

The Report and Accounts of The Altro Group of Companies for the year ended 31 December 2010



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Chairman's statement

for the year ended 31 December 2010

The results for the year ended 31 December 2010 show sales of £110 million [2009: £112 million] and a profit before tax of £12.6 million [2009: £11.6 million]. This is a good result given the competitive trading environment in all of our major markets.

The Group cash position is strong despite expenditure on the purchase of 2.9 million of the Company's own shares from the 3i Group and of a warehouse site adjacent to the main Letchworth factory. There are also advanced plans for a major redevelopment of the main factory area at Letchworth, as well as expenditure on new equipment for the manufacture of flooring and car care products.

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 2010 for the fifth consecutive year. The Group is one of only two UK manufacturing companies to appear consistently in the Sunday Times listing. On behalf of the board and the shareholders, I thank all employees for their contribution to this achievement.

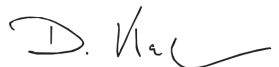
An interim dividend of 4.5p per share [2009: 4.0p] was paid to shareholders in November 2010. At the annual general meeting in June, the Company proposes to seek the approval of shareholders to pay a final dividend of 9.0p per share on Friday 22 July 2011 to those shareholders on the register at close of business on Friday 1 July 2011. The total dividend will therefore be 13.5p per share for the year to 31 December 2010 [2009: 12.0p].

A share valuation of 681p was obtained from Investec Bank plc in April 2011 [January 2010: 388p, October 2010: 515p] 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 [2009: £300,000] for the distribution of shares under the SIP in 2011.

The Company will seek the approval of shareholders at the annual general meeting for the purchase of up to £2 million of its own shares at 681p 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.

With our programme of investment in the Group and the continued product development in Altro Floors and Walls and in Autoglym and Kanor, we believe that the Group has a strong future. However, economic uncertainty in our major markets - particularly the UK, our largest market - means that the current year may again prove to be challenging.



David J Kahn

Directors' report

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 2010. The directors of the Company, all of whom have been directors for the whole of the year, are listed on page 9.

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 13 and the profit attributable to its shareholders is disclosed in Note 9 on page 20.

The principal activities of the business (including expected future developments which are outlined in the Chairman's statement) 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.

Financial review

The consolidated profit and loss account for the year is set out on page 10.

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

- Turnover - decrease of 2% (2009: down 7%)
- Operating profit - increase of 5% (2009: down 16%)
- Net funds - decrease of 17% (2009: up 71%)
- Shareholders' funds - decrease of 4% (2009: down 8%)

The Group's net funds as at 31 December 2010 were £19.0 million [2009: £22.9 million].

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

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, 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 are used to hedge this exposure.

Credit risk

The Group's principal financial assets are bank balances 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 and appropriate overdraft facilities in place with various banks 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.

Directors' liability insurance

The Group maintained liability insurance for all directors throughout the year.

Share capital

In January 2010, the Company acquired the entire 3i Group shareholding of 2,910,921 shares at a cost of £7,400,027; these shares were bought back and cancelled, reducing the number of shares in issue by 14% and benefitting the earnings per share.

During 2010, the Company also bought back and cancelled 247,554 [2009: 551,470] ordinary shares of 10p each (representing 1.4% [2009: 3.0%] of

the called up share capital) at a price of 388p per share [2009: 272p per share] for a total of £960,510 [2009: £1,499,998] with an aggregate nominal value of £24,755 [2009: £55,147].

The Company will seek approval at the annual general meeting to commit up to £2 million to buying back Company shares [2009: £1 million]. This is the seventeenth 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 dividend of £1,599,114. The total dividend paid in the year was 12.5p per share. Diluted earnings per share were 46.9p [2009: 34.5p]. Assuming approval by shareholders at the annual general meeting, the final dividend will be paid on Friday 22 July 2011 to all those on the share register at close of business on Friday 1 July 2011.

Share Incentive Plan (SIP)

£320,000 has been allocated to the SIP [2009: £300,000 for shares awarded to 448 employees]. This allocation will be the ninth 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 accounts 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. 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.

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 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 results, strategies and policies.

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 & Safety and the environment

Health & Safety and environmental performance remain key business objectives.

Our World Class Manufacturing and Sustainability programmes are of prime importance and we continue to invest for the future.

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 Group continues to support the Defined Benefit Pension Scheme which was closed to new members in September 2005. The Scheme was in deficit as at 31 December 2010 and the Group made a contribution of £1.75 million in the year to the Scheme in addition to the expected future funding contribution, in line with the triennial funding plan agreed with the trustees in 2009.

The Group also operates a Defined Contribution Pension Scheme for employees who joined after 1 October 2005.

Directors' report continued

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 the particular country and industry or market concerned, subject to any specific agreement. The Company acts as a holding company for the Group. Creditor days for the Company were nil [2009: nil] as it does not undertake any transactions with suppliers. The Group's creditor days were 40 at 31 December 2010 [2009: 39 days].

Going concern

In arriving at their decision to prepare these accounts on the going concern basis, the directors have reviewed the Group's budget, forecasts and cash flow projections for 2011 and 2012 (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 Registrars Limited, or the Company Secretary.

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 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.

This report is available on the Company's websites. 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.

By order of the Board



EP Boyle
Secretary

10 May 2011

Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2010

We have audited the Group and parent Company financial statements (the "financial statements") of The Altro Group plc for the year ended 31 December 2010 which comprise the Consolidated profit and loss account, the Consolidated and Company balance sheets, the Consolidated cash flow statement, the Consolidated statement of total recognised gains and losses, the reconciliation of movements in Group shareholders' funds and the related notes. 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).

Respective responsibilities of directors and auditors

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 International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2010 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



David Newstead (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

10 May 2011

Directors and advisers

Directors

DJ Kahn *Chairman*
EP Boyle
PL Caller
G Cleverdon
MP Fincham*
RJ Kahn *Managing Director*
JFH Park*
**Non-executive*

Secretary

EP 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 Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Consolidated profit and loss account for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	109,826	111,749
Cost of sales		(51,639)	(51,936)
Gross profit		58,187	59,813
Net operating expenses	5	(45,683)	(47,951)
Operating profit		12,504	11,862
Net interest receivable	6	107	19
Other finance charge	6	(17)	(254)
Profit on ordinary activities before tax	7	12,594	11,627
Tax on profit on ordinary activities	10	(4,189)	(4,522)
Profit for the financial year		8,405	7,105
Earnings per share	12		
Basic		47.2p	34.6p
Diluted		46.9p	34.5p

All the above results derive from continuing operations.

Consolidated statement of total recognised gains and losses for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		8,405	7,105
Currency translation differences		954	(248)
Actuarial loss on net Defined Benefit Pension Scheme assets	21	(1,697)	(13,772)
Deferred tax on actuarial loss		475	3,856
Total recognised gains and losses relating to the year		8,137	(3,059)

Reconciliation of movements in Group shareholders' funds for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Total recognised gains and losses relating to the year		8,137	(3,059)
Dividends paid	11	(2,208)	(2,255)
		5,929	(5,314)
Issue of new shares	23	178	384
Purchase of own shares	24	(8,361)	(1,500)
Purchase of own shares for the Share Incentive Plan	24	(299)	(299)
Purchase of own shares by the Employee Benefit Trust	24	(1,258)	(534)
Disposal of own shares by the Employee Benefit Trust	24	1,284	1,883
Credit in respect of equity-settled share-based payments	24	331	231
Total movement in the year		(2,196)	(5,149)
Opening Group shareholders' funds		61,638	66,787
Closing Group shareholders' funds		59,442	61,638

Consolidated balance sheet

at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	13	1,801	2,017
Tangible assets	14	32,716	31,694
		34,517	33,711
Current assets			
Stocks	17	11,597	10,559
Debtors	18	15,285	14,414
Cash at bank and in hand		20,895	24,263
		47,777	49,236
Creditors: amounts falling due within one year	19	(16,544)	(14,778)
Net current assets		31,233	34,458
Total assets less current liabilities		65,750	68,169
Provisions for liabilities and charges	20	(1,049)	(1,278)
Net assets excluding Defined Benefit Pension Scheme liability		64,701	66,891
Defined Benefit Pension Scheme liability	21	(5,259)	(5,253)
Net assets including Defined Benefit Pension Scheme liability		59,442	61,638
Capital and reserves			
Called up share capital	23	1,777	2,084
Share premium account	24	6,635	6,466
Other reserves	24	112	(132)
Profit and loss account	24	50,918	53,220
Total Group shareholders' funds		59,442	61,638

The financial statements on pages 10 to 38 were approved by the Board on 10 May 2011 and signed on its behalf by



RJ Kahn
Managing Director

Company balance sheet

at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	14	20,882	20,164
Investments	15	8,427	7,216
		29,309	27,380
Current assets			
Cash at bank and in hand		2,830	6,581
		2,830	6,581
Creditors: amounts falling due within one year	19	(3,518)	(2,270)
Net current (liabilities) / assets		(688)	4,311
Total assets less current liabilities		28,621	31,691
Provisions for liabilities and charges	20	(106)	(105)
Net assets		28,515	31,586
Capital and reserves			
Called up share capital	23	1,777	2,084
Share premium account	24	6,635	6,466
Other reserves	24	112	(132)
Profit and loss account	24	19,991	23,168
Total shareholders' funds		28,515	31,586

The financial statements on pages 10 to 38 were approved by the Board on 10 May 2011 and signed on its behalf by



RJ Kahn
Managing Director

Consolidated cash flow statement

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	25(a)	13,624	17,329
Returns on investments and servicing of finance	25(b)	107	19
Tax paid		(3,870)	(3,939)
Capital expenditure and financial investment	25(b)	(3,876)	(327)
Equity dividends paid to shareholders	11	(2,208)	(2,255)
Net cash inflow before use of liquid resources and financing		3,777	10,827
Financing			
Purchase of own shares	23	(8,361)	(1,500)
Issue of ordinary share capital	23	178	384
Repayment of property loan		-	(59)
(Decrease) / increase in cash		(4,406)	9,652

Reconciliation of cash to movement in net funds

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
(Decrease) / increase in cash		(4,406)	9,652
Cash outflow from repayment of loans		-	59
Change in net funds resulting from cash flows		(4,406)	9,711
Effect of exchange differences and other non-cash movements		469	(211)
Movement in net funds for the year		(3,937)	9,500
Opening net funds		22,910	13,410
Closing net funds	25(c)	18,973	22,910

Notes to the consolidated financial statements

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. A summary of the more important Group accounting policies is 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 2010 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
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 the 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.

Notes to the consolidated financial statements

1 Accounting policies (continued)

(f) Deferred tax (continued)

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.

(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 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, 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 Defined Contribution Pension Scheme (DC Scheme). The pension costs for the DC Scheme represent contributions payable by the Group in the year.

Notes to the consolidated financial statements

1 Accounting policies (continued)

(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.

(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 2010 will be proposed at the annual general meeting.

(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.

Notes to the consolidated financial statements

2 Group 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:

	2010		2009	
	£'000	%	£'000	%
Territory				
United Kingdom	58,693	53	58,656	53
Continental Europe	18,354	17	18,344	16
The Americas	22,661	21	25,960	23
Australia and Asia Pacific	8,940	8	7,722	7
Rest of world	1,178	1	1,067	1
	109,826	100	111,749	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 also not been shown for the same reason.

3 Group employees

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

	2010	2009
Manufacturing	145	148
Sales and marketing	241	242
Warehouse and distribution	73	77
Administration and management	139	150
	598	617

Employee costs, including directors, during the year were:

	2010	2009
	£'000	£'000
Wages and salaries	21,973	20,875
Social security costs	2,492	2,238
Pension costs:		
Defined Benefit Scheme (DB Scheme)	1,568	982
Defined Contribution Scheme (DC Scheme)	100	79
Employee share schemes (note 22)	1,211	117
Other staff benefits	901	878
	28,245	25,169

All staff are employed within the Group through Altro Limited and its subsidiaries. The Company has no employees.

Notes to the consolidated financial statements

4 Directors' remuneration

	2010 £	2009 £
Emoluments	1,159,808	1,037,634
DB Scheme contributions	141,174	123,426
	1,300,982	1,161,060

Retirement benefits are accruing to four directors (31 December 2009: four) under the DB Scheme at 31 December 2010.

	2010 £	2009 £
Highest paid director:		
emoluments	434,245	360,922
DB Scheme contributions	56,026	49,367
	490,271	410,289

The amount of the accrued pension of the highest paid director at 31 December 2010 is £130,643 (31 December 2009: £108,937). 26,976 share options were exercised by the highest paid director in the year (2009: 24,500).

5 Net operating expenses

	2010 £'000	2009 £'000
Distribution costs	28,822	30,422
Administrative expenses	16,861	17,529
	45,683	47,951

6 Net interest receivable and other finance charge

	2010 £'000	2009 £'000
Interest payable and similar charges:		
bank loan	-	(1)
bank overdraft	-	(1)
other	(4)	(90)
Interest receivable and similar income:		
short term deposits	110	79
other	1	32
Net interest receivable	107	19
Finance charge on DB Scheme (note 21)	(17)	(254)

Notes to the consolidated financial statements

7 Profit on ordinary activities before tax

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

	2010 £'000	2009 £'000
Depreciation	3,003	3,385
Amortisation of intangible fixed assets	216	215
Fees payable to the Company's auditor for:		
the audit of the Company and consolidated financial statements	67	64
other services:		
the audit of the Company's subsidiaries pursuant to legislation	16	15
taxation services	30	27
Research and development	1,589	1,559
Foreign exchange losses	31	32
Rentals under operating leases:		
hire of plant and machinery	7	6
other operating leases	1,656	1,641
(Profit) / loss on disposal of tangible fixed assets	(289)	731

8 Operating lease commitments

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

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	49	162	120	67
between one and five years	519	585	418	567
after five years	212	-	212	-
	780	747	750	634

9 Profit attributable to the shareholders of the Company

The profit attributable to the shareholders of The Altro Group plc is £7,261,789 (2009: £7,117,750). 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

10 Tax on profit on ordinary activities

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

	2010 £'000	2009 £'000
Current tax:		
UK corporation and income tax:		
current tax on income for the period	2,643	2,353
income tax on Employee Benefit Trust	251	307
adjustments in respect of prior periods	25	296
	2,919	2,956
Foreign tax:		
current tax on income for the period	409	504
adjustments in respect of prior periods	35	335
	444	839
Current tax charge	3,363	3,795
Deferred tax:		
timing differences - origination and reversal	826	727
Deferred tax charge	826	727
Tax on profit on ordinary activities	4,189	4,522

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 £403,560 (2009: £418,507).

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 £176,205 (2009: £182,731).

The Budget announced by the Chancellor of the Exchequer on 23 March 2011 (the "March 2011 Budget") included changes to the main rates of tax for UK companies. Under the provisions of the March 2011 Budget, the main rate of corporation tax will be reduced from 28% to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce it from 26% to 25% from 1 April 2012 and to reduce it by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

Notes to the consolidated financial statements

10 Tax on profit on ordinary activities (continued)

The current tax charge for the year is lower (2009: higher) than the standard rate of corporation tax in the UK of 28% (2009: 28%).

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

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	12,594	11,627
Tax charge on profit at a standard rate of 28% (2009: 28%)	3,526	3,256
Expenses not deductible for tax purposes	164	397
Depreciation in excess of capital allowances	29	348
Movement in short-term timing differences	(666)	(1,107)
Differences in UK income tax and overseas tax rates	349	241
Overseas losses utilised	(93)	-
Adjustments in respect of prior years	60	631
Other	(6)	29
Current tax charge	3,363	3,795

11 Dividends

	2010 £'000	2009 £'000
Second interim dividend for prior year of 4.0p per share (2009: nil)	709	-
Final dividend for prior year of 4.0p per share (2009: 7.0p)	704	1,430
Interim dividend for current year of 4.5p per share (2009: 4.0p)	795	825
	2,208	2,255

A final dividend of 9.0p per share for the year ended 31 December 2010 will be proposed at the annual general meeting. Based on the number of shares in issue at the date of this report, this would equate to a dividend of £1,599,114. 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.

Notes to the consolidated financial statements

12 Earnings per share

	2010 £'000	2009 £'000
Profit for the financial year	8,405	7,105
	2010 Number of shares	2009 Number of shares
Weighted average number of shares in issue	17,974,734	21,008,882
Weighted average number of shares held by the Employee Benefit Trust	(164,216)	(490,221)
Basic weighted average number of shares in issue	17,810,518	20,518,661
Dilutive effect of share option schemes	95,438	87,611
Diluted weighted average number of shares	17,905,956	20,606,272
Earnings per share		
Basic	47.2p	34.6p
Diluted	46.9p	34.5p

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.

13 Intangible fixed assets

The Group

	Distribution rights £'000	Franchise £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2010	100	141	3,216	3,457
At 31 December 2010	100	141	3,216	3,457
Accumulated amortisation				
At 1 January 2010	100	52	1,288	1,440
Charge for the year	-	7	209	216
At 31 December 2010	100	59	1,497	1,656
Net book value				
At 31 December 2010	-	82	1,719	1,801
At 31 December 2009	-	89	1,928	2,017

The Company does not hold any intangible fixed assets.

Notes to the consolidated financial statements

14 Tangible fixed assets

The Group	Land and buildings			Plant	Assets	Total
	Freehold £'000	Long	Short	equipment and vehicles	under construction	
		leasehold £'000	leasehold £'000	£'000	£'000	
Cost or valuation						
At 1 January 2010	2,205	25,040	427	32,987	-	60,659
Currency translation differences	105	-	10	143	-	258
Additions	-	1,013	26	1,030	1,860	3,929
Disposals	-	-	-	(596)	-	(596)
At 31 December 2010	2,310	26,053	463	33,564	1,860	64,250
At valuation	256	4,394	-	-	-	4,650
At cost	2,054	21,659	463	33,564	1,860	59,600
At 31 December 2010	2,310	26,053	463	33,564	1,860	64,250
Accumulated depreciation						
At 1 January 2010	463	5,743	368	22,391	-	28,965
Currency translation differences	28	-	3	93	-	124
Charge for the year	50	531	39	2,383	-	3,003
Disposals	-	-	-	(558)	-	(558)
At 31 December 2010	541	6,274	410	24,309	-	31,534
Net book value						
At 31 December 2010	1,769	19,779	53	9,255	1,860	32,716
At 31 December 2009	1,742	19,297	59	10,596	-	31,694
Comparable amounts determined according to the historical cost convention:						
cost	2,182	24,702	463	33,564	1,860	62,771
accumulated depreciation	(529)	(6,029)	(410)	(24,309)	-	(31,277)
Net book value						
At 31 December 2010	1,653	18,673	53	9,255	1,860	31,494
At 31 December 2009	1,626	18,191	59	10,596	-	30,472

Included in long leasehold land and buildings is land at a cost or valuation of £5,805,423 (2009: £4,941,648) which is not depreciated.

Notes to the consolidated financial statements

14 Tangible fixed assets (continued)

The Company	Land and buildings		Assets under construction	Total £'000
	Freehold £'000	Long leasehold £'000		
Cost or valuation				
At 1 January 2010	1,087	24,926	-	26,013
Additions	-	1,013	253	1,266
At 31 December 2010	1,087	25,939	253	27,279
At valuation	256	4,394	-	4,650
At cost	831	21,545	253	22,629
At 31 December 2010	1,087	25,939	253	27,279
Accumulated depreciation				
At 1 January 2010	181	5,668	-	5,849
Charge for the year	16	532	-	548
At 31 December 2010	197	6,200	-	6,397
Net book value				
At 31 December 2010	890	19,739	253	20,882
At 31 December 2009	906	19,258	-	20,164
Comparable amounts determined according to the historical cost convention:				
cost	960	24,588	253	25,801
accumulated depreciation	(186)	(5,955)	-	(6,141)
Net book value				
At 31 December 2010	774	18,633	253	19,660
At 31 December 2009	790	18,151	-	18,941

Included in long leasehold land and buildings is land at a cost or valuation of £5,805,423 (2009: £4,941,648) which is not depreciated.

Notes to the consolidated financial statements

15 Fixed asset investments

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
At 1 January	-	-	7,216	7,099
Capital contribution arising from share-based payment charge	-	-	1,211	117
At 31 December	-	-	8,427	7,216

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 2010 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
Compass Flooring Limited	Canada	Common	100	Distribution
Compass Flooring Inc	USA	-	100	Distribution

16 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	
	2010	2009
Number of shares in the Company owned by the EBT	168,030	211,477
Nominal value of shares held	£16,803	£21,148
Cost price of shares held	£818,150	£746,030
Prevailing valuation of the shares (pence)	515	316
Total market value of shares	£865,355	£668,267
Maximum number of shares in the Company owned by the EBT during the year	274,162	853,175
Minimum number of shares in the Company owned by the EBT during the year	44,310	192,511

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.

Notes to the consolidated financial statements

17 Stocks

	2010	2009
	£'000	£'000
Raw materials and consumables	3,456	3,185
Finished goods and goods held for resale	8,141	7,374
	11,597	10,559

18 Debtors

	Group	Group	Company	Company
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade debtors	13,337	13,013	-	-
Other debtors	680	668	-	-
Prepayments and accrued income	1,268	720	-	-
Deferred tax asset	-	13	-	-
	15,285	14,414	-	-

19 Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank overdrafts	1,922	1,353	1,922	1,353
Trade creditors	6,101	6,214	-	-
Amounts owed to group undertakings	-	-	222	42
Corporate tax	1,197	1,691	242	588
Other tax	707	525	-	-
Social security costs	779	594	144	33
Other creditors	245	295	4	15
Accruals	5,593	4,106	984	239
	16,544	14,778	3,518	2,270

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

Notes to the consolidated financial statements

20 Provisions for liabilities and charges

The Group	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2010	-	1,278	1,278
Deferred tax asset disclosed as a debtor	(13)	-	(13)
Charged to profit and loss account	1,405	132	1,537
Utilised in the year	-	(510)	(510)
Released in the year	(579)	(214)	(793)
Other movement	(476)	26	(450)
At 31 December 2010	337	712	1,049

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

The Company	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2010	105	-	105
Charged to profit and loss account	5	-	5
Released in the year	(4)	-	(4)
At 31 December 2010	106	-	106

Deferred tax	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Accelerated capital allowances	571	356	106	105
Other short-term timing differences	(234)	(369)	-	-
Deferred tax liability / (asset)	337	(13)	106	105

Not included above is a deferred tax asset of £2,045,121 (2009: £2,042,880) relating to the net DB Scheme liability of £5,258,883 (2009: £5,253,120) which is disclosed in note 21.

Unprovided deferred tax	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Roll-over relief	176	183	176	183
Surplus on revaluation of land and buildings	404	419	404	419
Unprovided deferred tax	580	602	580	602

Notes to the consolidated financial statements

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

The Group operates one '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 2008; the results have been updated to 31 December 2010 by a qualified independent actuary and showed a deficit at that date of £7.3 million measured in accordance with FRS 17: Retirement Benefits.

As the DB Scheme is closed to new members, under the projected unit method, the current service cost, as a percentage of pensionable salaries, will increase as the members of the Scheme approach retirement. Contributions by the Group to the DB Scheme for the year beginning 1 January 2011 are currently expected to be £1.49 million of future accrual payments and £1.75 million of deficit reduction payments.

i) Net pension liability

The pension liability at 31 December was as follows:

	2010 £'000	2009 £'000
Fair value of DB Scheme assets	74,025	65,123
Present value of DB Scheme liabilities	(81,329)	(72,419)
Pension liability before tax	(7,304)	(7,296)
Related deferred tax asset	2,045	2,043
Net pension liability	(5,259)	(5,253)

The present value of 'unfunded' DB Scheme liabilities is nil (2009: nil). The irrecoverable surplus in the DB Scheme is nil (2009: 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:

	2010			2009		
	Expected rate of return %	% of overall DB Scheme assets	£'000	Expected rate of return %	% of overall DB Scheme assets	£'000
Equities	8.0	52.0	38,500	8.0	51.7	33,674
Corporate bonds	5.5	5.2	3,870	5.8	5.5	3,550
Liability Driven Investment funds	4.0	42.6	31,509	4.4	40.3	26,245
Cash	4.0	0.2	146	4.4	2.5	1,654
Fair value of DB Scheme assets		100.0	74,025		100.0	65,123

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

21 Retirement benefits (continued)

iii) Financial and demographic assumptions

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

	2010 %	2009 %
Rate of increase in salaries	4.50	4.60
Rate of increase in pensions in payment (post April 1997)	3.65	3.80
Discount rate	5.50	5.80
Inflation assumption	3.50	3.60

The assumed life expectancies on retirement at age 65 were:

	2010 years	2009 years
Retiring today		
males	21.4	21.3
females	23.8	23.7
Retiring in 20 years' time		
males	23.4	23.3
females	25.8	25.7

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

	2010 £'000	2009 £'000
Fair value of DB Scheme assets at 1 January	65,123	54,714
Expected return on DB Scheme assets	4,202	3,158
Actuarial gain	2,588	3,861
Contributions by employer	3,274	4,290
Contributions by DB Scheme members	740	765
Benefits paid	(1,902)	(1,665)
Fair value of DB Scheme assets at 31 December	74,025	65,123

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 £6.8 million (2009: £7.0 million).

Notes to the consolidated financial statements

21 Retirement benefits (continued)

v) Changes in present value of DB Scheme liabilities

	2010 £'000	2009 £'000
Present value of DB Scheme liabilities at 1 January	72,419	51,292
Current service cost	1,568	976
Interest cost	4,219	3,412
Contributions by DB Scheme members	740	765
Actuarial loss	4,285	17,633
Benefits paid	(1,902)	(1,665)
Past service cost	-	6
Present value of DB Scheme liabilities at 31 December	81,329	72,419

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

	2010 £'000	2009 £'000
Current service cost	1,568	976
Past service cost	-	6
Total operating charge	1,568	982
Expected return on DB Scheme assets	4,202	3,158
Interest on DB Scheme liabilities	(4,219)	(3,412)
Total finance charge (note 6)	(17)	(254)

vii) Cumulative actuarial gains and losses recognised in equity

	2010 £'000	2009 £'000
Cumulative actuarial loss at 1 January	(17,976)	(4,204)
Actuarial loss in the year	(1,697)	(13,772)
Cumulative actuarial loss at 31 December	(19,673)	(17,976)

Notes to the consolidated financial statements

21 Retirement benefits (continued)

viii) History of DB Scheme

Assets and liabilities					
	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of DB Scheme assets	74,025	65,123	54,714	56,058	49,461
Present value of DB Scheme liabilities	(81,329)	(72,419)	(51,292)	(60,593)	(54,205)
Pension (liability) / asset before tax	(7,304)	(7,296)	3,422	(4,535)	(4,744)
Actuarial gains and losses					
	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Total actuarial (loss) / gain recognised	(1,697)	(13,772)	6,419	(2,355)	6,470
Experience adjustments					
	2010	2009	2008	2007	2006
Experience adjustments to DB Scheme assets amount (£'000)	2,588	3,861	(7,176)	298	1,356
% of DB Scheme assets	3.5	5.9	(13.1)	0.5	2.7
Experience adjustments to DB Scheme liabilities amount (£'000)	-	-	(666)	-	-
% of DB Scheme liabilities	0.0	0.0	(1.3)	0.0	0.0

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

From January 2011 onwards, it has been agreed with the trustees that contributions to the DB Scheme by the Group will be made at a rate of 16.1% of members' salaries.

(b) Defined Contribution Pension Scheme (DC Scheme)

A number of employees are in a DC Scheme. The assets of this Scheme are held in separate, insured funds. The total contributions payable by the Group in the year in respect of this Scheme were £100,451 (2009: £78,719). There were no prepaid or accrued contributions at the year end.

Notes to the consolidated financial statements

22 Share-based payment

During the year ended 31 December 2010, the Group operated five share-based payment arrangements, as follows:

- The Altro Group plc 1996 Approved Senior Staff Share Option Scheme
- The Altro Group plc 1996 Unapproved Senior Staff Share Option Scheme
- The Altro Group plc Phantom Share Option Scheme 2005
- The Altro Group plc 2007 Approved Senior Staff Share Option Scheme
- The Altro Group plc Share Incentive Plan

The Share Incentive Plan (SIP) has been in operation since 2003. At the Company's discretion an award of free shares may be made annually to all eligible employees. The shares are held in trust for a minimum of three years to take advantage of HMRC tax concessions. Awards have been made each year to UK-based employees of Altro Limited with six months' service at the date of grant.

The fair value of shares granted under the SIP is based on the share price at the date of grant. 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:

	2010 £'000	2009 £'000
Expense arising from share-based payment arrangements	1,323	52

A reconciliation of option and SIP movements over the year to 31 December 2010 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.

	2010		2009	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	1,192,655	328	1,135,745	293
Granted during the year	267,887	316	270,597	404
Exercised during the year	(272,132)	252	(200,761)	215
Cancelled during the year	-	-	(12,926)	352
Outstanding at 31 December	1,188,410	340	1,192,655	328
Exercisable at 31 December	445,120	292	405,518	239

During the year three directors exercised share options (2009: three).

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

	2010	2009
Risk-free interest rate	1.9%	2.1 - 4.4%
Expected volatility	50%	40%
Expected option life	4 years	4 years
Expected dividend yield	2.5%	3.0 - 3.5%

Notes to the consolidated financial statements

22 Share-based payment (continued)

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
		2010	2009		
Unapproved	Equity	-	39,210	188	28.08.06 and 28.08.10
		64,539	79,671	218	22.04.07 and 22.04.11
		77,239	93,816	249	27.01.08 and 27.01.12
Total Unapproved		141,778	212,697		
Approved	Equity	7,054	23,011	188	28.08.06 and 28.08.13
		44,499	44,499	485	03.04.11 and 03.04.15
		10,123	10,123	404	05.03.12 and 05.03.19
Total Approved		61,676	77,633		
Phantom	Cash	123,712	169,810	262	21.04.09 and 21.04.13
		156,034	192,428	352	18.04.10 and 18.04.14
		16,542	16,542	485	18.04.10 and 18.04.14
		71,196	71,196	485	03.04.11 and 03.04.15
		134,139	134,139	404	05.03.12 and 05.03.16
		190,800	-	316	15.07.13 and 15.07.17
Total Phantom		692,423	584,115		
Share Incentive Plan	Equity	292,533	318,210		
Total Share Incentive Plan		292,533	318,210		
Total share options outstanding		1,188,410	1,192,655		

Notes to the consolidated financial statements

23 Called up share capital

Authorised, called up, allotted and fully paid share capital	2010 £'000	2009 £'000
Authorised: 50,000,000 ordinary shares of 10p each (2009: 50,000,000 ordinary shares of 10p each)	5,000	5,000
Called up, allotted and fully paid: 17,767,933 ordinary shares of 10p each (2009: 20,839,532 ordinary shares of 10p each)	1,777	2,084

Movements in share capital in the year	2010 Number of shares	2009 Number of shares
At 1 January	20,839,532	21,209,679
Shares issued	86,876	181,323
Own shares purchased	(3,158,475)	(551,470)
At 31 December	17,767,933	20,839,532

Allotment of shares

During the year the following options were exercised to acquire ordinary shares:

	Number of shares	Nominal value £	Cash consideration £
The Altro Group plc 1996 Unapproved Senior Staff Share Option Scheme	70,919	7,092	147,979
The Altro Group plc 1996 Approved Senior Staff Share Option Scheme	15,957	1,596	29,999
	86,876	8,688	177,978

Additionally, 82,492 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 its own shares as follows:

	Number of shares	Nominal value £	Cash consideration £
From 3i Group	2,910,921	291,092	7,400,027
Under the Share Repurchase Scheme	247,554	24,755	960,510
	3,158,475	315,847	8,360,537

Major shareholdings

In addition to the interests of the directors, at 31 December 2010 there were the following substantial interests in the shares of the Company:

Shareholder	Shares	%
BL Cohen	1,140,293	6.4
K Harrison	804,652	4.5
M Harmer	688,300	3.9

Notes to the consolidated financial statements

23 Called up share capital (continued)

Shareholder analysis	Number	Shares (millions)	%
Directors and their families	14	10.8	60.7
Employees, ex-employees and their families	395	4.2	23.6
The Share Incentive Plan and the Employee Benefit Trust	9	0.8	4.5
Institutions	1	0.2	1.1
Other	2	1.8	10.1
	421	17.8	100.0

24 Reserves

	Share capital £'000	Share premium £'000	Other reserves Capital redemption reserve £'000	Own shares £'000	Profit and loss account £'000	Total reserves £'000
The Group						
At 1 January 2010	2,084	6,466	614	(746)	53,220	61,638
Dividends paid	-	-	-	-	(2,208)	(2,208)
Actuarial loss on DB Scheme	-	-	-	-	(1,222)	(1,222)
Purchase of own shares	(316)	-	316	-	(8,361)	(8,361)
Purchase of own shares for the SIP	-	-	-	-	(299)	(299)
Purchase of own shares by the EBT	-	-	-	(1,258)	-	(1,258)
Disposal of own shares by the EBT	-	-	-	1,186	98	1,284
Share issue	9	169	-	-	-	178
Currency translation differences	-	-	-	-	954	954
Increase in reserves arising from share-based payments	-	-	-	-	331	331
Profit for the financial year	-	-	-	-	8,405	8,405
At 31 December 2010	1,777	6,635	930	(818)	50,918	59,442

	Share capital £'000	Share premium £'000	Other reserves Capital redemption reserve £'000	Own shares £'000	Profit and loss account £'000	Total reserves £'000
The Company						
At 1 January 2010	2,084	6,466	614	(746)	23,168	31,586
Dividends paid	-	-	-	-	(2,208)	(2,208)
Purchase of own shares	(316)	-	316	-	(8,361)	(8,361)
Purchase of own shares for the SIP	-	-	-	-	(299)	(299)
Purchase of own shares by the EBT	-	-	-	(1,258)	-	(1,258)
Disposal of own shares by the EBT	-	-	-	1,186	98	1,284
Share issue	9	169	-	-	-	178
Capital contribution arising from share-based payments	-	-	-	-	331	331
Profit for the financial year	-	-	-	-	7,262	7,262
At 31 December 2010	1,777	6,635	930	(818)	19,991	28,515

Notes to the consolidated financial statements

25 Notes to the consolidated cash flow statement

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

	2010 £'000	2009 £'000
Operating profit	12,504	11,862
Depreciation charge	3,003	3,385
DB Scheme contributions	(3,274)	(4,290)
DB Scheme operating charge	1,568	982
Amortisation of intangible fixed assets	216	215
(Profit) / loss on disposal of tangible fixed assets	(289)	731
(Decrease) / increase in net provisions	(566)	188
Currency translation differences and other non-cash movements	765	402
(Increase) / decrease in stock	(549)	2,990
(Increase) / decrease in debtors	(570)	899
Increase / (decrease) in creditors	816	(35)
Net cash inflow from operating activities	13,624	17,329

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

	2010 £'000	2009 £'000
Returns on investments and servicing of finance		
Interest received	111	111
Interest paid	(4)	(92)
	107	19
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,929)	(1,411)
Disposal of tangible fixed assets	326	34
Purchase of own shares for the Share Incentive Plan	(299)	(299)
Purchase of own shares by the Employee Benefit Trust	(1,258)	(534)
Disposal of own shares by the Employee Benefit Trust	1,284	1,883
	(3,876)	(327)

(c) Analysis of net funds

	Cash at bank and in hand £'000
At 1 January 2010	22,910
Cash flow	(4,406)
Exchange movements	469
At 31 December 2010	18,973

Notes to the consolidated financial statements

26 Capital commitments

	2010 £'000	2009 £'000
Contracted but not provided for	708	113

27 Contingent liabilities

The Company has no guarantees in place (2009: £31,097).

28 Related party transactions

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

Five year financial summary

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

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	as restated £'000
Balance sheet					
Fixed assets	34,517	33,711	36,691	37,148	34,583
Current assets	47,777	49,236	43,845	35,184	36,286
Total assets	82,294	82,947	80,536	72,332	70,869
Ordinary shareholders' funds	59,442	61,638	66,787	55,037	49,643
Borrowings:					
due after more than one year	-	-	-	52	118
due within one year	-	-	59	70	113
Other creditors	17,593	16,056	16,154	13,999	17,674
Defined Benefit Pension Scheme liability / (asset)	5,259	5,253	(2,464)	3,174	3,321
Total funds employed	82,294	82,947	80,536	72,332	70,869
Turnover and profits					
Turnover	109,826	111,749	120,346	105,208	97,601
Operating profit	12,504	11,862	14,082	13,505	11,142
Profit for the financial year	8,405	7,105	9,885	10,110	7,818
Ordinary dividends	2,208	2,255	2,387	1,788	1,298
	Pence	Pence	Pence	Pence	Pence
Diluted earnings per share	46.9	34.5	47.0	47.2	36.1
Dividends per share	13.5	12.0	11.0	11.0	7.8
Net assets per share	334.5	295.8	314.9	257.9	230.7
Gearing ratio %	0.0	0.0	0.1	0.2	0.5
Average number of employees	598	617	632	632	631

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.

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 16 June 2011, at 5.00pm.

Ordinary business

1. To receive and adopt the Directors' report and the audited accounts for the year ended 31 December 2010.
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 2010.
3. To authorise the directors' remuneration payable for the year ended 31 December 2010.
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 2014.

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 293,685 shares of 10p each at a price of 681p 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 £3,223,206 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 6, 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 6 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 £88,839.

By order of the Board



E P Boyle
Secretary

10 May 2011

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. The Proxy need not be a member of the Company. See Proxy Card for full details.