

Altro Limited

Annual report and financial statements

for the year ended 31 December 2022

Company Registration Number: 00154159

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Strategic report

for the year ended 31 December 2022

The directors present their Strategic report on Altro Limited (“the Company”) for the year ended 31 December 2022.

Principal activities and review of the business

The Company is a wholly owned subsidiary of The Altro Group plc. Its balance sheet is disclosed on page 25 and the profit for the financial year is disclosed on page 24 of this Annual report and financial statements.

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

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

During the year, the Company worked to respond to the continued raw material price increases (outlined in more detail in the Companies Act 2006 Section 172 statement), both in the UK and internationally for the Altro and Autoglym product ranges. The Company also worked to respond to and recover from the cyber-attack it experienced in the second half of the year. Whilst this had a significant impact on operations, thanks to the efforts of all those involved in the response, the recovery has been swift and it had a minimal impact on the underlying performance for the year.

Financial review

The profit and loss account for the year is set out on page 24 of this Annual report and financial statements.

At 31 December 2022, the Company had cash at bank and in hand of £2.4m (2021: £9.5m) and net assets of £60.5m (2021: £79.5m).

Key performance indicators

Turnover of £117.2m (2021: £109.9m) represents an increase of 6.6% (2021: increase of 6.3%).

Turnover has increased year on year aided by price increases into the market; however, an operating loss of £12m has been made (2021: £5.7m profit). This is largely driven by making a provision for amounts owed by group undertakings of £13.9m in response to the difficult trading conditions experienced by some of our principal trading subsidiaries. Performance against the KPIs is considered satisfactory given the wider economic context.

Health and safety (Zero Harm) is a key priority for the Group and this has remained the case throughout 2022. The Board reviews a number of Zero Harm metrics every month and against annual targets, including incidents, which have fallen by 14% from 2021 to 2022 and near miss reporting, which has increased by 12% from 2021 to 2022. This is a notable achievement given the extent of operational manual interventions required during the cyber-attack period.

Expenditure during the year has included investment in plant and machinery as well as additional contributions of £2.8m (2021: £2.8m) to the Defined Benefit Pension Scheme.

Future developments

The Company continues to look to grow both its UK and overseas markets in the longer term. More immediately, the Company remains focused on responding to the evolving conditions across its international markets and managing raw material price pressures.

Principal risks and uncertainties

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

Strategic report (continued) for the year ended 31 December 2022

Principal risks and uncertainties (continued)

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

Financial risk management

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

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

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

Currency risk

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

Credit risk

The Company's financial assets include loans receivable, cash at bank and in hand, trade and other debtors, and amounts owed by group undertakings which represent the Company's maximum exposure to credit risk in relation to financial assets. Risk is managed through internal monitoring processes and credit insurance.

Price risk

The Company is exposed to price risk on raw materials as a result of its operations and such exposure is monitored closely and reported on regularly. In a number of cases, dual supply arrangements are in place. In spite of these precautions, the unprecedented speed of raw material price increases in 2022 had a serious effect on Company profits for the year.

Liquidity and cash flow risk

The Company has positive cash at bank and in hand balances and appropriate overdraft facilities in place where considered necessary. The Board continues to actively review decisions requiring significant cash outlay as a means of maintaining its cash balance.

Interest rate risk

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

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement

The Board of Directors of Altro Limited (the “Board”) are fully aware of their duty under Section 172, along with the other directors’ duties in the Companies Act 2006. 2022 continued to be challenging due to the unusually high raw material and energy prices, the difficult economic climate and the cyber-attack we experienced in November, but throughout the year, the Board, along with senior managers and staff in all operations, have continued to ensure the business remains strong and stable for its future success and for the benefit of all its stakeholders.

As with all companies, decision making within the Company is complex and the Board takes into account many factors, sometimes conflicting, when reaching decisions. The directors’ decisions are always driven by the need to promote the success of the Company for the benefit of its members as a whole and whilst taking decisions they consider all their duties under the Companies Act 2006, including having regard to all of the matters under Section 172 (1) a) to f).

The Company is part of a Group of companies and the Company’s approach to decision-making aligns with the wider Group’s over-arching strategy of being customer-focussed, producing high-end products, with family values at its heart. This strategy encompasses the more detailed strategy for each of the Company’s two diverse trading divisions (Autoglym and Altro Floors and Walls) (the “Divisions”) and drives the budget approval process that usually takes place in the last quarter of each financial year. The Section 172 factors are also closely aligned with the Company’s culture, reflected in the mantra of ‘Valuing our customers; valuing each other’. This culture shone through during 2022 in the wake of the cyber-attack, where our employees’ exceptional response resulted in adaptations that meant customer and supplier needs continued to be met as swiftly as possible.

Throughout 2022, Corporate Governance has remained a monthly Board agenda item, allowing the Board to regularly reflect on various processes and arrangements for discharging their duties. The impact of decisions on stakeholders is considered in detail and such decision-making is supported by comprehensive Board papers that are distributed to directors ahead of Board meetings. The Board is supported by a company secretarial team and at least one member of the secretariat is present at every Board meeting to offer advice and support as needed, as well as taking comprehensive minutes.

The composition of the Board supports its long-term outlook, with Richard Kahn (Managing Director) and David Kahn (Non-Executive Director) being members of the founding family, who are still majority shareholders. Tracy Lewis (Non-Executive Chair) and Andrew Nelson (Non-Executive Director) continued their appointments throughout 2022 and to date. The total number of Non-Executive directors on the Board (four) outweighs the number of Executive directors (three), which the Board feels is an appropriate balance to ensure strong governance. A level of independence is brought to the Board via Tracy Lewis and Andrew Nelson, neither of whom had any connection to the Company prior to being appointed as directors in 2021. Both the other Non-Executive directors have extensive knowledge of what has made the Company successful on a long-term basis, one having been Chair for 30 years and the other having been a long-serving senior employee. The three Executive directors are made up of the Finance Director, who has worked for the Company for 39 years and both Divisional CEOs, ensuring the Divisions maintain a long-term focus and are strategically aligned. This also ensures that the culture of the Company, its purpose and values are maintained throughout both Divisions (and throughout the wider Group). The composition of the Board of Altro Limited is identical to the Board of The Altro Group plc (the parent company) and at least one director of every international subsidiary is either a director of The Altro Group plc and Altro Limited or a member of one of the Executive Committees (see below). This is to ensure that governance is closely aligned within the Group and all its subsidiaries.

The Board has long-established Executive Committees for each of its Divisions that regularly engage with various stakeholder groups and report back to the Board. These Committees work with all relevant subsidiaries around the globe, which has been beneficial in maintaining a consistent approach to the challenges faced during 2022. The CEO of each Division (Richard Kahn – Altro Floors and Walls and Paul Caller – Autoglym) sit on their respective Executive Committee and the Finance Director (Edmond Boyle) sits on both. All three are directors and therefore the Board receives monthly updates from the Executive Committees through these individuals. On a monthly basis, the CEO of each Division reports to the Board on such matters as Zero Harm (health and safety) performance, operational efficiency, product innovation, sustainability and environment, employee matters and customer and supplier information. The minutes of every Executive Committee meeting are also shared with the directors. In order to ensure the Executive Committee members are able to adequately support the Board members in their duties, Executive Committee members are offered Section 172 training in addition to the directors. The Executive Committees also have access to the secretariat for assistance and advice. Besides engagement via the Executive Committees, the Board also takes part in direct engagement with various stakeholder groups.

The following pages show an outline of how the Board has regard to specific stakeholder groups, issues and factors and examples of the effect of that regard and Principal Decisions made during 2022.

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

CA2006 s.172 Matters a-f	How the directors have had regard to this matter	The effect of that regard
<p>a) The likely consequences of any decision in the long term</p>	<p>The Company has always considered the longer term and this is reflected in the fact that it has been in operation since 1919. In particular, the Board always considers the balance between the short and long-term extremely carefully in all of its decision-making; any decision that would be a short-term gain, but could have a negative long-term impact is generally dismissed, unless the Board considers there are very clear mitigating factors.</p> <p>The Company has chosen to have two complementary, but distinct Divisions. This forms part of a long-term risk mitigation strategy as the Divisions are affected by economic and other challenges at different rates and in different ways. For example, raw materials differ between the Divisions, reducing raw material price risk. This has been particularly relevant during the last two years.</p> <p>Protecting the long-term viability of the Company is central to every Board discussion and decision-making process. The Board reviews detailed international 5-year plans and these are updated on an annual basis.</p>	<p>The Board has had to remain cautious during 2022 in response to the economic climate, but has continued with prudent capital expenditure and investment to ensure the long-term success of the Company. This approach allowed a balance between ensuring the short-term health of the Company and investing for the future growth of the business.</p> <p>A decision was made during 2022 to introduce a long-term hybrid working policy. Although this is a change to the way the business worked pre-pandemic, it was felt essential to ensure the organisation adapts to current and future working trends and to attract the highest calibre employees.</p> <p>(See also 'Expenditure Decisions' in Principal Decisions.)</p>
<p>b) The interests of the Company's employees</p>	<p>See the 'Statement on employee engagement' section of the Directors' report, as well as the Stakeholder table below.</p>	<p>See the 'Statement on employee engagement' section of the Directors' report, as well as the Stakeholder table below.</p>
<p>c) The need to foster the Company's business relationships with suppliers, customers and others</p>	<p>See the Stakeholder table below.</p>	<p>See the Stakeholder table below.</p>
<p>d) The impact of the Company's operations on the community and the environment</p>	<p>See both 'Community' and 'Environment' in the Stakeholder table below and the Emissions and energy consumption section in the Directors' report.</p>	<p>See both 'Community' and 'Environment' in the Stakeholder table below and the Emissions and energy consumption section in the Directors' report.</p>

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

CA2006 Matters a-f	s.172	How the directors have had regard to this matter	The effect of that regard
e)	The desirability of the Company maintaining a reputation for high standards of business conduct	<p>The Board takes abiding by laws in every region very seriously and has various Steering Groups within the business to assist with relevant legislative compliance. This includes a Data Protection Steering Committee, which gave a strong platform from which to deal with the cyber-attack we experienced in late 2022, and an Anti-Bribery Group that engages with employees to ensure compliance with the Bribery Act 2010. The employee handbook also sets out a clear whistle-blowing procedure, which further supports the culture of encouraging high standards of business conduct.</p> <p>In order to ensure high standards of business conduct, the Company has ISO accreditations as follows:</p> <ul style="list-style-type: none"> - ISO 14001 (Environmental Management Systems) - ISO 9001 (Quality Management) - ISO 45001 (Occupational Health and Safety) accreditation in the Autoglym Division. <p>A list of countries that employees are prohibited from dealing with is maintained, reviewed by the Board and updated on a regular basis.</p>	<p>Every member of staff completes 'Dignity at Work' training as part of their induction and there is a network of Dignity at Work coaches that staff can consult. The aim of this programme is to raise awareness of diversity in the workplace and ensure high standards of conduct by employees. This programme was re-launched as a refresher course for all existing global employees during 2022 in addition to its usual inclusion in the induction programme.</p> <p>The Gender Pay Gap Report for April 2022 shows a median Gender Pay Gap of 0.72%, compared to a UK National Median Gender Pay Gap of 14.9% (Source: Office for National Statistics 2022).</p> <p>Health and Safety continued to be a particular focus within the Company during 2022 with IOSH Training being delivered to staff during the year. Health and Safety was a top priority during the response to the cyber-attack when many processes had to be performed manually rather than as part of an automated process. Despite manual interventions increasing during the cyber-attack period, we are pleased to report that accidents fell during 2022 compared to 2021.</p> <p>During 2022 the Board reviewed the 'Matters Reserved for the Board' with a view to ensuring consistent oversight of business conduct throughout all operations.</p>
f)	The need to act fairly as between members of the Company	<p>The Board considers the impact of decisions on shareholders as a whole.</p> <p>See also the Shareholder section in the Stakeholder table below.</p>	<p>As a wholly owned subsidiary of The Altro Group plc, the Company has only one shareholder to consider at present.</p> <p>See also the Shareholder section in the Stakeholder table below.</p>

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

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

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

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

SUPPLIERS	
<i>Our suppliers are vital to our long-term success, as they enable us to continue to deliver high quality product to our customers. Ensuring our supply chain meets our high standards helps to ensure the integrity of our products and maintain our ethical business values.</i>	
Engagement Strategies	Outcomes
<p>The Company carries out regular reviews of many of its suppliers and both new and existing suppliers are invited to visit our sites. During such visits the Company's Zero Harm programme is discussed with suppliers as the Company believes mutual sharing of such information strengthens health and safety matters within the supply chain for everyone's benefit.</p> <p>Our new supplier questionnaire includes checks and questions on issues such national minimum wage, ethical behaviour and safe working practices.</p> <p>The Company engages with suppliers, talking with them regularly about our supply requirements, and seeking feedback on our relationship.</p> <p>When selecting suppliers, their ethical values and welfare records are considered along with both their sustainability criteria and the sustainability of their products.</p>	<p>We have been able to continue production uninterrupted, even when our industry was experiencing raw material supply challenges. This is due to the strength of the relationships we have with our suppliers and the consistent dialogue we maintain with them.</p> <p>Many of our suppliers have brought in further price increases during the year and we have maintained open communication throughout these challenging times, adopting a realistic position in response to the unprecedented global price pressures.</p> <p>In 2022, Altro Floors worked more closely with an existing supplier who offered a 'green' version of one of our raw materials, and focus for Autoglym was very much on the sustainability of our suppliers' products.</p> <p>We have also been aware of the difficulties faced by our suppliers and have kept them updated with forecasts so they can manage their own production and supply chains efficiently. During the latter part of the year we received positive feedback from suppliers in regard to the handling of the cyber-attack and the open dialogue we maintained with our suppliers during that time.</p>

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

<p>CUSTOMERS <i>Without customer engagement we would not be able to ascertain the direction in which to take our innovation programmes and ultimately would not be able to grow sales.</i></p>	
<p>We have a variety of routes to market and as such a variety of customer groups as follows:</p> <ul style="list-style-type: none"> • Business Partners (including Agents, Distributors, Franchisees and Researchers) • Product users (such as installers (Altro Floors and Walls), valeters and dealerships (Autoglym)) and specifiers (such as architects) • End consumers 	
<p>Engagement Strategies</p>	<p>Outcomes</p>
<p>Both Divisions have dedicated sales and marketing functions, as well as their own customer care centres, which remained operational throughout the cyber-attack. During 2022 there were on-site visits by customers as well as videos, e-learning and webinars, with sessions delivered in person at various company locations and also via electronic means.</p> <p>Technical services support for customers remained consistent throughout the year, with the Autoglym Technical Services Team carrying out almost 100 visits to assist customers.</p> <p>The Autoglym Training Academy and the Training School for Altro Floors and Walls ran throughout the year with many training courses completed.</p> <p>Both Divisions seek regular customer feedback on product design, quality and potential future innovations. Feedback is reported to the Board and senior managers and influences decisions made throughout the Company.</p> <p>The Autoglym Division continued to work closely with its franchisees who play a key role in the business. Regular meetings, in person and electronically, were held throughout 2022 highlighting efficiencies, and safety within the business. As well as communication via our bulletins, support and guidance, the franchisees were also involved in product testing, providing feedback on new and improved products and they were provided with product training. In 2022 Autoglym invested in a new sales order process system for the franchise business. Recycling and plastic reduction initiatives were also agreed with franchisees and trials will be implemented in 2023.</p> <p>Many free-of-charge training events are run by both Divisions to allow customers to access learning. In 2022, the Altro Floors and Walls Division hosted events on Neurodiversity and Inclusive Design in Letchworth and Manchester and also an International Care Forum in London focussing on the design of care spaces. Members of the Autoglym Technical Services team attended car show events demonstrating cleaning techniques and product training for customers.</p>	<p>The Company collects feedback from customers through a variety of channels including during site visits and through social media. In 2022, the Floors and Walls Division introduced a survey for customers to complete after they have visited our site in Letchworth Garden City and these have produced some valuable insights into improving our products and processes. Much of the update of the Altro Floors and Walls website in 2022 was driven by customer feedback.</p> <p>During the year, the Altro Floors and Walls Division introduced two new products, one each for construction and transit, and made changes to 5 other products. The Autoglym Division launched 3 new and 3 improved products for retail customers. Some existing products were offered in new sizes or to new markets for both retail and professional products. The majority of these changes and launches were led by customer feedback.</p> <p>During 2022 the Board approved a 300m² yard extension at the Altro Walls site in response to customer demand; this facilitates a lorry trailer being left onsite to be loaded as orders are completed, thereby avoiding double handling and mass loading and providing all-weather protection for completed orders.</p> <p>There has been a downward trend in customer complaints over recent years. In 2022 there was an 8% reduction in recorded complaints received by Altro Walls compared to 2021. In Autoglym complaints fell significantly in 2020, 2021 and again in 2022, despite all the challenges faced during these three years.</p> <p>One of the priorities following the cyber-attack was communication with all stakeholder groups. Information was posted on main websites and social media pages and customers were emailed with updates to ensure they were informed of contact and supply arrangements.</p> <p>(See also 'Approval of Price Increases' in the Principal Decisions section.)</p>

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

PENSIONERS	
<i>Our pensioners have often dedicated many years to serving the Group and we are mindful of our responsibility to them as well as how our current workforce plan for retirement in a society where retirement savings are often inadequate.</i>	
Engagement Strategies	Outcomes
<p>The Company sends a representative to each Defined Benefit Pension Trustee meeting and engages regularly with the Trustees and Scheme Actuary. The Board meets periodically with both the Independent Trustee and Scheme Actuary.</p> <p>There is a Defined Contribution Pension Scheme Group, who meet annually with the administrators to review the Scheme.</p> <p>There are regular employee presentations outlining pension arrangements and these become more frequent as employees approach retirement. Employees are also given access to online information about how to plan for retirement and the potential worth of their pension savings in real terms.</p>	<p>To give an added layer of protection, the Company has in place a cross-guarantee from The Altro Group plc for the Defined Benefit Pension Scheme and has again put £2.8m into funding the deficit during 2022. The Company also pays pension scheme costs for administration, investment advice and other pension fund fees.</p> <p>The Company has a 'Run down to Retirement' scheme, whereby employees are prepared for this significant life event through a series of seminars and then a gradual reduction in working days over the last four months of employment, whilst maintaining full pay and benefits.</p> <p>Nominations were sought in 2022 for a new Member Nominated Trustee for Defined Benefit Pension Scheme; the incumbent Trustee was willing to continue for a further term and was duly re-elected.</p>
SHAREHOLDERS	
<i>As the principal trading company of The Altro Group plc, we are proud of the alignment we have with our parent company and sole shareholder.</i>	
Engagement Strategies	Outcomes
<p>Whilst maintaining its independent decision-making power, the Board always takes into consideration the policies and decisions of its sole shareholder (The Altro Group plc) when reaching decisions.</p> <p>In order to further ensure close alignment and engagement with its shareholder, the Company has a Board of directors identical to that of its parent company.</p>	<p>As directors of both the Company and its parent entity, the Board members are all individually aware of the needs, policies and principles of the sole shareholder and are therefore able to actively take these into consideration when making decisions on behalf of the Company.</p> <p>(See also 'Dividend Decision' under Principal Decisions below).</p>

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

ENVIRONMENT	
<i>As manufacturers of products that involve chemical processing, it is of utmost importance that we respect the environment and take the environmental effect of our products and operations into account.</i>	
Engagement Strategies	Outcomes
<p>As a responsible business, the Board constantly considers the impact of the Company, its locations and products on the environment. The Company aims to make sustainable flooring and for this reason the Company is able to offer up to 20 year guarantees with a number of its flooring products. In 2022, the guarantee for some wall cladding products was increased from 20 to 30 years. The Board has always felt this to be important because of the effect that the 'throw-away' culture has on the environment.</p> <p>There are various relationships and memberships of industry environmental groups maintained by the Company and its subsidiaries, such as:</p> <ul style="list-style-type: none"> - VinylPlus (a voluntary commitment of the European PVC industry for sustainable development and recycling) and Vinylplus UK which is run by the British Plastics Federation and affiliated to VinylPlus; - British Plastics Federation Product Safety and Fire Safety committees; - Membership of the European Resilient Floor Covering Manufacturers Institute Circular Economy Committee and Revinylfloor (recycling) group; - Contact is maintained with the Construction Product Association's Sustainability Policy Group. - Industrial Affiliate to the EU Circular Flooring Project. <p>The Company maintains ISO 14001 (Environmental Management Systems) accreditation across both Divisions to ensure compliance with environmental standards and to enhance environmental performance. During 2022, the Altro Floors and Walls Division started work to achieve ISO 50001 (Energy Management) for our site in Letchworth Garden City, with a target to be certified to this standard by the end of 2024.</p> <p>The Company always considers the environment and sustainability in its capital expenditure and investment decisions and during 2022 continued its long-term Sustainability Strategy projects in both Divisions with dedicated Steering Groups. These Groups are working on plans for areas such as reducing carbon footprint, increasing recycled and bio-sourced content in our products and packaging and expansion of recycling schemes. The Company also continues to invest and work closely with suppliers to develop more environmentally sustainable products.</p>	<p>The Company uses green electricity, including through carbon off-setting, throughout all operations and continually works to improve the sustainability and environmental impact of its products. For example, almost 99% of all floors produced by the Company contain a bio-plasticizer that comes from a renewable source and 99% of the plastic bottles used by Autoglym for its retail products are recyclable. The use of adhesive-free flooring products, introduced in recent years removes the need for adhesives, which has environmental benefits and these floors are easier to recycle at the end of their life. During 2022 Autoglym sourced recyclable cardboard packaging for its Generation V LifeShine Aftercare kits (launched in early 2023) to replace the nylon bags used previously and the Altro Resins site switched to 3, 5 and 10 litre recycled buckets. The Altro Floors and Walls Division also initiated projects to increase the amount of recycled content in our flooring products and to look at using carbon negative materials. For UK employees a Bike2Work scheme was introduced (part of the Government's Green Transport Plan).</p> <p>Carbon Literacy training was given to a number of staff during 2022 and work began on creating a web-based Carbon Literacy training module which can be rolled out to all staff.</p> <p>The Company takes seriously the need to find ways to prevent redundant product from being sent to landfill. In 2009 Altro and Polyflor co-founded Recofloor, a vinyl flooring take-back scheme that operates in the UK and Ireland. With almost 6,500 tonnes of waste flooring collected since 2009, Recofloor provides an eco-friendly and cost-effective alternative to traditional waste disposal routes. In 2022 Recofloor collected 475 tonnes of installation offcuts and post-consumer waste for recycling into new flooring or traffic calming products such as road cones.</p> <p>Both our parent company (The Altro Group plc) and Altro Limited maintain investments in DB Group (Holdings) Limited, who developed an ultra-low carbon concrete (Cemfree) to help reduce carbon emissions in the construction industry.</p> <p>(See also the 'Emissions and energy consumption' section in the Directors' report.)</p>

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

COMMUNITY	
<i>The directors are aware that the Company is reliant on its local communities and owes them all a duty of care when carrying out its operations.</i>	
Engagement Strategies	Outcomes
<p>The Board is proud of the location of its manufacturing sites in Letchworth Garden City and considers carefully the impact they may have on the surrounding area and community. This is also true for all other locations.</p> <p>The Company supports several charitable causes both locally and internationally. Support strategies include monetary donations, staff time, partnerships and working with community groups, such as local schools. The Company also makes an annual donation of funds and staff time to The Altro Foundation Limited, which is a corporate Foundation with charitable status.</p> <p>The Company allows all staff, in every location worldwide, one day off per year to help out at any health charity of their choice. Staff are encouraged to choose local projects, so that the Company has a positive impact on the local community. The Company also supports staff involvement with other charity days and events, such as Macmillan coffee mornings and individual charitable fund-raising events. During 2022 some members of staff also volunteered at a farm close to our Letchworth factory.</p>	<p>Since 2008 the Autoglym Division has made an annual donation of car shampoo to The Fire Fighters Charity for use by every fire station taking part in their National Car Wash fundraising event. During 2022 the Autoglym Division also made a cash donation to a charity which assists low-income families in the local Letchworth community.</p> <p>The Altro Floors and Walls Division donates flooring and wall cladding to various good causes which have included local facilities, a homelessness charity and a street aid charity. During 2022, the Division also made some cash donations, both direct to local charities and via sponsorship of employees raising money for good causes. This included cash donations to a children's cancer charity and to local under-11s football and rugby teams.</p> <p>Members of our UK HR Team continue to act as Enterprise Advisors for a local Letchworth Garden City school, having meetings linking the curriculum to careers and supporting the school with various career-related activities. Our partnership continues with a not-for-profit organisation local to our Letchworth Garden City sites that supports the long-term unemployed through mentoring, courses and providing a drop-in centre. We have hosted visits for individuals being supported by this organisation so they can experience a workplace environment and to help develop their confidence by interacting with our employees. We have also provided an innovative solution to refurbishing tables for their drop-in centre by resurfacing tables with sections of our Altro Whiterock sheets.</p> <p>During 2022 the Company (and wider Group) ran a fundraising effort for the British Red Cross Ukraine Crisis Appeal, where the Company matched all donations made by global employees. In addition the Altro Floors and Walls Division donated free of charge flooring to several organisations involved in assisting refugees and needing to set up facilities at short notice and the Autoglym Division made donations of hand sanitizer to a hospital in Dnipro.</p>

Other matters to which the Board has regard when decision making

- **Zero Harm**
Having a happy and healthy workforce is vital to our work and this is why the Board has asked that Zero Harm is the first item considered at every meeting.
- **Sustainability**
Considering the most sustainable ways to carry out our processes, procedures and actions will help to benefit us and others for many years to come.

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

- **The need to constantly innovate**
Bringing new products to the market benefits customers including distributors, installers and end users, as well as the Company itself.
- **The importance of efficiency**
Efficient production lines and processes benefit not only the Company, but also customers, employees and the environment.
- **Maintaining the highest levels of quality in everything we do**
Quality is one of our main principles in both Divisions and is what we believe sets us apart from others.
- **Ensuring the systems (mechanical, technological, manual and other) are in place to provide a stable business platform and support efficiency**
No business can function well without robust systems in place and this is especially true in manufacturing.

Principal Decisions

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

During 2022 the Board has had to react to not only the after-effects of the COVID-19 pandemic, but also the continued unprecedented raw material price increases and impacts of a cyber-attack. The Board has therefore needed to make many decisions during 2022 and those that are deemed to be Principal Decisions are described below.

i) Expenditure Decisions

As noted earlier in this report, the Board prioritises the long-term success of the Company for the benefit of its shareholders and other stakeholders and throughout the pandemic the Board recognised that preserving cash was of paramount importance. Post-pandemic cash preservation has continued to be a consideration of the Board due to the unprecedented rise in costs of raw materials, shipping and energy, as well as a generally challenging economic environment. Therefore, during the year the Board balanced the need to be prudent with the need to grow the business for its future strength and take into account the needs of various stakeholder groups.

Principal decisions in relation to expenditure have at all times taken into account the impact on stakeholders and have included:

- *to continue to suspend some discretionary expenditure;*
- *not to go ahead with certain projects that were under consideration;*
- *to make a 4% pay increase award to employees at the start of 2023;*
- *to make a SIP Award to Qualifying Employees in early 2023; and*
- *payment of a £1,000 cost of living payment to all employees.*

ii) Dividend Decision:

Due to the ongoing challenges with cost increases and the lower than usual projected results for 2022, the Board decided not to pay any dividends during 2022. In reaching this decision, the Board considered the expectations of the shareholder, weighed against the need to preserve the long-term success of the Company and commitments such as funding the Company's pension schemes, as well as other stakeholder groups.

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

The Board reviews the DB Scheme deficit on a regular basis and continued to fund the deficit as agreed in the 2017 and 2020 valuations, contributing £2.8m during the year to 31 December 2022. When continuing with the contribution in 2022, the Board considered the need for prudence, as above, balanced with the needs of pensioners and other stakeholders.

Strategic report (continued) for the year ended 31 December 2022

Companies Act 2006 Section 172 Statement (continued)

iv) Approval of Price Increases

During 2022, decisions were made to implement some further price increases across both Divisions. The Board felt it necessary to take this action in order to maintain our high-quality customer service and to continue our product innovation work against the back-drop of unprecedented raw material and shipping cost increases. Customer needs were at the forefront of the decision-making process. Customers were consulted and kept informed where possible and were given at least 3 months' notice of the increases in the vast majority of cases.

v) Response to the cyber-attack

Swift decisions had to be taken in the immediate aftermath of the cyber-attack and this began with the appointment of a Special Incident Response Team to handle the day-to-day management of the recovery and the appointment of third-party forensics experts to assist with both the recovery and investigation, as well as other third-party advisors. Following the cyber-attack the incident was reported to relevant authorities and decisions were taken in regard to temporary closure of operations, reinstatement of operations using manual processes and delay of some planned activity into 2023 (for example approval of the 2023 budget). We have carried out an investigation with third party experts and a thorough review of our cyber-security measures; we have since made further investment in this area.

The Board would like to take this opportunity to thank all our employees, particularly members of the teams who guided the business through the response and the IT team for their amazing recovery effort. We would also like to recognise our third-party advisors, customers and suppliers for their support and understanding following the cyber-attack. The Board found it a humbling experience to witness the pulling together of so many people, and the very quick recovery that the business has made is testament to the efforts of all of those involved.

Current Position

At the time of signing, raw material, energy and shipping prices remain elevated but are starting to show signs of abating. The Company continues to review its operations, sales and expenditure on an ongoing and regular basis and some of the plans for 2023 and beyond which are outlined in this Strategic report, the Directors' report and other areas of these reports and financial statements may be altered or reversed. Any such changes will be made with the Company's long-term success in mind, taking into account stakeholders and factors as described above. We again thank all of our stakeholders for their continued support.

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



E P Boyle
Secretary
3 May 2023

Directors' report for the year ended 31 December 2022

The directors present their report and the audited financial statements of Altro Limited ("the Company") for the year ended 31 December 2022.

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

Directors

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

D J Kahn*
R J Kahn *Managing Director*
E P Boyle
P L Caller
M P Fincham*
T Lewis* *Chair*
A Nelson*
*Non-executive

Secretary

E P Boyle FCCA

Dividends

The directors decided not to pay a dividend in 2022 (2021: £23.56 per share), therefore dividends for the year totalled £0.0m (2021: £4.25m). No further dividends have been proposed between 31 December 2022 (2021: nil) and the date of approval of the financial statements.

Statement of employee engagement

Inclusion:

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

Retention:

Staff are encouraged to plan their careers within the Company and to participate in appropriate ongoing training, consistent with the needs of the business. Employees are encouraged to attend internal Management Development Programmes, Leadership short courses covering subjects such as Project Management, Resilience and Change Management and an 'Aspiring Managers' training course, introduced in 2021 and designed to develop new management potential, thereby retaining ambitious employees. At the balance sheet date, 21.4% of employees have between 10 and 20 years' continuous service and 16.7% have more than 20 years' service. This is a reflection of the Company's culture and resulting high levels of employee engagement.

Directors' report (continued)

for the year ended 31 December 2022

Statement of employee engagement (continued)

Directors' Engagement with and Regard to Employees:

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

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

Directors have regard to employees throughout all decision-making processes and the Company prides itself on the care it has for its staff. For example, employee well-being is always a priority and employees are made aware of this during their induction, where they attend training in 'Stress Management' and 'Dignity at Work'. In 2022 employees were also invited to attend Mental Health Awareness training and for the first time, the HR team participated in Suicide Awareness Training. In their induction, new employees are informed about the support network available to them (an Employee Assistance Programme, Dignity at Work Coaches, the HR team and Occupational Health). This is reinforced via displays on noticeboards and through promotions on the Well-being section of the staff SharePoint site. The Employee Hub, an additional tool created at the start of the pandemic, has continued to provide support to staff by allowing easier access, both on personal and work devices, to well-being information.

i) Information

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

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

A Special Incident Response Team (SIRT) was assembled on the day the cyber-attack was discovered, consisting of senior members of staff from throughout the organisation. The SIRT has sent out regular communications to staff in relation to the cyber-attack and these have been complemented with video updates to staff from Directors that have been sent to all staff. This was particularly important when access to our emails and systems was limited and ensured that there was no gap in ability to communicate with staff.

ii) Consultation

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

The Altro Floors and Walls Division carried out an employee survey during 2022 and the results were reviewed by the Division's Executive Committee, with the overall outcomes communicated to employees via managers, with general results published in October. Areas for improvement were considered by the Executive Committee and the decision was taken to run the survey again in 2023 to continue to monitor how employees are feeling and to track progress with actions; a short, "pulse" survey to gauge current feelings was taken in December 2022 and these pulse surveys will be continued at regular intervals between the full surveys.

Directors' report (continued) for the year ended 31 December 2022

Statement of employee engagement (continued)

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

ii) Consultation (continued)

As part of our commitment to employee safety, the Zero Harm programme has continued to be a focus during 2022. Employee training in 'Zero Harm – looking out for each other' is now delivered via iLearn web based training and 'IOSH Managing Safely and Working Safely' training continued to be delivered across both Divisions.

During 2022 employees were consulted on their views on the Share Incentive Plan. An Award was subsequently made in early 2023.

More generally, consultation of employees has continued throughout the year with questions being answered by Board members at several of the meeting forums outlined above. Generally, these questions can be submitted to a nominated member of staff either before or during meetings and updates so that they can be delivered to Board members anonymously, in order to encourage open and honest questions and feedback. Both Divisions have an online feedback system that allows staff to submit questions or observations directly to the respective CEO and Executive Committee at any time.

iii) Direct Engagement

The CEOs of both Divisions have continued to provide update videos to staff shared via the intranet site and via links to mobile phones to ensure all staff are reached. This was particularly useful during the cyber-attack when other means of communication were limited, and all global staff needed to be kept informed in a timely fashion.

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

iv) Employee Involvement in Company Performance

After a qualifying period, UK employees are invited to join a Share Incentive Plan (SIP). Free shares are generally distributed on an annual basis in recognition of the importance of encouraging employees to be involved in the wider Group's performance. No SIP Award has been made since 2020 but the decision was taken in 2022 to make a SIP award in early 2023 (see 'Expenditure Decisions' in the Principal Decisions section). The majority of staff remain SIP members and therefore receive all the same financial information that is disseminated to shareholders. A decision was taken to give staff a 4% pay increase (effective January 2023) in recognition of their hard work and dedication. A 'cost of living' bonus was awarded in late 2022 (paid in January 2023) to all staff.

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

v) Common Awareness

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

Directors' report (continued) for the year ended 31 December 2022

Statement of employee engagement (continued)

Decisions Affecting Employees:

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

- A hybrid working policy was formally introduced during 2022.
- Dignity at Work Coaching was rolled out to all existing employees as a refresher course, in addition to this being included in the induction programme.
- A new HR System was introduced, giving employees faster access to their own HR and payroll data.
- The Board has continued to pay for an external Employee Assistance Programme for all employees to access advice on a range of welfare and financial topics free of charge. The Employee Assistance Programme has maintained the 'My Healthy Advantage' app set up in 2021 which is accessible to all UK employees.
- The Employee Support Hub continued to provide regular updates on well-being related subjects (including Financial Wellbeing), to ensure that employees felt connected and supported, and to remind them of the support network available.
- The Company supported initiatives such as Men's Health, Nutrition and World Mental Health day.
- Financial Wellbeing workshops were offered to staff at our site in Letchworth Garden City.
- Funding for the Employee Benefit Trust continued at pre-pandemic levels during the year.

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

Thanks

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

Stakeholder Engagement (Suppliers, Customers and Others)

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

Emissions and energy consumption

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

	Total UK energy consumption (kWh):		Total UK emissions (Tonnes of CO₂e):			
	Year ended 31 December 2022	Year ended 31 December 2021	Location based 2022	Market Based 2022	Location based 2021	Market Based 2021
Scope 1: Gas and other fuels	9,357,127	10,063,040	1,753	1,753	1,878	1,878
Scope 1: Transportation	1,093,072	745,379	251	251	175	175
Scope 2: Grid-supplied electricity	5,695,040	6,623,816	1,101	1,101	1,406	16
Total	16,145,239	17,432,235	3,105	3,105	3,459	2,069
Intensity metric: (Tonnes of CO₂e/£m UK Turnover)			26.5	26.5	31.5	18.8

Directors' report (continued)

for the year ended 31 December 2022

Emissions and energy consumption (continued)

Energy efficiency action

The Company is committed to year on year improvements in its operational energy efficiency. In recent years a number of projects have been identified and undertaken in which energy efficiency has been a contributing objective. This includes a planned project to install smart meters on the Letchworth site in the Altro Floors and Walls Division.

Report Methodology

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following emission factor databases have been used to provide the kWh gross calorific value (CV) and kgCO₂e relevant for the reporting year: Database 2022, Version 1.

Estimations undertaken to cover missing billing periods for UK properties directly invoiced to the Company were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 1% of reported consumption.

For properties where the Company is indirectly responsible for utilities (i.e. via a landlord or service charge) an average kWh/m² consumption was calculated at meter level and was applied to the properties with similar operations but no available data. Intensity metrics have been calculated utilising the 2022 reportable figures.

Research and development

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

Pension schemes

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

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

During the year, the Company made a special contribution of £2.8m (2021: £2.8m) to the DB Scheme in line with the triennial funding plan agreed with the Defined Benefit Pension Trustees.

Charitable and political donations

The Company contributed £103,044 (2021: £150,000) for charitable purposes. There were no political contributions (2021: nil).

Going concern

Overall, the Company benefits from a strong financial position, with no external borrowing and significant liquidity available. As at 31 December 2022 the Company had liquid resources of £2.4m (2021: £9.5m) comprising cash and cash equivalents. In addition, there is an agreed overdraft facility of £6.0m (2021: £6.0m).

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

Directors' report (continued) for the year ended 31 December 2022

Going concern (continued)

In arriving at their decision to prepare these financial statements on the going concern basis, the directors have reviewed the Group's budget, forecasts and cashflow projections for 2023 and 2024, including proposed capital expenditure, and compared these with the Group's cash holdings, its committed borrowing facilities and projected gearing ratios.

Directors' liability insurance

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

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

Directors' confirmations

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

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

Directors' report (continued) **for the year ended 31 December 2022**

Independent auditors

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

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



E P Boyle
Secretary
3 May 2023

Independent auditors' report to the members of Altro Limited for the year ended 31 December 2022

Report on the audit of the financial statements

Opinion

In our opinion, Altro Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

Independent auditors' report to the members of Altro Limited for the year ended 31 December 2022

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- discussions with management and those charged with governance, including known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;
- identifying and testing journal entries meeting specified criteria considered to be unusual or indicative of potential fraud;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- reviewing meeting minutes, including those of the board of directors; and
- testing the appropriateness of key accounting estimates made by management.

Independent auditors' report to the members of Altro Limited for the year ended 31 December 2022

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Claire Lake (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cambridge

3 May 2023

Profit and loss account

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	5	117,165	109,917
Cost of sales		(72,348)	(60,592)
Gross profit		44,817	49,325
Distribution costs		(25,003)	(23,422)
Administrative expenses		(18,056)	(20,489)
Other operating income		141	281
Provision for amounts owed by group undertakings	15	(13,899)	-
Operating (loss) / profit	6	(12,000)	5,695
Income from shares in group undertakings		-	546
(Loss) / profit before interest and taxation		(12,000)	6,241
Interest receivable and similar income	8	1,196	582
Interest payable and similar expenses	8	(108)	(83)
(Loss) / profit before taxation		(10,912)	6,740
Tax on (Loss) / profit	9	164	(500)
(Loss) / Profit for the financial year		(10,748)	6,240

All the above results derive from continuing operations.

Statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
(Loss) / Profit for the financial year		(10,748)	6,240
Other comprehensive (expense) / income:			
Remeasurements of net Defined Benefit Pension Scheme asset	21	(8,902)	14,806
Total tax on components of Other comprehensive (expense) / income	9	1,526	(4,600)
Other comprehensive (expense) / income for the year, net of tax		(7,376)	10,206
Total comprehensive (expense) / income for the year		(18,124)	16,446

Balance sheet

as at 31/12/2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	320	314
Tangible assets	12	7,187	8,345
Investments	13	5,034	5,034
		12,541	13,693
Current assets			
Inventories	14	21,411	19,379
Defined Benefit Pension Scheme asset	21	15,068	20,728
Debtors: amounts falling due after more than one year	15	6,957	16,926
Debtors: amounts falling due within one year	16	26,395	20,191
Cash at bank and in hand		2,398	9,530
		72,229	86,754
Creditors: amounts falling due within one year	17	(17,245)	(13,294)
Net current assets		54,984	73,460
Total assets less current liabilities		67,525	87,153
Creditors: amounts falling due after more than one year	18	(3,153)	(2,250)
Provisions for liabilities	19	(145)	(222)
Deferred tax liability	19	(3,767)	(5,182)
Net assets		60,460	79,499
Capital and reserves			
Called up share capital	24	180	180
Share premium account		46	46
Retained earnings		60,234	79,273
Total equity		60,460	79,499

The notes on pages 27 to 50 are an integral part of these financial statements.

The financial statements on pages 24 to 50 were approved by the Board on 3 May 2023 and signed on its behalf by



R J Kahn
Managing Director

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2021	180	46	66,863	67,089
Profit for the financial year	-	-	6,240	6,240
Other comprehensive income for the year	-	-	10,206	10,206
Total comprehensive income for the year	-	-	16,446	16,446
Dividends paid	-	-	(4,250)	(4,250)
Parent company capital contribution from share-based payment	-	-	214	214
Total transactions with owners, recognised directly in equity	-	-	(4,036)	(4,036)
Balance as at 31 December 2021	180	46	79,273	79,499
Balance as at 1 January 2022	180	46	79,273	79,499
Loss for the financial year	-	-	(10,748)	(10,748)
Other comprehensive expense for the year	-	-	(7,376)	(7,376)
Total comprehensive expense for the year	-	-	(18,124)	(18,124)
Parent company capital reduction from share-based payment	-	-	(915)	(915)
Total transactions with owners, recognised directly in equity	-	-	(915)	(915)
Balance as at 31 December 2022	180	46	60,234	60,460

Notes to the financial statements

for the year ended 31 December 2022

1 General information

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

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

2 Statement of compliance

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

3 Accounting policies

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

(a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. The principal accounting policies, which have been applied consistently to all periods, are set out below.

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

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

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

(b) Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

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

Notes to the financial statements (continued) for the year ended 31 December 2022

3 Accounting policies (continued)

(c) Foreign currency

(i) Functional and presentational currency

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

(ii) Transactions and balances

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

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

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

(d) Goodwill and intangible assets

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

The annual rates used for intangible assets are:

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

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

(e) Investments

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

(f) Tangible assets and depreciation

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

The annual rates used for other assets are:

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

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

3 Accounting policies (continued)

(g) Deferred tax

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

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

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

(h) Inventories

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

(i) Financial instruments

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

(i) Financial assets

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

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

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

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

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

(ii) Financial liabilities

Basic financial liabilities, including trade creditors, other creditors, accruals, and amounts owed to group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Notes to the financial statements (continued) for the year ended 31 December 2022

3 Accounting policies (continued)

(i) Financial instruments (continued)

(ii) Financial liabilities (continued)

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

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

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

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

(iii) Offsetting

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

(j) Provisions

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

(k) Turnover

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

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

(l) Research and development

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

(m) Employee benefits

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

(i) Short term benefits

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

Notes to the financial statements (continued) for the year ended 31 December 2022

3 Accounting policies (continued)

(m) Employee benefits (continued)

(ii) Defined Benefit Pension Scheme

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

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

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

(iii) Defined Contribution Pension Schemes

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

(iv) Share-based payment

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

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

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

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

(n) Operating leases

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

(o) Dividends

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

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

Notes to the financial statements (continued) for the year ended 31 December 2022

3 Accounting policies (continued)

(p) Other operating income

Government grants

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

(q) Share capital

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

4 Critical accounting judgements and estimation uncertainty

Key accounting estimates and assumptions

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

Defined Benefit Pension Scheme

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

Impairment of investments and goodwill

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

Inventory provisioning

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

5 Turnover

Turnover by geographical area was:

	2022		2021	
	£'000	%	£'000	%
Territory				
United Kingdom	80,004	68	74,173	67
Continental Europe	15,953	14	13,732	13
The Americas	12,043	10	12,320	11
Australia and Asia Pacific	3,676	3	6,863	6
Rest of world	5,489	5	2,829	3
	117,165	100	109,917	100

Turnover is comprised of revenue from the sale of goods.

6 Operating (loss) / profit

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

	2022	2021
	£'000	£'000
Amortisation of intangible assets	129	181
Depreciation of tangible assets	1,973	2,295
Inventory obsolescence charges / (reversals)	544	(499)
Provision for amounts owed by group undertakings	13,899	-
Bad debt impairments / (reversals)	126	(298)
Research and development	1,925	1,959
Operating lease charges	589	625
Government grants (included within Other operating income)	-	(166)
Foreign exchange (gains) / losses	(762)	1,042
Fees payable to the Company's auditors for the audit of the financial statements	70	48
Fees payable to the Company's auditors and their associates for other services:		
- tax compliance services	49	44
- tax advisory services	186	33
- other non audit services	-	18
Total amount payable to the Company's auditors and their associates	305	143

Notes to the financial statements (continued) for the year ended 31 December 2022

7 Employees and directors

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

	2022	2021
	Number	Number
Manufacturing	143	134
Sales and marketing	161	157
Warehouse and distribution	59	65
Administration and management	159	150
	522	506

Employee costs, including directors, during the year were:

	2022	2021
	£'000	£'000
Wages and salaries	24,324	22,615
Social security costs	2,619	2,341
Other pension costs	1,395	1,327
Employee share schemes (note 23)	(165)	214
	28,173	26,497

Directors

The directors' emoluments were as follows:

	2022	2021
	£'000	£'000
Aggregate emoluments	1,666	1,621
Defined Contribution Pension Scheme contributions	186	186
	1,852	1,807

Contributions were made to a Defined Contribution Pension Scheme on behalf of one director (31 December 2021: one) in the year ended 31 December 2022.

During the year 62,896 (2021: 56,119) phantom options were awarded to the directors and 33,515 (2021: 32,973) were exercised.

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Employees and directors (continued)

Highest paid director	2022 £'000	2021 £'000
Highest paid director:		
Aggregate emoluments	773	776
Defined Contribution Pension Scheme contributions	186	186
	959	962

The amount of the accrued pension in the DB Scheme of the highest paid director at 31 December 2022 is £179k (2021: £175k). No approved share options (2021: none) and 22,523 phantom share options (2021: 32,973) were exercised by the highest paid director in the year.

Key management

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

8 Net interest income

	2022 £'000	2021 £'000
Other interest receivable and similar income:		
short term deposits	8	1
other	63	63
loans to subsidiary companies	683	456
finance income on DB Scheme assets (note 21)	442	62
Interest receivable and similar income	1,196	582
Interest payable and similar charges:		
loans from subsidiary companies	(108)	(83)
Interest payable and similar expenses	(108)	(83)
Net interest income	1,088	499

Notes to the financial statements (continued)
for the year ended 31 December 2022

9 Tax on (loss) / profit

(a) Tax (credit) / expense included in profit or loss

	2022	2021
	£'000	£'000
<hr/>		
Current tax:		
UK corporation and income tax:		
current tax (credit) / expense on income for the year	(110)	492
adjustments in respect of prior years	12	(124)
<hr/>		
Current tax (credit) / charge	(98)	368
<hr/>		
Deferred tax:		
timing differences - origination and reversal	(66)	132
<hr/>		
Deferred tax (credit) / charge	(66)	132
<hr/>		
Tax on (loss) / profit	(164)	500
<hr/>		

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

	2022	2021
	£'000	£'000
<hr/>		
Deferred tax:		
timing differences - origination and reversal (note 19)	(1,526)	4,600
<hr/>		
Tax (credit) / expense included in Other comprehensive (expense) / income	(1,526)	4,600
<hr/>		

Notes to the financial statements (continued)

for the year ended 31 December 2022

9 Tax on (loss) / profit (continued)

(c) Reconciliation of tax charge

The total tax (credit) / charge for the year is lower (2021: lower) than the applicable rate of corporation tax in the UK of 19% (2021: 19%).

A reconciliation of the total tax (credit) / charge for the year is presented below:

	2022 £'000	2021 £'000
(Loss) / Profit before taxation	(10,912)	6,740
Tax charge on profit before taxation of 19% (2021: 19%)	(2,073)	1,281
Income not subject to tax	-	(104)
Expenses not deductible for tax purposes	2,692	114
Research and development enhanced allowances	(112)	(148)
Pension contributions in excess of charge	(616)	(544)
Depreciation in excess / (deficit) of capital allowances	52	(35)
Movement in short-term timing differences	(121)	158
Adjustments in respect of prior years	12	(124)
Deferred tax on share schemes	55	(26)
Group relief	(42)	(44)
Other	(11)	(28)
Tax (credit) / charge for the year	(164)	500

(d) Tax rate changes

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021 and its effects are therefore included in these financial statements. In the Spring Budget 2023, the Chancellor of the Exchequer confirmed that the main corporation tax rate will increase from 19% to 25% with effect from 1 April 2023.

Notes to the financial statements (continued)

for the year ended 31 December 2022

10 Dividends

	2022 £'000	2021 £'000
Authorised and paid £0.00 per share (2021: £23.56)	-	4,250

No further dividends have been proposed between 31 December 2022 (2021: nil) and the date of approval of the financial statements.

11 Intangible assets

	Franchise £'000	Goodwill £'000	Computer Software £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2022	141	2,488	1,559	110	4,298
Additions	-	-	78	57	135
Disposal	-	-	(2)	-	(2)
Transfers	-	-	136	(136)	-
At 31 December 2022	141	2,488	1,771	31	4,431
Accumulated amortisation					
At 1 January 2022	136	2,488	1,360	-	3,984
Disposal	-	-	(2)	-	(2)
Charge for the year	5	-	124	-	129
At 31 December 2022	141	2,488	1,482	-	4,111
Net book value					
At 31 December 2022	-	-	289	31	320
At 31 December 2021	5	-	199	110	314

Notes to the financial statements (continued)

for the year ended 31 December 2022

12 Tangible assets

	Land and buildings Short leasehold £'000	Plant equipment and vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 January 2022	100	40,199	1,139	41,438
Additions	-	353	486	839
Disposals	(73)	(2,592)	-	(2,665)
Transfers	-	131	(131)	-
At 31 December 2022	27	38,091	1,494	39,612
Accumulated depreciation				
At 1 January 2022	100	32,993	-	33,093
Charge for the year	-	1,973	-	1,973
Disposals	(73)	(2,568)	-	(2,641)
At 31 December 2022	27	32,398	-	32,425
Net book value at 31 December 2022	-	5,693	1,494	7,187
Net book value at 31 December 2021	-	7,206	1,139	8,345

13 Investments

	£'000
Cost	
At 1 January 2022	7,910
Additions	-
At 31 December 2022	7,910
Provisions for impairment	
At 1 January 2022	(2,876)
Charge for the year	-
At 31 December 2022	(2,876)
Net book value at 31 December 2022	5,034
Net book value at 31 December 2021	5,034

The directors believe that the carrying value of the investments at 31 December 2022 is supported by their underlying net assets.

Notes to the financial statements (continued)

for the year ended 31 December 2022

13 Investments (continued)

The principal trading subsidiaries at 31 December 2022 were:

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

Dormant entities

The following companies, registered at the same address as the Company as detailed in note 28 are wholly owned by the Company but are dormant at the year end:

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

Recofloor Limited (registered at Bankfield House, Regent Road, Bootle, England, L20 8RQ), also dormant at the year end, is 50% owned by the Company.

* On 1 January 2023, Debolon Dessauer Bodenbeläge GmbH & Co. KG changed its name to Altro Deutschland GmbH & Co. KG.

Notes to the financial statements (continued)

for the year ended 31 December 2022

14 Inventories

	2022	2021
	£'000	£'000
Raw materials and consumables	7,221	6,113
Work in progress	703	642
Finished goods and goods held for resale	13,487	12,624
	21,411	19,379

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

Inventories are stated after provisions for impairment of £3,259k (2021: £2,715k).

15 Debtors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Amounts owed by group undertakings	6,862	16,926
Deferred tax asset (note 19)	95	-
	6,957	16,926

Amounts owed by group undertakings comprise €23,400k (2021: €18,400k) which accrues interest at 3% above EURIBOR per annum; and US\$2,000k (2021: US\$2,000k) which accrues interest at 5.5% per annum. The EUR balance has no set repayment date, and the USD balance is set for repayment on 6 May 2023 and has therefore been included in Debtors: amounts falling due within one year in 2022 (Note 16).

During the year, management reassessed the carrying value of amounts owed by group undertakings for impairment against their recoverable amounts. Owing to the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, it has been determined that an impairment provision of £13.9m is required. The impairment provision reflects the net asset position of the related entities.

16 Debtors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade debtors	13,760	12,346
Amounts owed by group undertakings	9,392	5,083
Other debtors	237	290
Corporation tax	1,034	625
Prepayments and accrued income	1,972	1,847
	26,395	20,191

With the exception of the USD loan balance described in note 15, amounts owed by group undertakings falling due within one year are unsecured, repayable on demand and accrue interest at relevant agreed rates to the extent that such balances are overdue but are otherwise interest-free.

Trade debtors are stated after provisions for impairment of £293k (2021: £167k).

Notes to the financial statements (continued)

for the year ended 31 December 2022

17 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	5,905	4,681
Amounts owed to group undertakings	3,044	383
Other taxation and social security	1,129	957
Other creditors	372	120
Accruals and deferred income	6,795	7,153
	17,245	13,294

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

18 Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Amounts owed to group undertakings	3,153	2,250

Amounts owed to group undertakings comprise AUD\$5,200k (2021: AUD\$3,800k) which accrues interest at 7.83% per annum; and €250k (2021: €250k) which accrues interest at 1.70% per annum. The AUD balance falls due for repayment on 21 December 2025, and the EUR balance falls due for repayment on 28 March 2024. Both balances are unsecured.

19 Provisions for liabilities

	Deferred tax	Other	Total
	£'000	£'000	£'000
At 1 January 2022	82	140	222
(Credited) / charged to profit and loss account	(177)	13	(164)
Utilised in the year	-	(8)	(8)
At 31 December 2022	(95)	145	50

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

Deferred tax

	2022	2021
	£'000	£'000
Accelerated capital allowances	458	523
Other short-term timing differences	(553)	(441)
Deferred tax (asset) / liability	(95)	82

Notes to the financial statements (continued)

for the year ended 31 December 2022

19 Provisions for liabilities (continued)

Deferred tax liability relating to Defined Benefit Pension Scheme asset	2022	2021
	£'000	£'000
At 1 January	5,182	582
Deferred tax charge / (credit) to Profit and loss account	111	-
Deferred tax (credit) / charge to Other comprehensive income	(1,526)	4,600
At 31 December	3,767	5,182

20 Operating lease commitments

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

	2022		2021	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within one year	241	368	233	384
between one and five years	867	361	964	380
after five years	2,723	-	2,784	-
	3,831	729	3,981	764

Notes to the financial statements (continued)

for the year ended 31 December 2022

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

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

A full actuarial valuation was carried out as at 30 April 2020; the results have been updated to 31 December 2022 by a qualified independent actuary and showed a surplus at that date of £15,068k (2021: £20,728k) gross of deferred tax, measured in accordance with FRS 102 section 28: Employee benefits.

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

The Company plans to reduce the DB Scheme obligation through an agreed contribution of £2,800k (2021: £2,800k) per year going forward.

i) Net pension asset

The pension asset at 31 December was as follows:

	2022	2021
	£'000	£'000
Fair value of DB Scheme assets	99,256	163,211
Present value of DB Scheme liabilities	(84,188)	(142,483)
Net pension asset	15,068	20,728

The present value of unfunded DB Scheme liabilities is nil (2021: nil). The irrecoverable surplus in the DB Scheme is nil (2021: nil).

ii) Analysis of assets and expected rates of return

The fair value of plan assets at 31 December were:

	2022	2021
	£'000	£'000
LDI funds and cash	99,256	143,592
Diversified Growth Funds	-	19,619
Fair value of DB Scheme assets	99,256	163,211

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

21 Retirement benefits (continued)

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

iii) Financial and demographic assumptions

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

	2022	2021
	%	%
Rate of increase in pensions in payment (post 2006)	2.2	2.2
Rate of increase in pensions in payment (post 1997, pre 2006)	3.6	3.6
Rate of increase in pensions in payment (pre 1997)	3.0	3.0
Discount rate	4.7	2.0
RPI Inflation	3.2	3.2
CPI Inflation	2.8	2.8

The assumed life expectancies on retirement at age 65 were:

		2022	2021
		Years	Years
Retiring today	males	21.9	21.7
	females	24.2	24.1
Retiring in 20 years' time	males	23.2	23.0
	females	25.6	25.6

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

	2022	2021
	£'000	£'000
Fair value of DB Scheme assets at 1 January	163,211	159,968
Interest income on DB Scheme assets	3,207	2,229
Actuarial (loss) / gain	(61,445)	2,477
Contributions by employer	2,800	2,800
Benefits paid	(8,517)	(4,263)
Fair value of DB Scheme assets at 31 December	99,256	163,211

Notes to the financial statements (continued)

for the year ended 31 December 2022

21 Retirement benefits (continued)

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

v) Changes in present value of DB Scheme liabilities

	2022	2021
	£'000	£'000
Present value of DB Scheme liabilities at 1 January	142,483	156,908
Interest cost	2,765	2,167
Remeasurement gain	(52,543)	(12,329)
Benefits paid	(8,517)	(4,263)
Present value of DB Scheme liabilities at 31 December	84,188	142,483

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

	2022	2021
	£'000	£'000
Administration expenses	479	388
Total operating charge	479	388
Interest income on DB Scheme net asset	(442)	(62)
Total finance income (note 8)	(442)	(62)

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

	2022	2021
	£'000	£'000
Actual return on DB Scheme assets less interest income	(61,445)	2,477
Remeasurement gain on DB Scheme liabilities	52,543	12,329
	(8,902)	14,806

(b) Defined Contribution Pension Schemes (DC Schemes)

The Company makes contributions into a number of Defined Contribution Pension Schemes, whose assets are held in separate funds. The total contributions payable by the Company in the year in respect of these schemes were £1,395k (2021: £1,327k). There were accrued contributions of £228k (2021: nil) at the year end. Contributions of £605k (2021: £791k) were prepaid at the year end.

Notes to the financial statements (continued)

for the year ended 31 December 2022

22 Financial instruments

The Company has the following financial instruments:

	2022	2021
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	13,760	12,346
- Amounts owed by group undertakings	16,254	22,009
- Other debtors	237	290
	30,251	34,645
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts	134	111
Financial liabilities measured at amortised cost		
- Trade creditors	5,905	4,681
- Other creditors	372	120
- Accruals	6,795	7,153
- Amounts owed to group undertakings	6,197	2,633
	19,269	14,587

Derivative financial instruments - forward contracts

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for purchases and sales. As at 31 December 2022, the outstanding contracts all mature within 12 months (2021: 12 months) of the year end. The Company committed to buy €5,000k for a fixed sterling amount (2021: €5,000k). At 31 December 2022 the Company had also committed to sell AUD\$2,000k, CAD\$4,750k, SEK14,000k and US\$9,500k for fixed sterling amounts (2021: AUD\$2,250k, CAD\$4,750k, SEK14,000k and US\$9,000k).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for each of the currencies against sterling. The fair value of the forward foreign currency contracts is £134k loss (2021: £111k loss). This balance is included within the Other creditors (note 17). The loss on forward foreign currency contracts charged to the profit and loss account in the year was £23k (2021: £466k loss).

Notes to the financial statements (continued)

for the year ended 31 December 2022

23 Share-based payment

During the year ended 31 December 2022, the Company operated three share-based payment arrangements, as follows:

Company Share Option Plans (CSOP)

The Altro Group plc 2007 United Kingdom Approved Share Option Scheme (the '2007 CSOP') was introduced in 2007. However no further grants can be made under this Plan. In 2018 a new Plan was therefore introduced, known as The Altro Group plc Company Share Option Plan (the '2018 CSOP'). Under the 2018 CSOP the board of The Altro Group plc can grant options over shares in The Altro Group plc to employees of the Company. Options are granted with a fixed exercise price equal to the market value of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are generally reserved for employees at senior and director level. There are three participants remaining in the 2007 CSOP at the balance sheet date (2021: three), and zero in the 2018 CSOP (2021: one). As appropriate, the board of The Altro Group plc has made annual grants since the inception of these Plans. Options granted under these Plans will become exercisable on the third anniversary of the date of grant and exercise is generally conditional on there having been real growth in the published earnings per share of the Group in any three years between the date the option was granted and the date of exercise. Real growth means an increase above the General Index of Retail Prices of not less than 2% and earnings per share are as published in the Group's audited financial statements. Exercise of an option is typically subject to continued employment and is settled by equity.

Phantom Share Option Plans

The Phantom Share Option Plan 2018 was introduced in 2018 (the 'Phantom Plan 2018') to replace The Altro Group plc Phantom Share Option Scheme 2005 (the 'Phantom Plan 2005'). No further Phantom Options will be granted under the Phantom Plan 2005. Under the Phantom Plan 2018 the board of The Altro Group plc can grant options over notional shares in The Altro Group plc to employees of the Company. The contractual life of a Phantom Option is seven years and options are granted with a fixed exercise price set by the board and usually equal to the market price of the shares under option at the date of grant. Awards are generally reserved for employees at senior and director level. There are four participants remaining in the Phantom Plan 2005 (2021: four) and four participants in the Phantom Plan 2018 at the balance sheet date (2021: five). As appropriate, the board of The Altro Group plc has made annual grants under one of the Phantom Plans since 2006. Phantom Options granted under either Phantom Plan will become exercisable on the third anniversary of the date of grant. There are no performance conditions attached to the exercise of Phantom Options that have been granted to date under either Phantom Plan. A Phantom Option is usually satisfied in cash and therefore does not normally result in the issuing of shares in The Altro Group plc.

Share Incentive Plan

The SIP was introduced in 2003 and the board of The Altro Group plc can award free shares in The Altro Group plc to UK-based employees of the Company. Under current legislation free shares must be kept in trust for a minimum of three years and for five years to take advantage of full tax benefits. There is an upper statutory limit of £3,600 worth of shares per tax year. Awards are granted with a fixed price equal to the market price of the shares at the date of award. Awards under the SIP are reserved for employees who have been in continuous employment for a period of seven months prior to the grant date. There are 374 participating employees at the balance sheet date (2021: 412). The board of The Altro Group plc has made annual awards since 2003, with the exception of 2020 to 2022, and there are no performance conditions attached to an award. An award is satisfied by the issue of equity shares in The Altro Group plc. The exercise price is nil and dividends are paid as they fall due.

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

	2022	2021
	£'000	£'000
(Income) / expense arising from share-based payment arrangements	(165)	214

A reconciliation of option and SIP movements over the year to 31 December 2022 is shown on page 49. Shares issued under the SIP do not have an exercise price and therefore only a reconciliation of the number of awards has been shown and not of their weighted average exercise price.

Notes to the financial statements (continued)

for the year ended 31 December 2022

23 Share-based payment (continued)

	2022		2021	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	717,958	660	787,732	629
Granted during the year	84,492	631	85,021	730
Exercised during the year	(75,007)	571	(129,214)	525
Cancelled during the year	(29,309)	696	(25,581)	764
Outstanding at 31 December	698,134	661	717,958	660
Exercisable at 31 December	498,101	635	449,164	669

During the year two directors exercised share options (2021: two).

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

Phantom plan:	2022	2021
Risk-free interest rate	3.25% - 3.6%	0.6% - 0.8%
Expected volatility	30%	30%
Expected option life	3-7 years	3-7 years
Expected dividend yield	3.0%	2.0%

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

Share option schemes	Settlement method	Number of options		Exercise price pence	Exercisable between
		2022	2021		
CSOP	Equity	10,506	10,506	571	11.04.2018 and 11.04.2025
		3,562	3,562	842	30.09.2019 and 30.09.2026
		-	4,065	738	30.01.2023 and 30.01.2030
Total CSOP		14,068	18,133		
Phantom	Cash	-	43,686	571	11.04.2018 and 11.04.2022
		44,688	44,688	842	30.09.2019 and 30.09.2023
		62,245	62,245	669	26.05.2020 and 26.05.2024
		68,178	68,178	623	26.10.2021 and 26.10.2025
		85,282	85,282	511	06.09.2022 and 06.09.2026
		60,586	65,398	738	01.04.2023 and 01.04.2027
		65,753	75,387	730	18.06.2024 and 18.06.2028
73,694	-	631	30.06.2025 and 30.06.2029		
Total Phantom		460,426	444,864		
Share Incentive Plan	Equity	223,640	254,961		
Total Share Incentive Plan		223,640	254,961		
Total share options outstanding		698,134	717,958		

Notes to the financial statements (continued)

for the year ended 31 December 2022

24 Called up share capital

Authorised, called up, allotted and fully paid share capital	2022	2021
	£'000	£'000
Authorised:		
200,000 ordinary shares of £1 each (2021: 200,000 ordinary shares of £1 each)	200	200
Called up, allotted and fully paid:		
180,433 ordinary shares of £1 each (2021: 180,433 ordinary shares of £1 each)	180	180

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

25 Capital commitments

	2022	2021
	£'000	£'000
Contracted but not provided for	953	381

26 Related party transactions

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

27 Ultimate parent company

The immediate and ultimate parent company and controlling party is The Altro Group plc, for which Group financial statements are prepared. The Company is incorporated in the United Kingdom and registered in England and Wales. Copies of the Group financial statements are available from the Company Secretary at The Altro Group plc, Works Road, Letchworth Garden City, SG6 1NW. For the year ended 31 December 2022, the largest and smallest group in which the results of the Company are consolidated is that headed by The Altro Group plc. The registered office of The Altro Group plc is the same as the Company.