The Altro Group

Report and accounts

2009

altro

AUTO GLYM

Contents

Chairman's statement

for the year ended 31 December 2009

It is pleasing to report better than expected results for the year with a profit before tax of £11.6 million (2008: £14.3 million). Although below last year's record, this is regarded as a satisfactory performance in a year in which the global recession affected all our major markets. The result was also affected by a number of non-recurring costs during the year.

The Group's cash position remains strong following completion of the purchase of the shares from the 3i Group in January 2010 and we are continuing to invest in the business.

The support, commitment and enthusiasm of our employees has once again led the Group to be recognised as one of The Sunday Times '100 Best Companies to Work For' in 2009, for the fourth consecutive year. On behalf of the board and the shareholders, I thank all employees for their contribution.

An interim dividend of 4.0p per share was paid to shareholders in November 2009, with a second interim of 4.0p per share paid in February 2010. At the annual general meeting in June, the Group proposes to seek the approval of shareholders to pay a final dividend of 4.0p per share on Friday 23 July 2010 to those shareholders on the register at close of business on Friday 9 July 2010. The total dividend will therefore be 12.0p for the year to 31 December 2009 [2008: 11.0p].

A share valuation of 388p was obtained from Investec Bank plc in January 2010 [March 2009: 272p] on behalf of the trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP).

The Group continues to support share ownership by employees and has set aside £300,000 [2008: £300,000] for the distribution of shares under the SIP in 2010.

The Company will seek the approval of shareholders at the annual general meeting for the purchase of up to £1 million of its own shares at 388p per share. The Share Repurchase Scheme, together with the EBT, provides a market for shareholders whilst reducing the dilution of shares in issue resulting from the allotment of shares to employees.

With uncertainty in the UK and overseas markets, the result for 2010 is difficult to forecast; however, we believe that the strength of the Group, our product development and further investment will help us continue to prosper.

D. Kahn.

David Kahn

Directors' report

Company Registration Number: 01493087

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009. The directors of the Company, all of whom have been directors for the whole of the year, are listed on page 9.

Principal activities and review of the business

The Altro Group plc (the "Company") is an unquoted public limited company and the holding company of the Altro group of companies (the "Group"). Its balance sheet is disclosed on page 13 and the profit attributable to its shareholders is disclosed in Note 9 on page 20.

The principal activities of the business, including expected future developments, are:

- the manufacture and marketing of Altro safety flooring - slip resistant flooring for use in commercial applications
- the manufacture and marketing of Altro resin systems
- the manufacture and marketing of wall and ceiling systems
- the manufacture and distribution of Autoglym and Kanor vehicle care and car wash products.

Financial review

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

The key performance indicators for the Group are:

- Turnover - decrease of 7% (2008: up 14%)
- Operating profit - decrease of 16% (2008: up 4%)
- Net funds - increase of 71% (2008: up 82%)
- Shareholders' funds - decrease of 8% (2008: up 21%)

The Group's net funds as at 31 December 2009 were £22.9 million [2008: £13.4 million].

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

Expenditure during the year has included investment in buildings, plant and machinery throughout the Group as well as additional contributions of £2.75 million to the Defined Benefit Pension Scheme. Such expenditure is a clear example of our policy of investing for the future.

Principal risks and uncertainties

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

The key business risks affecting the Group are considered to relate to competition from other manufacturers, increased raw material and energy costs, fluctuations in the UK and global economy and any action which may be taken by governments in our major markets to address their budget deficits.

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

Financial risk management

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

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

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

Currency risk

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

Credit risk

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

Price risk

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

Liquidity risk

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

Interest rate risk

The Group has very limited exposure to interest rate risk as borrowings are insignificant. However, there is an exposure to the impact of longer term rate movements in the Defined Benefit Pension Scheme, which is managed by the trustees and their advisers.

Directors' liability insurance

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

Share capital

During 2009, the Group bought back and cancelled 551,470 [2008: 433,600] ordinary shares of 10p each (representing 3.0% [2008: 2.0%] of the called up share capital) at a price of 272p per share [2008: 504p per share] for a total of £1,499,998 [2008: £2,185,344] with an aggregate nominal value of £55,147 [2008: £43,360].

In January 2010, the Group also bought back the entire 3i Group shareholding of 2,910,921 shares at a cost of £7,400,027; these shares were subsequently cancelled.

The Group will seek approval at the annual general meeting to commit up to £1 million to buying back Group shares [2008: £1.5 million]. This is the sixteenth year in which the Group has run the Share Repurchase Scheme for the benefit of all shareholders.

Dividends

The directors recommend a final dividend of 4.0p per share, resulting in a total of 12.0p for the year. Diluted earnings per share were 34.5p [2008: 47.0p]. Assuming approval by shareholders at the annual general meeting, the final dividend will be paid on Friday 23 July 2010 to all those on the share register at close of business on Friday 9 July 2010.

Share Incentive Plan (SIP)

£300,000 has been allocated to the SIP [2008: £300,000 for shares awarded to 460 employees]. This allocation will be the eighth under the SIP.

Employee Benefit Trust (EBT)

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

Employees

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

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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

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

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

Health & Safety and the environment

Health & Safety and environmental performance remain key business objectives.

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

Research and development

We continue to strengthen this essential part of our business. All research and development expenditure is charged to the profit and loss account as incurred.

Group pension schemes

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

The Defined Benefit Pension Scheme is in deficit and the Group continues to support the funding plan originally agreed with the trustees in 2006, and reviewed and updated in July 2009, by making a contribution of £1.75 million per annum to the Defined Benefit Pension Scheme, in addition to the expected future funding contribution. The Group also made a non-recurring additional cash injection of £1 million in July 2009.

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

Payments to suppliers

Group companies do not follow any published code or standard on payment practice for suppliers of goods and services. However, in respect of regular suppliers, our policy is generally to establish agreed payment terms which apply to recurring transactions, subject to review as appropriate. For occasional suppliers, the policy is to pay in accordance with prevailing practice for the particular country and industry or market concerned, subject to any specific agreement.

Directors' report continued

The Company acts as a holding company for the Group. Creditor days for the Company were nil [2008: nil] as it does not undertake any transactions with suppliers. The Group's creditor days were 39 at 31 December 2009 [2008: 37 days].

Going concern

In arriving at their decision to prepare these accounts on the going concern basis, the directors have reviewed the Group's budget and cash flow projections for 2010 (including proposed capital expenditure) and compared these with the Group's cash holdings, its committed borrowing facilities and projected gearing ratios.

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

Purchase and disposal of shares

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

Statement of directors' responsibilities

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

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

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

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

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

Disclosure of information to auditors

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

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

Auditors

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

By order of the Board

EP Boyle
Secretary

11 May 2010

Independent auditors' report to the members of The Altro Group plc

for the year ended 31 December 2009

We have audited the Group and parent Company financial statements (the ''financial statements'') of The Altro Group plc for the year ended 31 December 2009 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Reconciliation of movements in Group shareholders' funds, the Consolidated and Company balance sheets, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2009 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

David Newstead

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

11 May 2010

Directors and advisers

Directors

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

Secretary

EP Boyle FCCA

Registered office

Works Road
Letchworth Garden City
Hertfordshire
SG6 1NW

Company registration number

01493087

Auditors

PricewaterhouseCoopers LLP

Bankers

Barclays Bank PLC

Solicitors

DLA Piper UK LLP

Stockbrokers

Investec Bank PLC

Registrars

Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Consolidated profit and loss account
for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	111,749	120,346
Cost of sales		(51,936)	(57,452)
Gross profit		59,813	62,894
Operating expenses	5	(47,951)	(48,812)
Operating profit		11,862	14,082
Net interest	6	19	235
Other finance (charge) / income	6	(254)	18
Profit on ordinary activities before tax	7	11,627	14,335
Tax on profit on ordinary activities	10	(4,522)	(4,450)
Profit on ordinary activities after tax		7,105	9,885
Earnings per share	12		
Basic		34.6p	48.0p
Diluted		34.5p	47.0p

All the above results derive from continuing operations.

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Profit attributable to shareholders		**7,105**	9,885
Currency translation differences		**(248)**	2,131
Actuarial (loss) / gain on net Defined Benefit Pension Scheme assets	21	**(13,772)**	6,419
Deferred tax on actuarial loss / (gain)		**3,856**	(1,798)
Total recognised gains and losses in the year		**(3,059)**	16,637

Reconciliation of movements in Group shareholders' funds

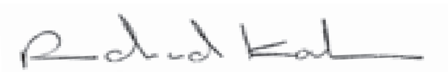
for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Total recognised gains and losses in the year		**(3,059)**	16,637
Dividends paid	11	**(2,255)**	(2,387)
		(5,314)	14,250
Issue of new shares	24	**384**	607
Purchase of own shares	24	**(1,500)**	(2,185)
Purchase of own shares for the Share Incentive Plan	24	**(299)**	(531)
Purchase of own shares by the Employee Benefit Trust	24	**(534)**	(3,143)
Disposal of own shares by the Employee Benefit Trust	24	**1,883**	2,456
Credit in respect of equity-settled share-based payments	24	**231**	296
Total movement in the year		**(5,149)**	11,750
Opening Group shareholders' funds		**66,787**	55,037
Closing Group shareholders' funds		**61,638**	66,787

Consolidated balance sheet
at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	13	2,017	2,232
Tangible assets	14	31,694	34,459
		33,711	36,691
Current assets			
Stocks	17	10,559	13,728
Debtors	18	14,414	15,446
Cash at bank and in hand		24,263	14,671
		49,236	43,845
Creditors: amounts falling due within one year	19	(14,778)	(15,032)
Net current assets		34,458	28,813
Total assets less current liabilities		68,169	65,504
Provisions for liabilities and charges	20	(1,278)	(1,181)
Net assets excluding Defined Benefit Pension Scheme liability / asset		66,891	64,323
Defined Benefit Pension Scheme (liability) / asset	21	(5,253)	2,464
Net assets including Defined Benefit Pension Scheme liability / asset		61,638	66,787
Capital and reserves			
Called up share capital	23	2,084	2,121
Share premium account	24	6,466	6,101
Capital redemption reserve	24	614	558
Profit and loss account	24	53,220	61,541
		62,384	70,321
Own shares held	16	(746)	(3,534)
Total Group shareholders' funds		61,638	66,787

These financial statements were approved by the Board on 11 May 2010 and signed on its behalf by



RJ Kahn
Managing Director

Company balance sheet
at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	14	**20,164**	20,679
Investments	15	**7,216**	7,099
		27,380	27,778
Current assets			
Debtors	18	**-**	-
Cash at bank and in hand		**6,581**	2,260
		6,581	2,260
Creditors: amounts falling due within one year	19	**(2,270)**	(3,405)
Net current assets		**4,311**	(1,145)
Total assets less current liabilities		**31,691**	26,633
Provisions for liabilities and charges	20	**(105)**	(75)
Net assets		**31,586**	26,558
Capital and reserves			
Called up share capital	23	**2,084**	2,121
Share premium account	24	**6,466**	6,101
Capital redemption reserve	24	**614**	558
Profit and loss account	24	**23,168**	21,312
		32,332	30,092
Own shares held	16	**(746)**	(3,534)
Total shareholders' funds		**31,586**	26,558

These financial statements were approved by the Board on 11 May 2010 and signed on its behalf by

RJ Kahn
Managing Director

Consolidated cash flow statement

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	25(a)	17,329	16,082
Returns on investments and servicing of finance	25(b)	19	235
Tax paid		(3,939)	(2,253)
Capital expenditure and financial investment	25(b)	(327)	(4,414)
Dividends paid	11	(2,255)	(2,387)
Cash inflow before financing		10,827	7,263
Financing			
Purchase of own shares	23	(1,500)	(2,185)
Issue of ordinary share capital	23	384	607
Repayment of property loan		(59)	(79)
Increase in cash		9,652	5,606

Reconciliation of cash to movement in net funds

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Increase in cash		9,652	5,606
Cash outflow from repayment of loans		59	79
Change in net funds resulting from cash flows		9,711	5,685
Effect of exchange differences and other non-cash movements		(211)	374
Movement in net funds for the year		9,500	6,059
Opening net funds		13,410	7,351
Closing net funds	25(c)	22,910	13,410

Notes to the consolidated financial statements

1 Accounting policies

(a) Basis of accounting

The Group financial statements have been prepared under the provisions of the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards. A summary of the more important Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

(b) Basis of consolidation

The Group financial statements consolidate the results of The Altro Group plc and all its subsidiary undertakings at 31 December 2009 using acquisition accounting. The Group's accounting policies are adopted by all subsidiaries.

(c) Capital contributions

In accordance with UITF 44: Group and Treasury Share Transactions, where a parent company grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary records an expense for such compensation in accordance with FRS 20: Share-based Payment, with a corresponding increase recognised in equity as a capital contribution from the parent. Consequently, in the financial statements of the parent, the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions for all grants of equity instruments made subsequent to 7 November 2002.

(d) Goodwill and intangible fixed assets

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

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

(e) Tangible fixed assets

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

The annual rates used for other assets are:

Freehold and long leasehold buildings	2.5%
Short leasehold buildings	5% or term if under twenty years
Plant, equipment and vehicles	10% to 50% according to type of asset

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

(f) Deferred tax

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

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

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

(f) Deferred tax (continued)

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

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

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

(g) Foreign currencies

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date or, if appropriate, at the forward contract or option rate. These translation differences are dealt with in the profit and loss account.

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

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

(h) Stocks

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

(i) Research and development

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

(j) Pension costs

The Group operates a Defined Benefit Pension Scheme (DB Scheme), closed to new members, the costs of which are assessed in accordance with the advice of an independent qualified actuary.

Pension costs for the DB Scheme have been accounted for in accordance with FRS 17: Retirement Benefits. The assets of the DB Scheme are measured at current bid price, and the liabilities using a projected unit method and discounted at a high quality corporate bond rate.

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

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

(k) Investment in own shares

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

(l) Operating leases

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

(m) Employee Benefit Trust (EBT)

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

(n) Dividends

In accordance with FRS 21: Events after the Balance Sheet Date, dividends proposed after the balance sheet date are not charged to the profit and loss account in the year. A second interim dividend for the year ended 31 December 2009 was paid in February 2010. A final dividend for the year ended 31 December 2009 will be proposed at the annual general meeting.

(o) Share-based payment

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

The calculation of the fair value of the share options issued by the Group has been based on the Black-Scholes valuation model, using a number of subjective assumptions, the most significant of which is that the expected volatility of the Group's share valuation will be 40%.

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

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

(p) Turnover

The Group follows the principles of Application Note G: Revenue Recognition of FRS 5: Reporting the Substance of Transactions, in determining appropriate revenue recognition policies. In principle therefore, revenue is recognised to the extent that the Company has obtained the right to consideration through its performance

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

Notes to the consolidated financial statements

2 Group turnover

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

Turnover by geographical area was:

	2009		2008	
	£'000	**%**	£'000	%
Territory				
United Kingdom	**58,656**	**53**	61,935	51
Continental Europe	**18,344**	**16**	21,687	18
The Americas	**25,960**	**23**	28,846	24
Australia and Asia Pacific	**7,722**	**7**	6,941	6
Rest of world	**1,067**	**1**	937	1
	111,749	**100**	120,346	100

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

3 Group employees

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

	2009	2008
Manufacturing	**148**	156
Sales and marketing	**242**	238
Warehouse and distribution	**77**	75
Administration and management	**150**	163
	617	632

Employee costs, including directors, during the year were:

	2009	2008
	£'000	£'000
Wages and salaries	**20,875**	21,382
Social security costs	**2,303**	2,408
Pension costs:		
Defined Benefit Scheme (DB Scheme)	**982**	1,802
Defined Contribution Scheme (DC Scheme)	**79**	54
Other staff benefits	**878**	1,025
	25,117	26,671

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

Notes to the consolidated financial statements

4 Directors' remuneration

	2009 £	2008 £
Emoluments	**1,037,634**	1,034,989
DB Scheme contributions	**123,426**	114,347
	1,161,060	1,149,336

Retirement benefits are accruing to four directors (31 December 2008: four) under the DB Scheme at 31 December 2009.

	2009 £	2008 £
Highest paid director:		
emoluments	**360,922**	356,035
DB Scheme contributions	**49,367**	43,116
	410,289	399,151

The amount of the accrued pension of the highest paid director at 31 December 2009 is £108,937 (31 December 2008: £98,472). 24,500 share options were exercised by the highest paid director in the year (31 December 2008: 43,660).

5 Operating expenses

	2009 £'000	2008 £'000
Distribution costs	**30,422**	30,776
Administrative expenses	**17,529**	18,036
	47,951	48,812

6 Net interest and other finance (charge) / income

	2009 £'000	2008 £'000
Interest payable and similar charges:		
bank loan	**(1)**	(7)
bank overdraft	**(1)**	(1)
other	**(90)**	(4)
Interest receivable and similar income:		
short term deposits	**79**	243
other	**32**	4
Net interest receivable	**19**	235
Finance (charge) / income on DB Scheme (note 21)	**(254)**	18

Notes to the consolidated financial statements

7 Profit on ordinary activities before tax

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

	2009 £'000	2008 £'000
Depreciation	**3,385**	3,740
Amortisation of goodwill and intangibles	**215**	216
Fees payable to the Company's auditor for:		
the audit of the Company and consolidated financial statements	**64**	63
other services:		
the audit of the Company's subsidiaries pursuant to legislation	**15**	15
tax services	**27**	91
other services	**-**	95
Research and development	**1,559**	1,722
Foreign exchange losses	**32**	122
Rentals under operating leases:		
hire of plant and machinery	**6**	2
other operating leases	**1,641**	1,545
Loss / (profit) on disposal of tangible fixed assets and asset impairments	**731**	(5)

8 Operating lease commitments

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

	Land and buildings 2009 £'000	Other 2009 £'000	Land and buildings 2008 £'000	Other 2008 £'000
Leases expiring:				
within one year	**120**	**67**	47	117
between one and five years	**418**	**567**	556	587
after five years	**212**	**-**	212	-
	750	**634**	815	704

9 Profit attributable to the shareholders of the Company

The profit attributable to the shareholders of The Altro Group plc is £7,117,750 (2008: £4,788,879). The directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company.

Notes to the consolidated financial statements

10 Tax on profit on ordinary activities

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

	2009 £'000	2008 £'000
Current tax:		
UK corporation and income tax:		
current tax on income for the period	**2,353**	2,433
income tax on Employee Benefit Trust	**307**	438
adjustments in respect of prior periods	**296**	716
	2,956	3,587
Double tax relief	**-**	(155)
	2,956	3,432
Foreign tax:		
current tax on income for the period	**504**	366
adjustments in respect of prior periods	**335**	73
	839	439
Current tax charge for the year	**3,795**	3,871
Deferred tax:		
timing differences - origination and reversal	**727**	579
Deferred tax charge for the year	**727**	579
Tax on profit on ordinary activities	**4,522**	4,450

Factors that may affect the future tax charge

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and roll-over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £418,507 (2008: £418,507).

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further roll-over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £182,731 (2008: £182,731).

Notes to the consolidated financial statements

10 Tax on profit on ordinary activities (continued)

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	**11,627**	14,335
Tax charge on profit at a standard rate of 28% (2008: 28.5%)	**3,256**	4,085
Expenses not deductible for tax purposes	**397**	(227)
Depreciation in excess of capital allowances	**348**	104
Movement in short-term timing differences	**(1,107)**	(700)
Differences in UK income tax and overseas tax rates	**241**	(22)
Underprovision in prior years	**631**	789
Foreign tax credits	**-**	(155)
Other	**29**	(3)
Current tax charge for the year	**3,795**	3,871

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11 Dividends

	2009 £'000	2008 £'000
Final dividend for prior year of 7.0p (2008: 7.6p)	**1,430**	1,564
First interim dividend for current year of 4.0p (2008: 4.0p)	**825**	823
	2,255	2,387

A second interim dividend of 4.0p for the year ended 31 December 2009 was paid in February 2010. A final dividend of 4.0p for the year ended 31 December 2009 will be proposed at the annual general meeting. In accordance with FRS 21: Events after the Balance Sheet Date, these dividends are not included above.

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

Notes to the consolidated financial statements

12 Earnings per share

	2009 £'000	2008 £'000
Profit on ordinary activities after tax	**7,105**	9,885

	2009 Number of shares	2008 Number of shares
Weighted average number of shares in issue	**21,008,882**	21,324,311
Weighted average number of shares held by the Employee Benefit Trust	**(490,221)**	(715,501)
Basic weighted average number of shares in issue	**20,518,661**	20,608,810
Dilutive effect of share option schemes	**87,611**	418,670
Diluted weighted average number of shares	**20,606,272**	21,027,480
Earnings per share		
Basic	**34.6p**	48.0p
Diluted	**34.5p**	47.0p

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

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

13 Intangible fixed assets

	Distribution rights £'000	Franchise £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2009	100	141	3,216	3,457
At 31 December 2009	**100**	**141**	**3,216**	**3,457**
Accumulated amortisation				
At 1 January 2009	100	46	1,079	1,225
Charge for the year	-	6	209	215
At 31 December 2009	**100**	**52**	**1,288**	**1,440**
Net book value				
At 31 December 2009	**-**	**89**	**1,928**	**2,017**
At 31 December 2008	-	95	2,137	2,232

Notes to the consolidated financial statements

14 Tangible fixed assets

The Group	Land and buildings			Plant equipment and vehicles	
	Freehold	Long leasehold	Short leasehold		Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2009	2,220	25,009	440	34,550	62,219
Currency translation differences	(15)	-	(13)	(28)	(56)
Additions	-	31	-	1,380	1,411
Disposals	-	-	-	(2,915)	(2,915)
At 31 December 2009	**2,205**	**25,040**	**427**	**32,987**	**60,659**
At valuation	256	4,394	-	-	4,650
At cost	1,949	20,646	427	32,987	56,009
At 31 December 2009	**2,205**	**25,040**	**427**	**32,987**	**60,659**
Accumulated depreciation					
At 1 January 2009	421	5,213	335	21,791	27,760
Currency translation differences	(4)	-	(7)	(19)	(30)
Charge for the year	46	530	40	2,769	3,385
Disposals	-	-	-	(2,150)	(2,150)
At 31 December 2009	**463**	**5,743**	**368**	**22,391**	**28,965**
Net book value					
At 31 December 2009	**1,742**	**19,297**	**59**	**10,596**	**31,694**
At 31 December 2008	1,799	19,796	105	12,759	34,459
Comparable amounts determined according to the historical cost convention:					
cost	2,078	23,689	427	32,987	59,181
accumulated depreciation	(452)	(5,498)	(368)	(22,391)	(28,709)
Net book value					
At 31 December 2009	**1,626**	**18,191**	**59**	**10,596**	**30,472**
At 31 December 2008	1,683	18,690	105	12,759	33,237

Included in long leasehold land and buildings is land at a cost or valuation of £4,941,648 (2008: £4,941,648) which is not depreciated.

Notes to the consolidated financial statements

14 Tangible fixed assets (continued)

The Company	Land and buildings		
	Freehold	Long leasehold	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2009	1,087	24,895	25,982
Additions	-	31	31
At 31 December 2009	**1,087**	**24,926**	**26,013**
At valuation	256	4,394	4,650
At cost	831	20,532	21,363
At 31 December 2009	**1,087**	**24,926**	**26,013**
Accumulated depreciation			
At 1 January 2009	165	5,138	5,303
Charge for the year	16	530	546
At 31 December 2009	**181**	**5,668**	**5,849**
Net book value			
At 31 December 2009	**906**	**19,258**	**20,164**
At 31 December 2008	922	19,757	20,679
Comparable amounts determined according to the historical cost convention:			
cost	960	23,575	24,535
accumulated depreciation	(170)	(5,424)	(5,594)
Net book value			
At 31 December 2009	**790**	**18,151**	**18,941**
At 31 December 2008	806	18,650	19,456

Included in long leasehold land and buildings is land at a cost or valuation of £4,941,648 (2008: £4,941,648) which is not depreciated.

Notes to the consolidated financial statements

15 Investments held as fixed assets

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 1 January	-	-	7,099	5,124
Capital contribution arising from share-based payment charge	-	-	117	161
Additional investments in principal trading subsidiaries	-	-	-	1,814
At 31 December	-	-	**7,216**	**7,099**

The capital contributions arising from the FRS 20: Share-based Payment charge are due to the Company granting share options to the employees of Altro Limited. The application of UITF 44: Group and Treasury Share Transactions results in a corresponding increase in investment in the subsidiary.

Principal trading subsidiaries

The principal trading subsidiaries at 31 December 2009 were:

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

16 Investment in own shares

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

	At 31 December 2009	2008
Number of shares in the Company owned by the EBT	211,477	744,524
Nominal value of shares held	£21,148	£74,452
Cost price of shares held	£746,030	£3,534,841
Prevailing valuation of shares (pence)	316	404
Total market value of shares	£668,267	£3,007,877
Maximum number of shares in the Company owned by the EBT during the year	853,175	866,600
Minimum number of shares in the Company owned by the EBT during the year	192,511	523,990

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

Dividends payable on these shares are waived.

Notes to the consolidated financial statements

17 Stocks

	2009 £'000	2008 £'000
Raw materials	**3,185**	3,420
Finished goods	**7,374**	10,308
	10,559	13,728

18 Debtors

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade debtors	**13,013**	14,025	**-**	-
Other debtors	**668**	560	**-**	-
Prepayments and accrued income	**720**	861	**-**	-
Deferred tax asset	**13**	-	**-**	-
	14,414	15,446	**-**	-

19 Creditors: amounts falling due within one year

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Bank loans and overdrafts	**1,353**	1,260	**1,353**	1,201
Trade creditors	**6,214**	7,157	**-**	-
Owed to subsidiary undertakings	**-**	-	**42**	515
Corporate tax	**1,691**	1,832	**588**	1,197
Other tax	**525**	302	**-**	-
Social security costs	**594**	659	**33**	97
Other creditors	**295**	270	**15**	40
Accruals	**4,106**	3,552	**239**	355
	14,778	15,032	**2,270**	3,405

Amounts due to subsidiary undertakings are unsecured, interest-free and repayable on demand.

Notes to the consolidated financial statements

20 Provisions for liabilities and charges

The Group	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2009	105	1,076	1,181
Charged to profit and loss account	161	699	860
Utilised in the year	(284)	(391)	(675)
Released in the year	(6)	(120)	(126)
Other movement	11	14	25
Deferred tax asset disclosed as a debtor	13	-	13
At 31 December 2009	**-**	**1,278**	**1,278**

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

The Company	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2009	75	-	75
Charged to profit and loss account	30	-	30
At 31 December 2009	**105**	**-**	**105**

Deferred tax	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Additional DB Scheme contribution balance	**-**	(362)	**-**	-
Accelerated capital allowances	**356**	609	**105**	75
Other short-term timing differences	**(369)**	(142)	**-**	-
Deferred tax (asset) / provision	**(13)**	105	**105**	75

Not included above is a deferred tax asset of £2,042,880 (2008: liability of £958,160) relating to the DB Scheme liability of £5,253,120 (2008: asset of £2,463,840) which is disclosed in note 21.

Unprovided deferred tax	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Roll-over relief	**183**	183	**183**	183
Surplus on revaluation of land and buildings	**419**	419	**419**	419
Unprovided deferred tax	**602**	602	**602**	602

Notes to the consolidated financial statements

21 Retirement benefits

(a) Defined Benefit Pension Scheme (DB Scheme)

The Group operates one 'funded' DB Scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. A full actuarial valuation was carried out as at 30 April 2008; the results have been updated to 31 December 2009 by a qualified independent actuary and showed a deficit at that date of £7.3 million under FRS 17: Retirement Benefits.

As the DB Scheme is closed to new members, under the projected unit method, the current service cost, as a percentage of pensionable salaries, will increase as the members of the Scheme approach retirement. Contributions by the Group to the DB Scheme for the year beginning 1 January 2010 are currently expected to be £1.55 million of future accrual payments and £1.75 million of deficit reduction payments.

i) Net pension (liability) / asset

The pension (liability) / asset at 31 December was as follows:

	2009 £'000	2008 £'000
Fair value of DB Scheme assets	65,123	54,714
Present value of DB Scheme liabilities	(72,419)	(51,292)
Pension (liability) / asset before tax	(7,296)	3,422
Related deferred tax asset / (liability)	2,043	(958)
Net pension (liability) / asset	**(5,253)**	2,464

The present value of 'unfunded' DB Scheme liabilities is nil (2008: nil). The irrecoverable surplus in the DB Scheme is nil (2008: nil).

ii) Analysis of assets and expected rates of return

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

	2009			2008		
	Expected rate of return %	% of overall DB Scheme assets	£'000	Expected rate of return %	% of overall DB Scheme assets	£'000
Equities	8.0	51.7	33,674	7.4	44.4	24,269
Corporate bonds	5.8	5.5	3,550	-	-	-
Liability Driven Investment funds	4.4	40.3	26,245	3.8	53.5	29,321
Cash	4.4	2.5	1,654	3.8	2.1	1,124
Fair value of DB Scheme assets		100.0	65,123		100.0	54,714

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

Notes to the consolidated financial statements

21 Retirement benefits (continued)

iii) Financial and demographic assumptions

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

	2009 %	2008 %
Rate of increase in salaries	**4.60**	4.00
Rate of increase in pensions in payment (post April 1997)	**3.80**	3.40
Discount rate	**5.80**	6.65
Inflation assumption	**3.60**	3.00

The assumed life expectancies on retirement at age 65 were:

		2009 years	2008 years
Retiring today	males	**21.3**	21.0
	females	**23.7**	23.9
Retiring in 20 years' time	males	**23.3**	21.0
	females	**25.7**	23.9

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

	2009 £'000	2008 £'000
Fair value of DB Scheme assets at beginning of year	**54,714**	56,058
Expected return on DB Scheme assets	**3,158**	3,537
Actuarial gain / (loss)	**3,861**	(7,176)
Contributions by employers	**4,290**	3,322
Contributions by DB Scheme members	**765**	814
Benefits paid	**(1,665)**	(1,841)
Fair value of DB Scheme assets at end of year	**65,123**	54,714

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

The actual return on DB Scheme assets in the year was £7.0 million (2008: a negative return of £3.6 million).

Notes to the consolidated financial statements

21 Retirement benefits (continued)

v) Changes in present value of DB Scheme liabilities

	2009 £'000	2008 £'000
Present value of DB Scheme liabilities at beginning of year	**51,292**	60,593
Current service cost	**976**	1,788
Interest cost	**3,412**	3,473
Contributions by DB Scheme members	**765**	814
Actuarial loss / (gain)	**17,633**	(13,549)
Benefits paid	**(1,665)**	(1,841)
Past service cost	**6**	14
Present value of DB Scheme liabilities at end of year	**72,419**	51,292

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

	2009 £'000	2008 £'000
Current service cost	**976**	1,788
Past service cost	**6**	14
Total operating charge	**982**	1,802
Expected return on DB Scheme assets	**3,158**	3,491
Interest on DB Scheme liabilities	**(3,412)**	(3,473)
Total finance (charge) / income (note 6)	**(254)**	18

vii) Cumulative actuarial gains and losses recognised in equity

	2009 £'000	2008 as restated £'000
Actuarial loss at beginning of year	**(4,204)**	(10,623)
Actuarial (loss) / gain in year	**(13,772)**	6,419
Cumulative actuarial loss at end of year	**(17,976)**	(4,204)

The 2008 numbers have been restated to aid comparability year on year.

Notes to the consolidated financial statements

21 Retirement benefits (continued)

viii) History of DB Scheme assets, liabilities, actuarial gains and losses, and experience adjustments

	Year to 31 Dec 2009 £'000	Year to 31 Dec 2008 £'000	Year to 31 Dec 2007 £'000	Year to 31 Dec 2006 £'000	15 mths to 31 Dec 2005 £'000
Fair value of DB Scheme assets	**65,123**	54,714	56,058	49,461	38,638
Present value of DB Scheme liabilities	**(72,419)**	(51,292)	(60,593)	(54,205)	(54,968)
Pension (liability) / asset before tax	**(7,296)**	3,422	(4,535)	(4,744)	(16,330)
Total actuarial (loss) / gain recognised in statement of total recognised gains and losses	**(13,772)**	6,419	(2,355)	6,470	(4,171)
Experience adjustments to DB Scheme assets					
amount	**3,861**	(7,176)	298	1,356	6,274
% of DB Scheme assets	**5.9%**	(13.1)%	0.5%	2.7%	16.2%
Experience adjustments to DB Scheme liabilities					
amount	**-**	(666)	-	-	(2,073)
% of DB Scheme liabilities	**0.0%**	(1.3)%	0.0%	0.0%	(3.8)%

The Altro Group plc has no employees (the members of the DB Scheme are or were employed by Altro Limited) and consequently no DB Scheme disclosures are given for the Company.

From January 2010 onwards, it has been agreed with the trustees that contributions to the DB Scheme by the Group will be made at a rate of 16.1% of members' salaries.

(b) Defined Contribution Pension Scheme (DC Scheme)

A number of employees are in a DC Scheme. The assets of this Scheme are held in separate, insured funds. The total contributions payable by the Group in the year in respect of this Scheme were £78,719 (2008: £53,712). There were no prepaid or accrued contributions at the year end.

22 Share-based payment

During the year ended 31 December 2009 the Group operated five share-based payment arrangements as follows:

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

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

The fair value of shares granted under the SIP is based on the share price at the date of grant. The exercise price is nil, and dividends are paid as they fall due.

Notes to the consolidated financial statements

22 Share-based payment (continued)

The charge in respect of share-based payment transactions included in the Group's income statement for the year is as follows:

	2009 £'000	2008 £'000
Expense arising from share-based payment arrangements	**52**	99

A reconciliation of option and SIP movements over the year to 31 December 2009 is shown below. Note that 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.

	2009		2008	
	Number of options	**Weighted average exercise price pence**	Number of options	Weighted average exercise price pence
Outstanding at 1 January	**1,135,745**	**293**	1,152,243	238
Granted during the year	**270,597**	**404**	318,308	439
Exercised during the year	**(200,761)**	**215**	(305,653)	199
Cancelled during the year	**(12,926)**	**352**	(29,153)	302
Outstanding at 31 December	**1,192,655**	**328**	1,135,745	293
Exercisable at 31 December	**405,518**	**239**	420,242	217

During the year three directors exercised share options (2008: four).

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:

	2009	2008
Risk-free interest rate	**2.1 - 4.4%**	3.9 - 4.5%
Expected volatility	**40%**	35%
Expected option life	**4 years**	4 years
Expected dividend yield	**3.0% - 3.5%**	2.0%

Notes to the consolidated financial statements

22 Share-based payment (continued)

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

Share option schemes	Settlement method	Number of options 2009	Number of options 2008	Exercise price pence	Exercisable between
Unapproved	Equity	**-**	79,325	200	31.10.05 and 31.10.09
		39,210	72,700	188	28.08.06 and 28.08.10
		79,671	115,737	218	22.04.07 and 22.04.11
		93,816	129,469	249	27.01.08 and 27.01.12
Total unapproved		**212,697**	397,231		
Approved	Equity	**23,011**	23,011	188	28.08.06 and 28.08.13
		44,499	44,499	485	03.04.11 and 03.04.15
		10,123	-	404	05.03.12 and 05.03.19
Total approved		**77,633**	67,510		
Phantom	Cash	**169,810**	169,810	262	21.04.09 and 21.04.13
		192,428	205,354	352	18.04.10 and 18.04.14
		16,542	16,542	485	18.04.10 and 18.04.14
		71,196	71,196	485	03.04.11 and 03.04.15
		134,139	-	404	05.03.12 and 05.03.16
Total Phantom		**584,115**	462,902		
Share Incentive Plan	Equity	**318,210**	208,102		
Total Share Incentive Plan		**318,210**	208,102		
Total share options outstanding		**1,192,655**	1,135,745		

Notes to the consolidated financial statements

23 Called up share capital

	2009 £'000	2008 £'000
Authorised:		
50,000,000 ordinary shares of 10p each	**5,000**	5,000
Called up, allotted and fully paid:		
20,839,532 ordinary shares of 10p each	**2,084**	2,121

Movements in the year	**Number of shares 2009**	Number of shares 2008
At 1 January	**21,209,679**	21,337,626
Shares issued	**181,323**	305,653
Own shares purchased	**(551,470)**	(433,600)
At 31 December	**20,839,532**	21,209,679

Allotment of shares

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

	Number of shares	Nominal value £	Cash consideration £
The 1996 Unapproved Senior Staff Share Option Scheme	**181,323**	**18,132**	**383,232**

Additionally, 16,227 options were exercised under The Altro Group plc Phantom Share Option Scheme 2005, which did not result in the issue of shares.

Purchase of own shares

During the year the Company purchased 551,470 (2008: 433,600) of its own shares. The nominal value of the shares was £55,147 (2008: £43,360) and the amount paid was £1,499,998 (2008: £2,185,344).

Major shareholdings

In addition to the interests of the directors, at 31 December 2009 there were the following substantial interests in the shares of the Company:

Shareholder	Shares	%
3i Group	2,910,921	14.0
BL Cohen	1,140,293	5.5
M Harmer	688,300	3.3

Notes to the consolidated financial statements

23 Called up share capital (continued)

Shareholder analysis	Number	Shares (millions)	%
Directors and their families	14	10.8	51.9
Employees, ex-employees and their families	408	4.3	20.7
The Share Incentive Plan and the Employee Benefit Trust	8	0.8	3.8
Institutions	2	3.1	14.9
Other	2	1.8	8.7
	434	**20.8**	**100.0**

24 Reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Own shares £'000	Total reserves £'000
The Group						
At 1 January 2009	2,121	6,101	558	61,541	(3,534)	66,787
Dividends paid	-	-	-	(2,255)	-	(2,255)
Actuarial loss on DB Scheme	-	-	-	(9,916)	-	(9,916)
Purchase of own shares for the Share Repurchase Scheme	(56)	-	56	(1,500)	-	(1,500)
Purchase of own shares for the SIP	-	-	-	(299)	-	(299)
Purchase of own shares by the EBT	-	-	-	-	(534)	(534)
Disposal of own shares by the EBT	-	-	-	(1,439)	3,322	1,883
Share issue	19	365	-	-	-	384
Currency translation differences	-	-	-	(248)	-	(248)
Increase in reserves arising from share-based payments	-	-	-	231	-	231
Profit for the year	-	-	-	7,105	-	7,105
At 31 December 2009	**2,084**	**6,466**	**614**	**53,220**	**(746)**	**61,638**
The Company						
At 1 January 2009	2,121	6,101	558	21,312	(3,534)	26,558
Dividends paid	-	-	-	(2,255)	-	(2,255)
Purchase of own shares for the Share Repurchase Scheme	(56)	-	56	(1,500)	-	(1,500)
Purchase of own shares for the SIP	-	-	-	(299)	-	(299)
Purchase of own shares by the EBT	-	-	-	-	(534)	(534)
Disposal of own shares by the EBT	-	-	-	(1,439)	3,322	1,883
Share issue	19	365	-	-	-	384
Capital contribution arising from share-based payments	-	-	-	231	-	231
Profit for the year	-	-	-	7,118	-	7,118
At 31 December 2009	**2,084**	**6,466**	**614**	**23,168**	**(746)**	**31,586**

Notes to the consolidated financial statements

25 Notes to the consolidated cash flow statement

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

	2009 £'000	2008 £'000
Operating profit	11,862	14,082
Depreciation charge	3,385	3,740
DB Scheme contributions	(4,290)	(3,322)
DB Scheme operating charge	982	1,802
Amortisation of goodwill	215	216
Loss / (profit) on disposal of tangible fixed assets	731	(5)
Increase in net provisions	188	105
Currency translation differences and other non-cash movements	402	(681)
Decrease / (increase) in stock	2,990	(2,088)
Decrease in debtors	899	1,968
(Decrease) / increase in creditors	(35)	265
Net cash inflow from operating activities	17,329	16,082

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

	2009 £'000	2008 £'000
Returns on investments and servicing of finance		
Interest received	111	247
Interest paid	(92)	(12)
	19	235
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,411)	(3,250)
Disposal of tangible fixed assets	34	54
Purchase of own shares by the Employee Benefit Trust	(534)	(3,143)
Disposal of own shares by the Employee Benefit Trust	1,584	1,925
	(327)	(4,414)

(c) Analysis of net funds

	Cash at bank and in hand £'000	Bank loans falling due within one year £'000	Bank loans falling due after more than one year £'000	Total £'000
At 1 January 2009	13,469	(59)	-	13,410
Cash flow	9,652	-	-	9,652
Exchange movements	(152)	-	-	(152)
Other non-cash movement	(59)	59	-	-
At 31 December 2009	**22,910**	**-**	**-**	**22,910**

Notes to the consolidated financial statements

26 Post-balance sheet event

On 22 January 2010, the Company announced that it had reached an agreement to buy back 2,910,921 of its own shares from 3i Group, at 254.216 pence per share, for a total cash consideration of £7,400,027.

27 Capital commitments

	2009 £'000	2008 £'000
Contracted but not provided for	**113**	965

28 Contingent liabilities

The Company has guarantees totalling £31,097 (2008: £67,672) in place.

29 Related party transactions

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

Five year financial summary

This summary does not form part of the audited financial statements

	2009	2008	2007	2006	2005
				as restated	as restated
	£'000	£'000	£'000	£'000	£'000
Balance sheet					
Fixed assets	**33,711**	36,691	37,148	34,583	31,154
Current assets	**49,236**	43,845	35,184	36,286	40,553
Total assets	**82,947**	80,536	72,332	70,869	71,707
Ordinary shareholders' funds	**61,638**	66,787	55,037	49,643	40,976
Borrowings:					
due after more than one year	**-**	-	52	118	181
due within one year	**-**	59	70	113	113
Other creditors	**16,056**	16,154	13,999	17,674	19,006
Defined Benefit Pension Scheme liability / (asset)	**5,253**	(2,464)	3,174	3,321	11,431
Total funds employed	**82,947**	80,536	72,332	70,869	71,707
Turnover and profits					
Turnover	**111,749**	120,346	105,208	97,601	119,796
Operating profit	**11,862**	14,082	13,505	11,142	9,982
Profit after tax	**7,105**	9,885	10,110	7,818	5,799
Ordinary dividends	**2,255**	2,387	1,788	1,298	1,698
	Pence	Pence	Pence	Pence	Pence
Diluted earnings per share	**34.5**	47.0	47.2	36.1	26.3
Dividends per share	**12.0**	11.0	11.0	7.8	7.8
Net assets per share	**295.8**	314.9	257.9	230.7	187.8
Gearing ratio %	**0.0**	0.1	0.2	0.5	0.7
Average number of employees	**617**	632	632	631	640

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

The figures for 2005 are for the fifteen months to 31 December 2005.

Annual general meeting

Notice is hereby given that the annual general meeting of The Altro Group plc will be held at Works Road, Letchworth Garden City, Hertfordshire, SG6 1NW on 17 June 2010, at 5.00pm.

Ordinary business

1. To receive and adopt the Directors' Report and the audited accounts for the year ended 31 December 2009.
2. To declare a final dividend of 4.0p per issued Ordinary Share of 10p each of the Company in respect of the year ended 31 December 2009.
3. To authorise the directors' remuneration payable for the year ended 31 December 2009.
4. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to agree their remuneration.

Special business

5. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:

   THAT the terms of the proposed contracts whereby the Company shall become entitled and obliged to purchase up to 257,731 Shares of 10p each at a price of 388p per share, copies of which have been available for inspection by the members of the Company at the Company's registered office for not less than fifteen days ending with the date hereof and copies of which have been produced to the meeting and initialled for the purpose of identification by the Company Secretary, are hereby approved and any director of the Company is hereby authorised to enter into the said contracts on behalf of the Company at any time before the conclusion of the next annual general meeting.

6. To consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

   THAT pursuant to section 551 of the Companies Act 2006 (**"Act"**) and in substitution for all existing authorities, the directors be and are generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,916,046 for a period expiring fifteen months after the date of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company, but the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after expiry of this authority and the directors may allot shares or grant such rights in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.

7. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:

   THAT in substitution for all existing powers and subject to the passing of resolution 6, the directors be and are generally empowered pursuant to section 570 of the Act to allot equity securities, within the meaning of section 560 of the Act, for cash pursuant to the general authority conferred by resolution 6 as if section 561 of the Act did not apply to the allotment, for a period of fifteen months after the date of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired, but so that the aggregate nominal value of the equity securities allotted under this authority does not exceed £2,916,046.

By order of the Board

E P Boyle
Secretary

11 May 2010

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

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him or her. The Proxy need not be a member of the Company.