long<br>leasehold |                                 |               |
|   | £'000              | £'000             | £'000                           | £'000         |
| <b>Cost or valuation</b>  |                    |                   |                                 |               |
| At 1 January 2018   | 1,095              | 35,471            | 178                             | 36,744        |
| Additions   | -                  | 13                | 387                             | 400           |
| Disposals   | -                  | (10)              | -                               | (10)          |
| Transfers   | -                  | 493               | (493)                           | -             |
| <b>At 31 December 2018</b>  | <b>1,095</b>       | <b>35,967</b>     | <b>72</b>                       | <b>37,134</b> |
| At valuation  | 256                | 4,394             | -                               | 4,650         |
| At cost   | 839                | 31,573            | 72                              | 32,484        |
| <b>At 31 December 2018</b>  | <b>1,095</b>       | <b>35,967</b>     | <b>72</b>                       | <b>37,134</b> |
| <b>Accumulated depreciation</b>   |                    |                   |                                 |               |
| At 1 January 2018   | 303                | 10,305            | -                               | 10,608        |
| Charge for the year   | 16                 | 740               | -                               | 756           |
| Disposals   | -                  | (9)               | -                               | (9)           |
| <b>At 31 December 2018</b>  | <b>319</b>         | <b>11,036</b>     | <b>-</b>                        | <b>11,355</b> |
| <b>Net book value</b>   |                    |                   |                                 |               |
| <b>At 31 December 2018</b>  | <b>776</b>         | <b>24,931</b>     | <b>72</b>                       | <b>25,779</b> |
| At 31 December 2017   | 792                | 25,166            | 178                             | 26,136        |
| Comparable amounts determined according to the historical cost convention): |                    |                   |                                 |               |
| cost (at 31 December 2018)  | 969                | 34,262            | -                               | 35,231        |
| accumulated depreciation (at 31 December 2018)                              | (310)              | (10,800)          | -                               | (11,110)      |
| <b>Net book value</b>   |                    |                   |                                 |               |
| <b>At 31 December 2018</b>  | <b>659</b>         | <b>23,462</b>     | <b>-</b>                        | <b>24,121</b> |
| At 31 December 2017   | 675                | 23,706            | -                               | 24,381        |

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2018

### 15 Investments

|  | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| At 1 January   | -                      | -                      | 12,301                   | 12,006                   |
| Capital contribution arising from share-based payment charge | -                      | -                      | 98                       | 295                      |
| <b>At 31 December</b>  | <b>-</b>               | <b>-</b>               | <b>12,399</b>            | <b>12,301</b>            |

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

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

#### Principal trading subsidiaries

The principal trading subsidiaries at 31 December 2018 were:

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

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

#### Dormant entities

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

|                                    |                                      |                          |
|------------------------------------|--------------------------------------|--------------------------|
| Altro Whiterock Limited            | The Altro Group Trustees Limited     | Kanor Chemicals Limited  |
| Altrofix Limited                   | Autoglym Products Limited            | Terrazzolite Limited     |
| Altrosport Surfaces Limited        | The Altro Group SIP Trustees Limited | Valet-Glym Limited       |
| Autoglym Limited                   | Altro Floors Limited                 | Zolatone Polomyx Limited |
| Australian Safety Flooring Pty Ltd |                                      |                          |

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

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 16 Inventories

| Group                                    | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Raw materials and consumables            | 6,327         | 5,089         |
| Work in progress                         | 946           | 937           |
| Finished goods and goods held for resale | 17,710        | 16,016        |
|  | <b>24,983</b> | <b>22,042</b> |

Inventories are stated after provisions for impairment of £5,430k (2017: £4,631k).

#### Company

The Company has no inventories at 31 December 2018 (2017: nil).

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

| Group                        | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Loans                        | 350                    | 350                    | -                        | -                        |
| Other debtors                | 401                    | 430                    | -                        | -                        |
| Deferred tax asset (note 21) | -                      | -                      | 28                       | -                        |
|                              | <b>751</b>             | <b>780</b>             | <b>28</b>                | <b>-</b>                 |

Other debtors comprise a Pension asset for funding the Debolon Dessauer Bodenbeläge GmbH & Co KG pension. The pension liability is disclosed separately in the accounts and included in note 23.

#### Company

The Company has no loans at 31 December 2018 (2017: nil).

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

| Group                          | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|--------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade debtors                  | 18,932                 | 19,315                 | -                        | -                        |
| Other debtors                  | 456                    | 718                    | -                        | -                        |
| Corporation tax                | 354                    | 37                     | -                        | -                        |
| Deferred tax asset (note 21)   | 359                    | 303                    | -                        | -                        |
| Loans                          | -                      | 383                    | -                        | -                        |
| Prepayments and accrued income | 2,660                  | 3,045                  | -                        | -                        |
|                                | <b>22,761</b>          | <b>23,801</b>          | <b>-</b>                 | <b>-</b>                 |

Amounts owed by Group undertakings 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 and other debtors are stated after provisions for impairment of £298k (2017: £446k).

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

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

|                                    | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank loans and overdrafts          | 1,828                  | 2,791                  | 1,828                    | 2,791                    |
| Trade creditors                    | 5,552                  | 6,085                  | -                        | -                        |
| Amounts owed to group undertakings | -                      | -                      | 110                      | 2,666                    |
| Corporation tax                    | 371                    | 189                    | 124                      | 134                      |
| Other taxation and social security | 1,550                  | 1,724                  | -                        | -                        |
| Other creditors                    | 854                    | 694                    | -                        | -                        |
| Accruals and deferred income       | 7,025                  | 7,313                  | 207                      | 457                      |
|                                    | <b>17,180</b>          | <b>18,796</b>          | <b>2,269</b>             | <b>6,048</b>             |

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

### 20 Creditors: amounts falling due after more than one year

| Group   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Other loans payable due after more than 5 years | -             | 1,670         |
| Total loans payable                             | -             | 1,670         |

Other loans payable comprised a shareholder loan from the non-controlling interest in Altro Debolon Holding GmbH with no set repayment date. Interest accrued on the principal amount of €1,880k at 3% above EURIBOR per annum, payable in arrears. This loan was repaid in January 2018.

### 21 Provisions for liabilities

| The Group                                       | Deferred tax<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---|-----------------------|----------------|----------------|
| At 1 January 2018                               | (303)                 | 2,366          | 2,063          |
| (Credited) / charged to profit and loss account | (17)                  | 355            | 338            |
| Utilised in the year                            | -                     | (180)          | (180)          |
| Released in the year                            | -                     | (641)          | (641)          |
| Currency translation movements                  | (39)                  | (9)            | (48)           |
| <b>At 31 December 2018</b>                      | <b>(359)</b>          | <b>1,891</b>   | <b>1,532</b>   |

Other provisions represent estimated amounts in respect of worldwide 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.

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 21 Provisions for liabilities (continued)

#### The Company

|                                     | Deferred tax<br>£'000 | Total<br>£'000 |
|-------------------------------------|-----------------------|----------------|
| At 1 January 2018                   | 27                    | 27             |
| Credited to profit and loss account | (55)                  | (55)           |
| <b>At 31 December 2018</b>          | <b>(28)</b>           | <b>(28)</b>    |

#### Deferred tax

|                                     | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|-------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Accelerated capital allowances      | 134                    | 228                    | (28)                     | 27                       |
| Other short-term timing differences | (160)                  | (172)                  | -                        | -                        |
| Overseas deferred tax               | (333)                  | (359)                  | -                        | -                        |
| <b>Deferred tax asset</b>           | <b>(359)</b>           | <b>(303)</b>           | <b>(28)</b>              | <b>27</b>                |

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

|   | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 |
|---|------------------------|------------------------|
| At 1 January                                      | (96)                   | 2,620                  |
| Deferred tax charge to Other comprehensive income | (956)                  | (2,716)                |
| <b>At 31 December</b>                             | <b>(1,052)</b>         | <b>(96)</b>            |

### 22 Operating lease commitments

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

| The Group                  | 2018                           |                | 2017                           |                |
|----------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                            | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Leases expiring:           |                                |                |                                |                |
| within one year            | 948                            | 820            | 935                            | 812            |
| between one and five years | 2,057                          | 834            | 2,862                          | 869            |
| after five years           | 3,029                          | -              | 3,111                          | -              |
|                            | <b>6,034</b>                   | <b>1,654</b>   | <b>6,908</b>                   | <b>1,681</b>   |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 23 Retirement benefits

#### (a) Defined Benefit Pension Scheme

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

A full actuarial valuation was carried out as at 30 April 2017; the results have been updated to 31 December 2018 by a qualified independent actuary and showed a surplus at that date of £6,186k (2017: £564k surplus) gross of deferred tax, measured in accordance with FRS 102 Section 28: Employee benefits.

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

The Company plans to reduce the DB Scheme obligation through an agreed contribution of £2,800k (2017: £2,800k) per year going forward.

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

#### (i) Pension liability

The pension liability at 31 December was as follows:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Fair value of DB Scheme assets         | 131,526       | 137,262       |
| Present value of DB Scheme liabilities | (125,340)     | (136,698)     |
| UK Pension asset                       | 6,186         | 564           |
| Other group pension liabilities        | (493)         | (507)         |
| <b>Group pension asset</b>             | <b>5,693</b>  | <b>57</b>     |

The present value of unfunded DB Scheme liabilities is nil (2017: nil). The irrecoverable surplus in the DB Scheme is nil

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

The fair value of plan assets at 31 December were:

|                                       | 2018<br>£'000  | 2017<br>£'000  |
|---------------------------------------|----------------|----------------|
| LDI funds and cash                    | 90,272         | 93,875         |
| Diversified Growth Funds              | 41,254         | 43,387         |
| <b>Fair value of DB Scheme assets</b> | <b>131,526</b> | <b>137,262</b> |

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



## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 23 Retirement benefits (continued)

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

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

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

|   | 2018 | 2017 |
|---|------|------|
|   | %    | %    |
| Rate of increase in pensions in payment (post 2006)           | 2.2  | 2.2  |
| Rate of increase in pensions in payment (post 1997, pre 2006) | 3.6  | 3.6  |
| Rate of increase in pensions in payment (pre 1997)            | 3.0  | 3.0  |
| Discount rate   | 3.0  | 2.6  |
| RPI Inflation   | 3.2  | 3.2  |
| CPI Inflation   | 2.1  | 2.1  |

The assumed life expectancies on retirement at age 65 were:

|                            |         | 2018  | 2017  |
|----------------------------|---------|-------|-------|
|                            |         | Years | Years |
| Retiring today             | males   | 21.9  | 22.1  |
|                            | females | 23.8  | 23.9  |
| Retiring in 20 years' time | males   | 23.3  | 23.5  |
|                            | females | 25.4  | 25.4  |

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

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

|  | 2018           | 2017           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Fair value of DB Scheme assets at 1 January          | 137,262        | 133,025        |
| Interest income on DB Scheme assets                  | 3,550          | 3,548          |
| Actuarial (loss) / gain                              | (7,819)        | 3,913          |
| Contributions by employer                            | 2,800          | 2,500          |
| Benefits paid  | (4,267)        | (5,724)        |
| <b>Fair value of DB Scheme assets at 31 December</b> | <b>131,526</b> | <b>137,262</b> |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 23 Retirement benefits (continued)

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

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

|  | 2018<br>£'000  | 2017<br>£'000  |
|--|----------------|----------------|
| Present value of DB Scheme liabilities at 1 January          | 136,698        | 148,435        |
| Interest cost  | 3,499          | 3,930          |
| Remeasurement gain   | (10,903)       | (9,943)        |
| Benefits paid  | (4,267)        | (5,724)        |
| Past service cost  | 313            | -              |
| <b>Present value of DB Scheme liabilities at 31 December</b> | <b>125,340</b> | <b>136,698</b> |

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

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Administration expenses                          | 377           | 417           |
| Past service cost                                | 313           | -             |
| <b>Total operating charge</b>                    | <b>690</b>    | <b>417</b>    |
| Interest on DB Scheme net asset                  | (51)          | 382           |
| <b>Total finance (income) / expense (note 8)</b> | <b>(51)</b>   | <b>382</b>    |

##### (vii) UK Defined Benefit Pension Scheme - Amounts recognised in Other comprehensive income

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Actual return on DB Scheme assets less interest income - (loss) / gain | (7,819)       | 3,913         |
| Remeasurement gain on DB Scheme liabilities                            | 10,903        | 9,943         |
|  | <b>3,084</b>  | <b>13,856</b> |

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

The Group makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Group in the year in respect of these schemes were £1,461k (2017: £1,465k). There were no accrued contributions at the year end (2017: nil). Contributions of £1,349k were prepaid at the year end (2017: £1,535k).

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 24 Financial instruments

#### Group

The Group has the following financial instruments:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Financial assets at fair value through profit or loss</b>                 |               |               |
| Foreign exchange forward contracts   | -             | 121           |
| <b>Financial assets that are debt instruments measured at amortised cost</b> |               |               |
| - Trade debtors  | 18,932        | 19,315        |
| - Other debtors  | 857           | 1,148         |
| - Loans  | 350           | 733           |
|  | <b>20,139</b> | <b>21,196</b> |
| <b>Financial liabilities at fair value through profit or loss</b>            |               |               |
| Foreign exchange forward contracts   | 95            | -             |
| <b>Financial liabilities measured at amortised cost</b>                      |               |               |
| - Trade creditors  | 5,552         | 6,085         |
| - Accruals   | 7,025         | 7,313         |
| - Other creditors  | 854           | 694           |
| - Bank overdrafts and other borrowings                                       | 1,828         | 2,791         |
| - Loans Payable  | -             | 1,670         |
|  | <b>15,259</b> | <b>18,553</b> |

#### Derivative financial instruments - forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for purchases and sales. At 31 December 2018, the outstanding contracts all mature within 12 months (2017: 12 months) of the year end. The Group committed to buy €4,000k for a fixed sterling amount (2017: €10,000k). At 31 December 2018 the Group had also committed to sell AUD\$2,000k, CAD\$4,000k, SEK 7,000k and US\$8,000k for fixed sterling amounts (2017: AUD\$2,500k, CAD\$3,500k, SEK 7,000k and US\$7,000k).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for each of the currencies against sterling. The fair value of the forward foreign currency contracts is £95k loss (2017: £121k gain). This balance is included within Other creditors (note 19) (2017: Other debtors (note 18)).

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2018

### 25 Share-based payment

During the year ended 31 December 2018, the Group operated three share-based payment arrangements, as follows:

#### Company Share Option Plans

The Altro Group plc 2007 United Kingdom Approved Share Option Scheme (the '2007 Approved Scheme') was introduced in 2007, however no further grants can be made under this scheme. In 2018 a new scheme was therefore introduced, known as The Altro Group plc Company Share Option Plan (the '2018 Approved Scheme'). Under the 2018 Approved Scheme the board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market value of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are generally reserved for employees at senior and director level. There are four participants remaining in the 2007 Approved Scheme at the balance sheet date and no participants in the 2018 Approved Scheme. As appropriate, the Company has made annual grants since the inception of the Approved Schemes. Options granted under the Approved Schemes will become exercisable on the third anniversary of the date of grant and exercise is generally conditional on there having been real growth in the published earnings per share of the Group in any three years between the date the option was granted and the date of exercise. Real growth means an increase above the General Index of Retail Prices of not less than 2% and earnings per share are as published in the Group's audited financial statements. Exercise of an option is typically subject to continued employment and is settled by equity.

#### Phantom Share Option Plans

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

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

The SIP was introduced in 2003 and the board can award free shares in the Company to UK-based employees of Altro Limited. Under current legislation free shares must be kept in trust for a minimum of three years and for five years to take advantage of full tax benefits. There is an upper statutory limit of £3,600 worth of shares per tax year. Awards are granted with a fixed price equal to the market price of the shares at the date of award. Awards under the SIP are reserved for employees who have been in continuous employment for a period of seven months prior to the grant date. There are 488 participating employees at the balance sheet date (2017: 482). The Company has made annual awards since 2003 and there are no performance conditions attached to an award. An award is satisfied by the issue of equity shares. The exercise price is nil and dividends are paid as they fall due.

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

|  | 2018      | 2017  |
|--|-----------|-------|
|  | £'000     | £'000 |
| <b>Expense arising from share-based payment arrangements</b> | <b>98</b> | 295   |

A reconciliation of option and SIP movements over the year to 31 December 2018 is shown below. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

|                                    | 2018              |                                       | 2017              |                                       |
|------------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|
|                                    | Number of options | Weighted average exercise price pence | Number of options | Weighted average exercise price pence |
| Outstanding at 1 January           | 775,732           | 593                                   | 797,491           | 539                                   |
| Granted during the year            | 131,458           | 623                                   | 126,998           | 669                                   |
| Exercised during the year          | (88,835)          | 515                                   | (148,757)         | 440                                   |
| Cancelled / lapsed during the year | (26,361)          | 678                                   | -                 | -                                     |
| <b>Outstanding at 31 December</b>  | <b>791,994</b>    | <b>598</b>                            | 775,732           | 593                                   |
| <b>Exercisable at 31 December</b>  | <b>418,288</b>    | <b>595</b>                            | 418,351           | 491                                   |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 25 Share-based payment (continued)

During the year one director exercised share options (2017: two).

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

| Phantom scheme:         | 2018        | 2017      |
|-------------------------|-------------|-----------|
| Risk-free interest rate | 0.8% - 1.1% | 0.7%      |
| Expected volatility     | 30%         | 40%       |
| Expected option life    | 3-7 years   | 2-6 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       |
|--|-------------------|-------------------|---------------------------|----------------------|---------------------------|
|  |                   | 2018              | 2017                      |                      |                           |
| Approved                               | Equity            | 10,506            | 15,759                    | 571                  | 11.04.2018 and 11.04.2025 |
|  |                   | 7,124             | 7,124                     | 842                  | 30.09.2019 and 30.09.2026 |
| <b>Total Approved</b>                  |                   | <b>17,630</b>     | <b>22,883</b>             |                      |                           |
| Phantom                                | Cash              | -                 | 27,204                    | 515                  | 04.04.2014 and 04.04.2018 |
|  |                   | 46,307            | 46,307                    | 475                  | 11.04.2015 and 11.04.2019 |
|  |                   | 55,984            | 55,984                    | 521                  | 11.04.2016 and 11.04.2020 |
|  |                   | 64,331            | 64,331                    | 467                  | 11.04.2017 and 11.04.2021 |
|  |                   | 63,827            | 68,745                    | 571                  | 11.04.2018 and 11.04.2022 |
|  |                   | 48,196            | 55,266                    | 842                  | 30.09.2019 and 30.09.2023 |
|  |                   | 71,365            | 80,485                    | 669                  | 26.05.2020 and 26.05.2024 |
| 78,168                                 | -                 | 623               | 26.10.2021 and 26.10.2025 |                      |                           |
| <b>Total Phantom</b>                   |                   | <b>428,178</b>    | <b>398,322</b>            |                      |                           |
| Share Incentive Plan                   | Equity            | 346,186           | 354,527                   |                      |                           |
| <b>Total Share Incentive Plan</b>      |                   | <b>346,186</b>    | <b>354,527</b>            |                      |                           |
| <b>Total share options outstanding</b> |                   | <b>791,994</b>    | <b>775,732</b>            |                      |                           |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 26 Investment in own shares

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

|  | <b>At 31<br/>December<br/>2018</b> | At 31<br>December<br>2017 |
|--|------------------------------------|---------------------------|
| Number of shares in the Company owned by the EBT                         | <b>545,753</b>                     | 632,375                   |
| Nominal value of shares held   | <b>£54,575</b>                     | £63,238                   |
| Cost price of shares held  | <b>£3,761,000</b>                  | £4,128,000                |
| Prevailing valuation of the shares (pence)                               | <b>511</b>                         | 591                       |
| Total market value of shares   | <b>£2,788,798</b>                  | £3,737,336                |
| Maximum number of shares in the Company owned by the EBT during the year | <b>664,899</b>                     | 632,375                   |
| Minimum number of shares in the Company owned by the EBT during the year | <b>520,336</b>                     | 592,585                   |

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

Dividends payable on these shares are waived.

# Notes to the consolidated financial statements (continued)

## for the year ended 31 December 2018

### 27 Called up share capital

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

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Authorised:   |               |               |
| 50,000,000 ordinary shares of 10p each (2017: 50,000,000 ordinary shares of 10p each) | 5,000         | 5,000         |
| Called up, allotted and fully paid:   |               |               |
| 16,619,981 ordinary shares of 10p each (2017: 16,766,714 ordinary shares of 10p each) | 1,662         | 1,677         |

#### Movements in share capital in the year

|                       | 2018<br>Number<br>of shares | 2017<br>Number<br>of shares |
|-----------------------|-----------------------------|-----------------------------|
| At 1 January          | 16,766,714                  | 17,019,956                  |
| Shares issued         | -                           | 5,825                       |
| Own shares purchased  | (146,733)                   | (259,067)                   |
| <b>At 31 December</b> | <b>16,619,981</b>           | <b>16,766,714</b>           |

#### Allotment of shares

During the year zero (2017: 5,825) options were exercised to acquire ordinary shares. 27,204 (2017: 85,256) options were exercised under The Altro Group plc Phantom Share Option Scheme 2005, which did not result in the issue of shares.

#### Purchase of own shares

During the year the Company purchased and subsequently cancelled 146,733 (2017: 259,067) of its own shares. The nominal value of the shares was £14,673 (2017: £25,907) and the amount paid was £877k (2017: £2,000k).

#### Shareholder analysis

| As at 31 December 2018                                  | Number     | Shares<br>(millions) | %          |
|---|------------|----------------------|------------|
| Directors and their families                            | 13         | 10.5                 | 63         |
| Employees, ex-employees and their families              | 413        | 4.8                  | 29         |
| The Share Incentive Plan and the Employee Benefit Trust | 16         | 0.9                  | 6          |
| Other   | 18         | 0.4                  | 2          |
|   | <b>460</b> | <b>16.6</b>          | <b>100</b> |

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 28 Notes to the consolidated cash flow statement

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Profit for the financial year</b>                          | <b>8,526</b>  | 8,098         |
| Adjustments for:  |               |               |
| Tax on profit   | 1,474         | 2,600         |
| Net interest (income) / expense                               | (109)         | 316           |
| <b>Operating profit</b>                                       | <b>9,891</b>  | 11,014        |
| Amortisation of intangible assets                             | 515           | 282           |
| Depreciation of tangible assets                               | 3,683         | 3,884         |
| Loss on disposal of tangible assets                           | 24            | 64            |
| Post employment benefits less payments                        | (2,487)       | (2,500)       |
| Share based payment charge                                    | 98            | 295           |
| Currency translation differences and other non-cash movements | (395)         | 253           |
| (Decrease) / Increase in net provisions                       | (467)         | 74            |
| Working capital movements:                                    |               |               |
| - (Increase) in inventories                                   | (2,725)       | (4,583)       |
| - Decrease in debtors and prepayments                         | 620           | 71            |
| - (Decrease) / increase in payables                           | (194)         | 470           |
| <b>Net cash inflow from operating activities</b>              | <b>8,563</b>  | 9,324         |

### 29 Capital commitments

| Group                           | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------|---------------|---------------|
| Contracted but not provided for | 2,183         | 1,516         |

#### Company

The Company does not have any capital commitments at 31 December 2018 (2017: nil).

### 30 Contingent Liabilities

The Company has provided a formal guarantee to the trustees of the Altro Pension and Life Assurance Scheme in respect of the present and future obligations of Altro Limited to the Scheme. At 31 December 2018 there was a net pension asset on the Scheme (see note 23).



## Notes to the consolidated financial statements (continued) for the year ended 31 December 2018

### 31 Non-controlling interests

| The movement in non-controlling interests was as follows:             | 2018  | 2017  |
|---|-------|-------|
|   | £'000 | £'000 |
| At 1 January  | (716) | (332) |
| Currency translation differences                                      | -     | (20)  |
| Loss for the financial year attributable to non-controlling interests | -     | (364) |
| Acquisition of remaining interest in Altro Debolon Holding GmbH       | 716   | -     |
| At 31 December  | -     | (716) |

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

### 32 Related party transactions

The Company has taken advantage of the exemption available in paragraph 33.1A of FRS 102: Related party disclosures and has not disclosed transactions with other wholly owned Group companies. Transactions between Group companies that eliminate in the consolidated financial statements are not disclosed.

As at 31 December 2017 Altro Debolon Holding GmbH, an 80% subsidiary, had an outstanding loan payable balance with Altro Limited of £8,011k, and interest payable for the period of £192k.

During 2017, Altro Limited traded with Debolon Dessauer Bodenbeläge GmbH & Co KG, an 80% indirect subsidiary; Altro Limited made purchases to the value of £7,375k. At the 2017 year end, a payable of £89k was outstanding in Altro Limited's books. Altro Limited made sales to the value of £1,750k. At the 2017 year end, a receivable of £1,116k was outstanding in the Altro Limited books.

On 1 January 2018, the Group acquired the remaining 20% of the issued shares of Altro Debolon Holding GmbH. As such, equivalent information on related party transactions with both Altro Debolon Holding GmbH and Debolon Dessauer Bodenbeläge GmbH & Co KG has not been disclosed for 2018.

### 33 Events after the reporting period

On 26 April 2019, the Group incorporated a Japanese entity, Altro Japan K.K. It will be responsible for promoting the Altro Floors and Walls portfolios in the Japanese market.

### 34 Ultimate parent company

The ultimate parent undertaking and controlling party is The Altro Group plc, a company registered in England and Wales. For the year ended 31 December 2018, The Altro Group plc is the parent undertaking of the largest and smallest group of undertakings whose results are consolidated in these financial statements at 31 December 2018.

## Five year financial summary

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

### The Group

|  | 2018<br>£'000  | 2017<br>£'000 | 2016<br>£'000 | 2015<br>£'000 | 2014<br>£'000 |
|--|----------------|---------------|---------------|---------------|---------------|
| <b>Balance sheet</b>                               |                |               |               |               |               |
| Fixed assets                                       | 45,021         | 44,202        | 44,123        | 40,344        | 42,067        |
| Current assets                                     | 62,185         | 63,370        | 65,845        | 57,214        | 49,079        |
| <b>Total assets</b>                                | <b>107,206</b> | 107,572       | 109,968       | 97,558        | 91,146        |
| Ordinary shareholders' funds                       | 92,776         | 84,701        | 70,224        | 71,345        | 64,938        |
| Other creditors                                    | 20,123         | 22,928        | 23,844        | 18,293        | 17,386        |
| Defined Benefit Pension Scheme (asset) / liability | (5,693)        | (57)          | 15,900        | 7,920         | 8,822         |
| <b>Total funds employed</b>                        | <b>107,206</b> | 107,752       | 109,968       | 97,558        | 91,146        |
| <b>Turnover and profits</b>                        |                |               |               |               |               |
| Turnover   | 145,240        | 143,301       | 137,963       | 121,374       | 116,799       |
| Operating profit                                   | 9,891          | 11,014        | 11,280        | 10,963        | 16,202        |
| Profit for the financial year                      | 8,526          | 8,098         | 8,168         | 9,632         | 11,315        |
| Ordinary dividends                                 | 2,248          | 2,259         | 2,322         | 2,334         | 2,268         |
|  | <b>Pence</b>   | Pence         | Pence         | Pence         | Pence         |
| <b>Diluted earnings per share</b>                  | <b>53.1</b>    | 52.0          | 50.6          | 57.4          | 67.8          |
| <b>Adjusted earnings per share</b>                 | <b>53.1</b>    | 52.0          | 50.6          | 57.4          | 45.5          |
| <b>Dividends per share</b>                         | <b>14.0</b>    | 14.0          | 14.0          | 14.0          | 14.0          |
| <b>Net assets per share</b>                        | <b>558.2</b>   | 505.2         | 412.6         | 415.7         | 376.2         |
| <b>Gearing ratio %</b>                             | <b>0.0</b>     | 2.0           | 2.3           | 0.0           | 0.0           |
| <b>Average number of employees</b>                 | <b>817</b>     | 811           | 783           | 632           | 600           |

The final dividends for 2018 are not included in the ordinary dividends total above, in accordance with FRS 102 (see note 10). They are included in the dividends per share.