

a l t r o



The Annual Report
and
**Consolidated
Financial Statements**
of
The Altro Group plc

**for the year ended
31 December 2013**

Contents

Page	
3	Chairman's statement
4	Strategic report
5	Directors' report
8	Independent auditors' report
11	Directors and advisers
12	Consolidated profit and loss account
13	Consolidated statement of total recognised gains and losses
13	Reconciliation of movements in Group shareholders' funds
14	Consolidated balance sheet
15	Company balance sheet
16	Consolidated cash flow statement
16	Reconciliation of cash to movement in net funds
17	Notes to the consolidated financial statements
43	Five year financial summary
45	Notice of Annual General Meeting

Chairman's statement

for the year ended 31 December 2013

The results for the year ended 31 December 2013 show sales of £111.6 million [2012: £112.3 million] and a profit before tax of £9.4 million [2012: £10.0 million]. Despite the competitive trading environment, the board decided to continue to invest heavily in research and development, manufacturing and marketing to facilitate the development and launch of new products. Taking all this into account, the result is regarded as satisfactory.

The Group's cash balance remains positive, despite significant expenditure on capital projects.

With effect from 31 March 2014, the Defined Benefit Pension Scheme (closed to new members in 2005) was closed to future accrual. A Defined Contribution Scheme has been offered to all Defined Benefit Scheme members.

An interim dividend of 4.5p per share [2012: 4.5p] was paid to shareholders in November 2013. At the Annual General Meeting in June, the Group proposes to seek the approval of shareholders to pay a final dividend of 9.0p per share [2012: 9.0p] on Friday 18 July 2014 to those shareholders on the register at close of business on Friday 27 June 2014. The total dividend will therefore be 13.5p per share for the year to 31 December 2013 [2012: 13.5p].

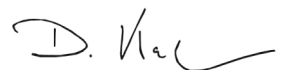
A share valuation of 555p was obtained from Investec Bank plc in April 2014 [April 2013: 475p, October 2013: 467p] on behalf of the trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP).

The Group continues to support share ownership by employees and has set aside £320,000 [2012: £320,000] for the distribution of shares through the SIP in 2014.

The Company will seek the approval of shareholders at the Annual General Meeting for the purchase of up to £1 million of its own shares at 555p per share. The Share Repurchase Scheme, together with the EBT, provides a market for shareholders whilst reducing the dilution of shares in issue resulting from the allotment of shares to employees.

We are delighted to report that the Group has again been recognised as one of The Sunday Times '100 Best Companies to Work For' in 2013 for the eighth consecutive year, which is a major achievement. On behalf of the board and the shareholders, I thank all employees for their continuing contribution.

The uncertainties in all parts of the world continue to make forecasting challenging but, with new products being launched by both divisions, we expect sustainable growth for the future.



David J Kahn

Strategic report

for the year ended 31 December 2013

Principal activities and review of the business

The Altro Group plc is an unquoted public limited company and the holding company of the Altro group of companies. Its balance sheet is disclosed on page 15 and the profit attributable to its shareholders is disclosed in note 8 on page 22.

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

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

During the year, the Group and its subsidiaries worked to increase its market presence and market share in the UK and internationally for the Altro and Autoglym product ranges. All areas of the business have contributed to the result for the year and are well placed to build on this position during 2014.

Financial review

The consolidated profit and loss account for the year is set out on page 12.

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

- Turnover – decrease of 0.6% [2012: up 2.7%]
- Operating profit – decrease of 10.1% [2012: up 15.9%]
- Net funds – decrease of 33.2% [2012: down 39.2%]
- Shareholders' funds – decrease of 5.6% [2012: down 5.1%]

The Group's net funds as at 31 December 2013 were £4.6 million [2012: £6.9 million].

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

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

Principal risks and uncertainties

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

Financial risk management

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

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

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

Currency risk

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

Credit risk

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

Price risk

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

Liquidity risk

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

Interest rate risk

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

Approved by the Board of Directors and signed on behalf of the Board.



E P Boyle
Secretary
14 May 2014

Directors' report

for the year ended 31 December 2013

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 2013. The directors of the Company, all of whom (except Dr G Cleverdon) have been directors during the year and up to the date of signing the financial statements, are listed on page 11. Dr Cleverdon resigned as a director on 30 June 2013 and retired after 27 successful years with the Company.

Share capital

During 2013, the Group bought back and cancelled 56,880 [2012: 131,983] ordinary shares of 10p each (representing 0.3% [2012: 0.8%] of the called up share capital) at a price of 475p per share [2012: 506p per share] for a total of £270,180 [2012: £667,833] with a nominal value of £5,688 [2012: £13,198].

The Group will seek approval at the Annual General Meeting to commit up to £1 million to buying back Group shares [2012: £1 million]. This is the twentieth year in which the Group has run the Share Repurchase Scheme for the benefit of all shareholders.

Dividends

The directors recommend a final dividend of 9.0p per share, resulting in a total dividend of 13.5p per share for the year. Based on the number of shares in issue at the date of this report, this would equate to a final dividend of £1,569,373. The total dividend paid in the year was 13.5p per share. Diluted earnings per share were 38.3p [2012: 42.1p]. Assuming approval by shareholders at the Annual General Meeting, the final dividend will be paid on Friday 18 July 2014 to all those on the share register at close of business on Friday 27 June 2014.

Share Incentive Plan (SIP)

£320,000 has been allocated to the SIP [2012: £320,000 for shares awarded to 458 employees]. This allocation will be the twelfth under the SIP.

Employee Benefit Trust (EBT)

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

Phantom share option scheme

In 2005 the Company introduced a phantom share option scheme. This was designed to reward participating senior staff to the same extent as the 1996 Unapproved Senior Staff Share Option Scheme but without the necessity of allotting shares on exercise of an award. The rules of the Phantom Share Option Scheme 2005 state that no phantom options may be granted after 31 December 2008

unless shareholder approval has been granted for its renewal. Shareholder approval was received at the Annual General Meeting in 2008 to extend the Scheme for three years to 31 December 2011 and in June 2011 to extend the scheme for three years to 31 December 2014. The Company wishes to continue to grant phantom options and therefore a resolution will be put to the Annual General Meeting authorising its extension for a further three years to 31 December 2017.

Employees

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

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

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

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

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

The Group has taken appropriate steps during the financial year to introduce, maintain, or 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.

Directors' report continued

for the year ended 31 December 2013

Health & Safety and the environment

Health & Safety and environmental performance remain key business objectives.

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.

Following a period of consultation with current active members of the Defined Benefit Pension Scheme the decision was taken to close the Scheme to future accrual from 31 March 2014. All current active members have become deferred members and the link to final salary has been broken.

This was not an easy decision; however, it was considered necessary to protect the Group from further volatility while allowing greater focus on funding the existing Scheme deficit and protecting the benefits built up in the past. During the year the Group made a contribution of £1.75 million to the Scheme in line with the triennial funding plan agreed with the Pension Trustees in 2011.

Employees who were previously members of the Defined Benefit Scheme have been offered membership of a Defined Contribution Scheme. Employees who do not contribute to a pension will be included in the auto-enrolment process.

Payments to suppliers

Group companies do not follow any published code or standard on payment practice for suppliers of goods and services. However, in respect of regular suppliers, our policy is generally to establish agreed payment terms which apply to recurring transactions, subject to review as appropriate. For occasional suppliers, the policy is to pay in accordance with prevailing practice for that particular country and industry or market, subject to any specific agreement. The Company acts as a holding company for the Group. Creditor days for the Company were nil [2012: nil] as it does not undertake any transactions with suppliers. The Group's creditor days were 34 at 31 December 2013 [2012: 37 days].

Charitable and political donations

The group contributed £10,941 [2012: £26,245] for charitable purposes. There were no political contributions.

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 2014 and 2015 (including proposed capital expenditure) and compared these with the Group's cash holdings, its committed borrowing facilities and projected gearing ratios.

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

Purchase and disposal of shares

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

Directors' liability insurance

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

Statement of directors' responsibilities

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

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

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

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

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

Disclosure of information to auditors

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

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

Independent auditors

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

Approved by the Board of Directors and signed on behalf of the Board.



E P Boyle
Secretary
14 May 2014

Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2013

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and parent Company financial statements (the "financial statements"), which are prepared by The Altro Group plc, comprise:

- the consolidated and Company balance sheets as at 31 December 2013;
- the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year then ended;
- the consolidated cash flow statement and reconciliation of cash to movement in net funds for the year then ended;
- the reconciliation of movements in Group shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

In addition, we read all the financial and non-financial information in the Annual Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

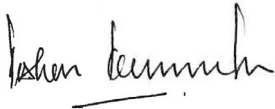
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
14 May 2014

Directors and advisers

Directors

D J Kahn *Chairman*
E P Boyle
P L Caller
G Cleverdon *Resigned on 30 June 2013*
M P Fincham*
R J Kahn *Managing Director*
J F H Park*
**Non-executive*

Secretary

E P Boyle FCCA

Registered office

Works Road
Letchworth Garden City
Hertfordshire
SG6 1NW

Company registration number

01493087

Independent auditors

PricewaterhouseCoopers LLP

Bankers

Barclays Bank PLC

Solicitors

DLA Piper UK LLP

Stockbrokers

Investec Bank plc

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Consolidated profit and loss account for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	111,620	112,297
Cost of sales		(53,177)	(52,862)
Gross profit		58,443	59,435
Net operating expenses	5	(49,319)	(49,291)
Operating profit		9,124	10,144
Interest receivable and similar income	6	303	101
Interest payable and similar charges	6	(41)	(204)
Profit on ordinary activities before taxation	7	9,386	10,041
Tax on profit on ordinary activities	10	(2,900)	(2,813)
Profit for the financial year		6,486	7,228
Earnings per share	12		
Basic		38.3p	42.1p
Diluted		38.3p	42.1p

All the above results derive from continuing operations.

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

Consolidated statement of total recognised gains and losses for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Profit for the financial year		6,486	7,228
Currency translation differences		(955)	(370)
Actuarial loss on net Defined Benefit Pension Scheme assets	21	(7,619)	(462)
Deferred tax on actuarial loss		1,524	106
Total recognised gains and losses relating to the year		(564)	6,502

Reconciliation of movements in Group shareholders' funds for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Total recognised gains and losses relating to the year		(564)	6,502
Dividends paid	11	(2,289)	(2,306)
		(2,853)	4,196
Purchase of own shares	24	(270)	(668)
Purchase of own shares for the Share Incentive Plan	24	(320)	(320)
Purchase of own shares by the Employee Benefit Trust	24	(861)	(1,244)
Disposal of own shares by the Employee Benefit Trust	24	590	625
Credit in respect of equity-settled share-based payments	24	327	320
Total movement in the year		(3,387)	2,909
Opening Group shareholders' funds		60,309	57,400
Closing Group shareholders' funds		56,922	60,309

Consolidated balance sheet

at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	14	1,295	1,457
Tangible assets	15	43,618	41,472
		44,913	42,929
Current assets			
Stocks	17	15,037	13,808
Debtors	18	18,252	17,842
Cash at bank and in hand		7,469	9,728
		40,758	41,378
Creditors: amounts falling due within one year	19	(15,589)	(15,886)
		25,169	25,492
Total assets less current liabilities			
		70,082	68,421
Provisions for liabilities	20	(606)	(582)
Net assets excluding Defined Benefit Pension Scheme liability			
		69,476	67,839
Defined Benefit Pension Scheme liability	21	(12,554)	(7,530)
Net assets including Defined Benefit Pension Scheme liability			
		56,922	60,309
Capital and reserves			
Called up share capital	23	1,744	1,749
Share premium account	24	6,991	6,991
Other reserves	24	(1,517)	(1,429)
Profit and loss account	24	49,704	52,998
Total shareholders' funds			
		56,922	60,309

The financial statements on pages 12 to 41 were approved by the Board on 14 May 2014 and signed on its behalf by



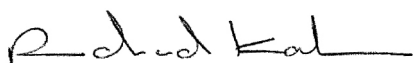
R J Kahn
Managing Director

Company balance sheet

at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	15	27,901	28,179
Investments	16	10,107	9,776
		38,008	37,955
Current assets			
Debtors	18	960	839
Cash at bank and in hand		3,112	2,842
		4,072	3,681
Creditors: amounts falling due within one year	19	(3,422)	(3,469)
Net current assets / (liabilities)		650	212
Total assets less current liabilities		38,658	38,167
Provisions for liabilities	20	(66)	(72)
Net assets		38,592	38,095
Capital and reserves			
Called up share capital	23	1,744	1,749
Share premium account	24	6,991	6,991
Other reserves	24	(1,517)	(1,429)
Profit and loss account	24	31,374	30,784
Total shareholders' funds		38,592	38,095

The financial statements on pages 12 to 41 were approved by the Board on 14 May 2014 and signed on its behalf by



R J Kahn
Managing Director

Consolidated cash flow statement for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	25(a)	9,548	10,471
Returns on investments and servicing of finance	25(b)	54	88
Tax paid		(2,652)	(2,008)
Capital expenditure and financial investment	25(b)	(6,430)	(9,909)
Equity dividends paid to shareholders	11	(2,289)	(2,306)
Net cash outflow before use of liquid resources and financing		(1,769)	(3,664)
Financing			
Purchase of own shares	24	(270)	(668)
Issue of ordinary share capital	24	-	-
Decrease in cash		(2,039)	(4,332)

Reconciliation of cash to movement in net funds for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Decrease in cash		(2,039)	(4,332)
Effect of exchange differences		(243)	(102)
Movement in net funds for the year		(2,282)	(4,434)
Opening net funds		6,881	11,315
Closing net funds	25(c)	4,599	6,881

Notes to the consolidated financial statements

for the year ended 31 December 2013

1 Accounting policies

(a) Basis of accounting

The Group financial statements have been prepared under the provisions of the Large- and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards in the United Kingdom. The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of land and buildings and in accordance with the Companies Act 2006. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(b) Basis of consolidation

The Group financial statements consolidate the results of The Altro Group plc and all its subsidiary undertakings at 31 December 2013 using acquisition accounting. The Group's accounting policies are adopted by all subsidiaries.

(c) Capital contributions

In accordance with the Amendments to FRS 20: Share-based Payment, as the Company has granted rights over its equity instruments to the employees of Altro Limited, there is a corresponding increase recognised in the investment in the subsidiary.

(d) Goodwill and intangible fixed assets

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

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

(e) Tangible fixed assets and depreciation

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

The annual rates used for other assets are:

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

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

(f) Deferred tax

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

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

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

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

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2013

1 Accounting policies (continued)

(g) Foreign currencies

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date, or, if appropriate, at the forward contract or option rate. These translation differences are dealt with in the profit and loss account. The fair value of forward exchange contracts as at 31 December 2013 was a gain of £323,460 (2012: gain of £18,331). The Group also uses currency swaps to hedge against foreign exchange risk. The market value of these instruments as at 31 December 2013 was a loss of £43,858 (2012: gain of £26,111).

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

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

(h) Stocks

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

(i) Research and development

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

(j) Pension costs

The Group operates a Defined Benefit Pension Scheme (DB Scheme), closed to new members 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 17: Retirement Benefits. The assets of the DB Scheme are measured at current bid price, and the liabilities using a projected unit method and discounted at a high quality corporate bond rate.

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

The Group also operates 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.

(k) Investment in own shares

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

(l) Operating leases

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

(m) Employee Benefit Trust (EBT)

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

Notes to the consolidated financial statements

for the year ended 31 December 2013

1 Accounting policies (continued)

(n) Dividends

In accordance with FRS 21: Events after the Balance Sheet Date, dividends proposed after the balance sheet date are not charged to the profit and loss account in the year. A final dividend for the year ended 31 December 2013 will be proposed at the Annual General Meeting on 19 June 2014.

(o) Share-based payment

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

The calculation of the fair value of the share options issued by the Group has been based on the Black-Scholes valuation model, using a number of subjective assumptions, the most significant of which is that the expected volatility of the Group's share valuation will be 50%.

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

Employer's National Insurance contributions arise on the exercise of certain share options. In accordance with UITF 25: National Insurance Contributions on Share Option Gains, provision is made, based on the difference between the market price of the Company's shares at the balance sheet date and the option exercise price, spread pro-rata over the vesting period of the options.

(p) Turnover

The Group follows the principles of Application Note G: Revenue Recognition of FRS 5: Reporting the Substance of Transactions, in determining appropriate revenue recognition policies.

In principle therefore, revenue is recognised to the extent that the Group has obtained the right to consideration through its performance.

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

(q) Provisions

Provisions principally comprise management's best estimate of costs required to make good for repair works on floors laid, and anticipated costs to make good on modifications at leased premises.

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated, and are undiscounted.

Notes to the consolidated financial statements

for the year ended 31 December 2013

2 Turnover

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

Turnover by geographical area was:

	2013		2012	
	£'000	%	£'000	%
Territory				
United Kingdom	63,096	57	59,919	54
Continental Europe	17,033	15	18,093	16
The Americas	22,933	21	25,043	22
Australia and Asia Pacific	6,785	6	7,824	7
Rest of world	1,773	1	1,418	1
	111,620	100	112,297	100

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

3 Group employees

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

	2013 Number	2012 Number
Manufacturing	154	158
Sales and marketing	230	236
Warehouse and distribution	81	79
Administration and management	169	163
	634	636

Employee costs, including directors, during the year were:

	2013 £'000	2012 £'000
Wages and salaries	24,383	23,604
Social security costs	2,561	2,592
Other pension costs	2,113	2,098
Employee share schemes (note 22)	332	623
Other staff benefits	1,089	1,163
	30,478	30,080

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

Notes to the consolidated financial statements

for the year ended 31 December 2013

4 Directors' remuneration

	2013 £	2012 £
Emoluments	1,326,463	1,424,659
Defined Benefit Pension Scheme contributions	54,570	71,807
Defined Contribution Pension Scheme contributions	186,013	186,013
	1,567,046	1,682,479

Retirement benefits are accruing to one director (31 December 2012: two) under the DB Scheme at 31 December 2013. Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (31 December 2012: one) in the year ended 31 December 2013.

	2013 £	2012 £
Highest paid director:		
Emoluments	548,705	460,953
Defined Contribution Pension Scheme contributions	186,013	186,013
	734,718	646,966

The amount of the accrued pension in the DB Scheme of the highest paid director at 31 December 2013 is £132,043 (31 December 2012: £132,043). No share options (2012: none) and no Phantom share options (2012: none) were exercised by the highest paid director in the year.

5 Net operating expenses

	2013 £'000	2012 £'000
Distribution costs	26,988	33,609
Administrative expenses	22,331	15,682
	49,319	49,291

Notes to the consolidated financial statements

for the year ended 31 December 2013

6 Interest receivable and payable

	2013 £'000	2012 £'000
Interest receivable and similar income:		
short term deposits	32	51
other	63	50
finance income on DB Scheme (note 21)	208	-
Interest receivable and similar income	303	101
Interest payable and similar charges:		
bank overdraft	(41)	(13)
finance charge on DB Scheme (note 21)	-	(191)
Interest payable and similar charges	(41)	(204)

7 Profit on ordinary activities before taxation

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

	2013 £'000	2012 £'000
Depreciation	3,648	3,255
Amortisation of intangible fixed assets	162	162
Fees payable to the Company's auditor for:		
the audit of the Company and consolidated financial statements	67	66
other services:		
the audit of the Company's subsidiaries pursuant to legislation	17	16
taxation services	20	31
other services	4	6
Research and development	1,733	1,595
Foreign exchange gains	(117)	(113)
Rentals under operating leases:		
hire of plant and machinery	14	3
other operating leases	1,489	1,602
Loss on disposal of tangible fixed assets	6	25

8 Profit attributable to the shareholders of the Company

The profit attributable to the shareholders of The Altro Group plc is £3,319,943 (2012: £11,471,136). The directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company.

Notes to the consolidated financial statements

for the year ended 31 December 2013

9 Operating lease commitments

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

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	13	75	100	93
between one and five years	618	511	548	602
after five years	81	-	81	-
	712	586	729	695

10 Tax on profit on ordinary activities

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

	2013 £'000	2012 £'000
Current tax:		
UK corporation and income tax:		
current tax on income for the year	1,796	1,872
adjustments in respect of prior years	(93)	(47)
	1,703	1,825
Foreign tax:		
current tax on income for the year	567	740
adjustments in respect of prior years	4	(133)
	571	607
Current tax charge	2,274	2,432
Deferred tax:		
timing differences - origination and reversal	626	381
Deferred tax charge	626	381
Tax on profit on ordinary activities	2,900	2,813

Notes to the consolidated financial statements

for the year ended 31 December 2013

10 Tax on profit on ordinary activities (continued)

The current tax charge for the year is lower (2012: lower) than the applicable hybrid rate of corporation tax in the UK of 23.25% (2012: 24.50%). The hybrid rate is a result of a tax rate of 24.00% for FY2012 and 23.00% for FY2013.

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

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	9,386	10,041
Tax charge on profit at a hybrid rate of 23.25% (2012: 24.50%)	2,182	2,460
Expenses not deductible for tax purposes	328	146
Depreciation in excess of capital allowances	124	153
Movement in short-term timing differences	(410)	(215)
Differences in UK income tax and overseas tax rates	178	134
Adjustments in respect of prior years	(89)	(180)
Other	(39)	(66)
Current tax charge	2,274	2,432

Factors that may affect the future current tax charge

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and roll-over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £298,933 (2012: £343,773).

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further roll-over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £130,522 (2012: £150,100).

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, UK profits for this accounting period are taxed at an effective rate of 23.25%.

In addition to the change in the rate of corporation tax disclosed above, further changes to the UK corporation tax system were announced in the March 2013 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to further reduce the main rate of corporation tax from 21% to 20% from 1 April 2015 was included in the Finance Act 2013 and this was substantively enacted on 2 July 2013.

As a result of the change in the UK main rates of corporation tax, the relevant deferred tax balances have been remeasured.

Notes to the consolidated financial statements

for the year ended 31 December 2013

11 Dividends

	2013 £'000	2012 £'000
Final dividend for prior year of 9.0p per share (2012: 9.0p)	1,525	1,538
Interim dividend for current year of 4.5p per share (2012: 4.5p)	764	768
	2,289	2,306

A final dividend of 9.0p per share for the year ended 31 December 2013 will be proposed at the Annual General Meeting on 19 June 2014. Based on the number of shares in issue at the date of this report, this would equate to a dividend of £1,569,373. In accordance with FRS 21: Events after the Balance Sheet Date, this dividend is not included above.

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

12 Earnings per share

	2013 £'000	2012 £'000
Profit for the financial year	6,486	7,228
	2013 Number of shares	2012 Number of shares
Weighted average number of shares in issue	17,410,049	17,561,069
Weighted average number of shares held by the Employee Benefit Trust	(468,025)	(388,741)
Basic weighted average number of shares in issue	16,942,024	17,172,328
Dilutive effect of share option schemes	1,765	2,859
Diluted weighted average number of shares	16,943,789	17,175,187
Earnings per share		
Basic	38.3p	42.1p
Diluted	38.3p	42.1p

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2013

13 Investment in own shares

The Group accounts for its own shares held by the trustees of the Employee Benefit Trust (EBT) as a deduction from shareholders' funds as required by UITF 38: Accounting for ESOP Trusts. The costs of running the EBT are charged to the Company's profit and loss account as they occur and are financed by advances from the Company.

	At 31 December	
	2013	2012
Number of shares in the Company owned by the EBT	477,546	425,098
Nominal value of shares held	£47,755	£42,510
Cost price of shares held	£2,494,521	£2,401,703
Prevailing valuation of the shares (pence)	467	521
Total market value of shares	£2,230,140	£2,214,761
Maximum number of shares in the Company owned by the EBT during the year	520,901	475,428
Minimum number of shares in the Company owned by the EBT during the year	425,098	330,697

The EBT does not award shares to employees but sells shares it holds both to employees and to The Altro Group plc. The shares held by the EBT are therefore not under option to employees.

Dividends payable on these shares are waived.

14 Intangible fixed assets

The Group	Distribution rights	Franchise	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2013	100	141	3,216	3,457
At 31 December 2013	100	141	3,216	3,457
Accumulated amortisation				
At 1 January 2013	100	73	1,827	2,000
Charge for the year	-	7	155	162
At 31 December 2013	100	80	1,982	2,162
Net book value				
At 31 December 2013	-	61	1,234	1,295
At 31 December 2012	-	68	1,389	1,457

The Company does not hold any intangible fixed assets.

Notes to the consolidated financial statements

for the year ended 31 December 2013

15 Tangible fixed assets

The Group	Land and buildings			Plant equipment and vehicles	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000		
Cost or valuation					
At 1 January 2013	2,291	34,229	695	37,536	74,751
Currency translation differences	(7)	-	(15)	(100)	(122)
Additions	58	395	2	5,405	5,860
Disposals	-	-	-	(173)	(173)
At 31 December 2013	2,342	34,624	682	42,668	80,316
At valuation	256	4,394	-	-	4,650
At cost	2,086	30,230	682	42,668	75,666
At 31 December 2013	2,342	34,624	682	42,668	80,316
Accumulated depreciation					
At 1 January 2013	639	6,925	552	25,163	33,279
Currency translation differences	(2)	-	(5)	(75)	(82)
Charge for the year	51	657	26	2,914	3,648
Disposals	-	-	-	(147)	(147)
At 31 December 2013	688	7,582	573	27,855	36,698
Net book value					
At 31 December 2013	1,654	27,042	109	14,813	43,618
At 31 December 2012	1,652	27,304	143	12,373	41,472
Comparable amounts determined according to the historical cost convention:					
cost	2,216	33,273	681	42,631	78,801
accumulated depreciation	(675)	(7,337)	(574)	(27,820)	(36,406)
Net book value					
At 31 December 2013	1,541	25,936	107	14,811	42,395
At 31 December 2012	1,536	26,198	143	12,373	40,250

Notes to the consolidated financial statements

for the year ended 31 December 2013

15 Tangible fixed assets (continued)

The Company	Land and buildings		Total £'000
	Freehold £'000	Long leasehold	
		£'000	
Cost or valuation			
At 1 January 2013	1,095	34,229	35,324
Additions	-	395	395
At 31 December 2013	1,095	34,624	35,719
At valuation	256	4,394	4,650
At cost	839	30,230	31,069
At 31 December 2013	1,095	34,624	35,719
Accumulated depreciation			
At 1 January 2013	221	6,924	7,145
Charge for the year	16	657	673
At 31 December 2013	237	7,581	7,818
Net book value			
At 31 December 2013	858	27,043	27,901
At 31 December 2012	874	27,305	28,179
Comparable amounts determined according to the historical cost convention:			
cost	969	33,273	34,242
accumulated depreciation	(228)	(7,336)	(7,564)
Net book value			
At 31 December 2013	741	25,937	26,678
At 31 December 2012	758	26,199	26,957

Notes to the consolidated financial statements

for the year ended 31 December 2013

16 Fixed asset investments

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
At 1 January	-	-	9,776	9,153
Capital contribution arising from share-based payment charge	-	-	331	623
At 31 December	-	-	10,107	9,776

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

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

Principal trading subsidiaries

The principal trading subsidiaries at 31 December 2013 were:

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

17 Stocks

	2013 £'000	2012 £'000
Raw materials and consumables	4,355	4,413
Finished goods and goods held for resale	10,682	9,395
	15,037	13,808

Notes to the consolidated financial statements

for the year ended 31 December 2013

18 Debtors

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade debtors	14,353	13,037	-	-
Amounts owed by group undertakings	-	-	960	839
Other debtors	655	993	-	-
Prepayments and accrued income	3,244	3,812	-	-
	18,252	17,842	960	839

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.

19 Creditors: amounts falling due within one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Bank overdrafts	2,870	2,847	2,870	2,847
Trade creditors	4,907	5,560	-	-
Corporate tax	523	879	-	-
Taxation and social security	1,253	1,226	-	-
Other creditors	311	167	-	-
Accruals	5,725	5,207	552	622
	15,589	15,886	3,422	3,469

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

20 Provisions for liabilities

The Group

	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2013	73	509	582
Charged to profit and loss account	124	285	409
Utilised in the year	-	(113)	(113)
Released in the year	(132)	(87)	(219)
Other movement	(20)	(33)	(53)
At 31 December 2013	45	561	606

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

Notes to the consolidated financial statements

for the year ended 31 December 2013

20 Provisions for liabilities (continued)

The Company	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2013	72	-	72
Charged to profit and loss account	(6)	-	(6)
At 31 December 2013	66	-	66

Deferred tax	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Accelerated capital allowances	498	568	66	72
Other short-term timing differences	(453)	(495)	-	-
Deferred tax liability	45	73	66	72

Deferred tax asset relating to Defined Benefit Pension Scheme deficit	Group 2013 £'000	Group 2012 £'000
At 1 January	2,249	2,623
Deferred tax charge to profit and loss account	(635)	(480)
Deferred tax credit to statement of total recognised gains and losses	1,524	106
At 31 December	3,138	2,249

Unprovided deferred tax	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Roll-over relief	131	150	131	150
Surplus on revaluation of land and buildings	299	344	299	344
Unprovided deferred tax	430	494	430	494

Notes to the consolidated financial statements

for the year ended 31 December 2013

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

The Group operates a funded DB Scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. A full actuarial valuation was carried out as at 30 April 2011; the results have been updated to 31 December 2013 by a qualified independent actuary and showed a deficit at that date of £15.7 million gross of deferred tax, measured in accordance with FRS 17: Retirement Benefits.

As the DB Scheme is closed to future accrual from 1 April 2014, under the projected unit method, the current service cost, as a percentage of pensionable salaries, will increase as the deferred members of the Scheme approach retirement. Contributions by the Group to the DB Scheme for the year beginning 1 January 2014 are currently expected to be £0.3 million of future accrual payments and £1.8 million of deficit reduction payments.

i) Net pension liability

The pension liability at 31 December was as follows:

	2013 £'000	2012 £'000
Fair value of DB Scheme assets	94,403	88,216
Present value of DB Scheme liabilities	(110,095)	(97,995)
Pension liability before tax	(15,692)	(9,779)
Related deferred tax asset	3,138	2,249
Net pension liability	(12,554)	(7,530)

The present value of unfunded DB Scheme liabilities is nil (2012: nil). The irrecoverable surplus in the DB Scheme is nil (2012: nil).

ii) Analysis of assets and expected rates of return

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

	2013			2012		
	Expected rate of return %	% of overall DB Scheme assets	£'000	Expected rate of return %	% of overall DB Scheme assets	£'000
Equities	7.7	31.0	29,232	8.0	27.2	23,971
Corporate bonds	-	-	-	4.6	10.8	9,528
LDI funds and cash	3.6	34.5	32,580	2.7	39.6	34,940
Diversified Growth Funds	7.7	34.5	32,591	8.0	22.4	19,777
Fair value of DB Scheme assets		100.0	94,403		100.0	88,216

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

for the year ended 31 December 2013

21 Retirement benefits (continued)

iii) Financial and demographic assumptions

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

	2013	2012
	%	%
Rate of increase in salaries	4.5	4.1
Rate of increase in pensions in payment (post April 1997)	3.8	3.6
Discount rate	4.5	4.6
Inflation assumption	3.5	3.1

The assumed life expectancies on retirement at age 65 were:

		2013	2012
		Years	Years
Retiring today	males	22.0	22.0
	females	25.2	25.2
Retiring in 20 years' time	males	23.4	23.4
	females	26.7	26.7

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

iv) Changes in fair value of DB Scheme assets

	2013	2012
	£'000	£'000
Fair value of DB Scheme assets at 1 January	88,216	80,808
Expected return on DB Scheme assets	4,700	4,193
Actuarial gain	695	1,797
Contributions by employer	3,226	3,116
Contributions by DB Scheme members	636	665
Benefits paid	(3,070)	(2,363)
Fair value of DB Scheme assets at 31 December	94,403	88,216

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

The actual return on DB Scheme assets in the year was £5.4 million (2012: £6.0 million).

Notes to the consolidated financial statements

for the year ended 31 December 2013

21 Retirement benefits (continued)

v) Changes in present value of DB Scheme liabilities

	2013 £'000	2012 £'000
Present value of DB Scheme liabilities at 1 January	97,995	91,298
Current service cost	1,728	1,752
Interest cost	4,492	4,384
Contributions by DB Scheme members	636	665
Actuarial loss	8,314	2,259
Benefits paid	(3,070)	(2,363)
Present value of DB Scheme liabilities at 31 December	110,095	97,995

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

	2013 £'000	2012 £'000
Current service cost	1,728	1,752
Total operating charge	1,728	1,752
Expected return on DB Scheme assets	(4,700)	(4,193)
Interest on DB Scheme liabilities	4,492	4,384
Total finance (income) / charge (note 6)	(208)	191

vii) Cumulative actuarial gains and losses recognised in equity

	2013 £'000	2012 £'000
Cumulative actuarial loss at 1 January	(24,810)	(24,348)
Actuarial loss in the year	(7,619)	(462)
Cumulative actuarial loss at 31 December	(32,429)	(24,810)

Notes to the consolidated financial statements

for the year ended 31 December 2013

21 Retirement benefits (continued)

viii) History of DB Scheme

Assets and liabilities	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Fair value of DB Scheme assets	94,403	88,216	80,808	74,025	65,123
Present value of DB Scheme liabilities	(110,095)	(97,995)	(91,298)	(81,329)	(72,419)
Pension liability before tax	(15,692)	(9,779)	(10,490)	(7,304)	(7,296)
Actuarial gains and losses					
	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Total actuarial loss recognised	(7,619)	(462)	(4,675)	(1,697)	(13,772)
Experience adjustments					
	2013	2012	2011	2010	2009
Experience adjustments to DB Scheme assets amount (£'000)	695	1,797	580	2,588	3,861
% of DB Scheme assets	0.7	2.0	0.7	3.5	5.9
Experience adjustments to DB Scheme liabilities amount (£'000)	46	(210)	(3,739)	-	-
% of DB Scheme liabilities	0.0	(0.2)	(4.1)	-	-

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

Contributions by the Group to the DB Scheme will be made at a rate of 18.2% of members' salaries until 31 March 2014.

(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 £384,919 (2012: £346,107). There were no accrued contributions at the year end (2012: nil). Contributions of £2,278,655 were prepaid at the year end (2012: £2,464,668).

Notes to the consolidated financial statements

for the year ended 31 December 2013

22 Share-based payment

During the year ended 31 December 2013, the Group operated three share-based payment arrangements, as follows:

The Altro Group plc 2007 United Kingdom Approved Share Option Scheme (Approved Scheme)

The Approved Scheme was introduced in 2007. Under the Approved Scheme the board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercised price equal to the market price 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 nine eligible participants at the balance sheet date, the Company has made annual grants since the inception of the Approved Scheme. Options granted under the Approved Scheme will become exercisable on the third anniversary of the date of grant and exercise is conditional on there having been real growth in the 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 shown in the Group's audited financial statements. Exercise of an option is subject to continued employment and can be satisfied in either cash or equity.

The Altro Group plc Phantom Share Option Scheme 2005 (Phantom Scheme)

The Phantom Scheme was introduced in 2005 and the board can grant options over notional shares in the Company to employees of the Group. The contractual life of an option is seven years and options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. Awards under the Phantom Scheme are generally reserved for employees at senior and director level. There are nine eligible participants at the balance sheet date, the Company has made annual grants since 2006. Options granted will become exercisable on the third anniversary of the date of grant. There are no performance conditions attached to the exercise of an option under the Phantom Scheme. An option is usually satisfied in cash although the board does have an absolute discretion to satisfy payment in whole or in part by the issue of equity 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 £3,000 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 six months prior to the Award eligibility date. The eligibility date is set one month prior to the Award date. Recipients of a grant made under either the Approved Scheme or Phantom Scheme do not participate in the SIP. There are 458 eligible employees at the balance sheet date. 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:

	2013	2012
	£'000	£'000
Expense arising from share-based payment arrangements	321	667

A reconciliation of option and SIP movements over the year to 31 December 2013 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.

	2013		2012	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	754,865	409	798,175	382
Granted during the year	188,859	521	190,436	475
Exercised during the year	(122,017)	324	(227,561)	350
Cancelled during the year	(8,014)	515	(6,185)	485
Outstanding at 31 December	813,693	436	754,865	409
Exercisable at 31 December	249,187	376	144,841	422

Notes to the consolidated financial statements

for the year ended 31 December 2013

22 Share-based payment (continued)

During the year one director exercised share options (2012: one).

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

	2013	2012
Risk-free interest rate	1.6%	0.6%
Expected volatility	50%	50%
Expected option life	4 years	4 years
Expected dividend yield	3.0%	3.0%

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
		2013	2012		
Approved	Equity	27,078	27,078	485	03.04.2011 and 03.04.2015
		10,123	10,123	404	05.03.2012 and 05.03.2019
		17,475	17,475	515	04.04.2014 and 04.04.2021
		1,633	1,633	475	11.04.2015 and 11.04.2022
Total Approved		56,309	56,309		
Phantom	Cash	-	10,449	352	18.04.2010 and 18.04.2014
		3,961	3,961	485	18.04.2010 and 18.04.2014
		7,281	7,281	485	03.04.2011 and 03.04.2015
		85,949	85,949	404	05.03.2012 and 05.03.2016
		114,795	149,276	316	15.07.2013 and 15.07.2017
		95,879	103,893	515	04.04.2014 and 04.04.2018
		125,569	125,569	475	11.04.2015 and 11.04.2019
		121,516	-	521	11.04.2016 and 11.04.2020
Total Phantom		554,950	486,378		
Share Incentive Plan	Equity	202,434	212,178		
Total Share Incentive Plan		202,434	212,178		
Total share options outstanding		813,693	754,865		

Notes to the consolidated financial statements

for the year ended 31 December 2013

23 Called up share capital

Authorised, called up, allotted and fully paid share capital

	2013 £'000	2012 £'000
Authorised:		
50,000,000 ordinary shares of 10p each (2012: 50,000,000 ordinary shares of 10p each)	5,000	5,000
Called up, allotted and fully paid:		
17,437,476 ordinary shares of 10p each (2012: 17,494,356 ordinary shares of 10p each)	1,744	1,749

Movements in share capital in the year

	2013 Number of shares	2012 Number of shares
At 1 January	17,494,356	17,626,339
Shares issued	-	-
Own shares purchased	(56,880)	(131,983)
At 31 December	17,437,476	17,494,356

Allotment of shares

During the year no options were exercised to acquire ordinary shares. 44,930 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 56,880 of its own shares. The nominal value of the shares was £5,688 (2012: £13,198) and the amount paid was £270,180 (2012: £667,833).

Major shareholdings

In addition to the interests of the directors, at 31 December 2013 there were the following substantial interests in the shares of the Company:

Shareholder	Shares	%
K Harrison	804,652	4.6%
M Harmer	680,300	3.9%

Shareholder analysis

	Number	Shares (millions)	%
Directors and their families	13	10.5	60.3
Employees, ex-employees and their families	393	5.1	29.3
The Share Incentive Plan and the Employee Benefit Trust	12	0.9	5.2
Institutions	1	0.2	1.2
Other	1	0.7	4.0
	420	17.4	100.0

Notes to the consolidated financial statements

for the year ended 31 December 2013

24 Reserves

	Called up share capital £'000	Share premium account £'000	Other reserves		Profit and loss account £'000	Total reserves £'000
			Capital redemption reserve £'000	Own shares £'000		
The Group						
At 1 January 2013	1,749	6,991	973	(2,402)	52,998	60,309
Dividends paid	-	-	-	-	(2,289)	(2,289)
Actuarial loss on DB Scheme	-	-	-	-	(6,095)	(6,095)
Purchase of own shares	(5)	-	5	-	(270)	(270)
Purchase of own shares for the SIP	-	-	-	-	(320)	(320)
Purchase of own shares by the EBT	-	-	-	(861)	-	(861)
Disposal of own shares by the EBT	-	-	-	768	(178)	590
Share issue	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(955)	(955)
Increase in reserves arising from share-based payments	-	-	-	-	327	327
Profit for the financial year	-	-	-	-	6,486	6,486
At 31 December 2013	1,744	6,991	978	(2,495)	49,704	56,922

	Called up share capital £'000	Share premium account £'000	Other reserves		Profit and loss account £'000	Total reserves £'000
			Capital redemption reserve £'000	Own shares £'000		
The Company						
At 1 January 2013	1,749	6,991	973	(2,402)	30,784	38,095
Dividends paid	-	-	-	-	(2,289)	(2,289)
Purchase of own shares	(5)	-	5	-	(270)	(270)
Purchase of own shares for the SIP	-	-	-	-	(320)	(320)
Purchase of own shares by the EBT	-	-	-	(861)	-	(861)
Disposal of own shares by the EBT	-	-	-	768	(178)	590
Share issue	-	-	-	-	-	-
Capital contribution arising from share-based payments	-	-	-	-	327	327
Profit for the financial year	-	-	-	-	3,320	3,320
At 31 December 2013	1,744	6,991	978	(2,495)	31,374	38,592

Notes to the consolidated financial statements

for the year ended 31 December 2013

25 Notes to the consolidated cash flow statement

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

	2013 £'000	2012 £'000
Operating profit	9,124	10,144
Depreciation charge	3,648	3,255
DB Scheme contributions	(3,226)	(3,116)
DB Scheme operating charge	1,728	1,752
Amortisation of intangible fixed assets	162	162
Loss on disposal of tangible fixed assets	6	25
Increase / (decrease) in net provisions	79	(549)
Currency translation differences and other non-cash movements	166	167
(Increase) / decrease in stock	(1,583)	450
Increase in debtors and prepayments	(682)	(773)
Increase / (decrease) in creditors	126	(1,046)
Net cash inflow from operating activities	9,548	10,471

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

	2013 £'000	2012 £'000
Returns on investments and servicing of finance		
Interest received	95	101
Interest paid	(41)	(13)
	54	88
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,860)	(8,999)
Disposal of tangible fixed assets	21	29
Purchase of own shares for the Share Incentive Plan	(320)	(320)
Purchase of own shares by the Employee Benefit Trust	(861)	(1,244)
Disposal of own shares by the Employee Benefit Trust	590	625
	(6,430)	(9,909)

(c) Analysis of net funds

	Cash at bank and in hand £'000	Bank overdrafts £'000	Total £'000
At 1 January 2013	9,728	(2,847)	6,881
Cash flow	(2,016)	(23)	(2,039)
Exchange movements	(243)	-	(243)
At 31 December 2013	7,469	(2,870)	4,599

Notes to the consolidated financial statements

for the year ended 31 December 2013

26 Capital commitments

	2013 £'000	2012 £'000
Contracted but not provided for	532	2,538

27 Post-balance sheet event

Following a period of consultation, the decision was taken to close the Defined Benefit Pension Scheme, previously closed to new members in September 2005, to future accrual from 31 March 2014. All current active members have become deferred members of the Scheme, and have been offered membership of a Defined Contribution Pension Scheme. In accordance with the provisions of FRS 17: Retirement Benefits and FRS 21: Events after the Balance Sheet Date, any curtailment gain or loss will be reflected in the 2014 financial statements.

28 Related party transactions

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

29 Ultimate parent company

The ultimate parent undertaking and controlling party is The Altro Group plc, a Company incorporated in Great Britain and registered in England and Wales. For the year ended 31 December 2013, 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 2013.

Five year financial summary

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Balance sheet					
Fixed assets	44,913	42,929	37,409	34,517	33,711
Current assets	40,758	41,378	45,507	47,777	49,236
Total assets	85,671	84,307	82,916	82,294	82,947
Ordinary shareholders' funds	56,922	60,309	57,400	59,442	61,638
Borrowings:					
due within one year	-	-	-	-	-
Other creditors	16,195	16,468	17,649	17,593	16,056
Defined Benefit Pension Scheme liability	12,554	7,530	7,867	5,259	5,253
Total funds employed	85,671	84,307	82,916	82,294	82,947
Turnover and profits					
Turnover	111,620	112,297	109,338	109,826	111,749
Operating profit	9,124	10,144	8,752	12,504	11,862
Profit for the financial year	6,486	7,228	6,222	8,405	7,105
Ordinary dividends	2,289	2,306	2,332	2,208	2,255
	Pence	Pence	Pence	Pence	Pence
Diluted earnings per share	38.3	42.1	35.6	46.9	34.5
Dividends per share	13.5	13.5	13.5	13.5	12.0
Net assets per share	326.4	344.7	325.6	334.5	295.8
Gearing ratio %	0.0	0.0	0.0	0.0	0.0
Average number of employees	634	636	621	615	617

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Altro Group plc will be held at Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW on 19 June 2014, at 5.00pm.

Ordinary business

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December 2013, together with the report of the auditors.
2. To declare a final dividend of 9.0p per issued Ordinary Share of 10p each of the Company in respect of the year ended 31 December 2013.
3. To authorise the directors' remuneration payable for the year ended 31 December 2013.
4. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to agree their remuneration.
5. To approve the extension of the Phantom Share Option Scheme 2005 until 31 December 2017.

Special business

6. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:
THAT the terms of the proposed contracts whereby the Company shall become entitled and obliged to purchase up to 180,180 shares of 10p each at a price of 555p per share, copies of which have been available for inspection by the members of the Company at the Company's registered office for not less than fifteen days ending with the date hereof and copies of which have been produced to the Meeting and initialled for the purpose of identification by the Company Secretary, are hereby approved and any director of the Company is hereby authorised to enter into the said contracts on behalf of the Company at any time before the conclusion of the next Annual General Meeting.
7. To consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:
THAT pursuant to section 551 of the Companies Act 2006 ("Act") and in substitution for all existing authorities, the directors be and are generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £3,256,252 for a period expiring fifteen months after the date of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after expiry of this authority and the directors may allot shares or grant such rights in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.
8. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:
THAT in substitution for all existing powers and subject to the passing of resolution 7, the directors be and are generally empowered pursuant to section 570 of the Act to allot equity securities, within the meaning of section 560 of the Act, for cash pursuant to the general authority conferred by resolution 7 as if section 561 of the Act did not apply to the allotment, for a period of fifteen months after the date of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired, but so that the aggregate nominal value of the equity securities allotted under this authority does not exceed £86,737.

By Order of the Board



E P Boyle
Secretary

14 May 2014

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

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