

# The Altro Group

Report and accounts  
2008



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# Chairman's statement

## for the year ended 31 December 2008

It is pleasing to report another record set of results with a profit before tax of £14.3 million [2007: £14.2 million]. The Group finished just ahead of last year's record result, despite unprecedented increases in the cost of raw materials. Although the decline in the value of sterling in the latter part of the year benefited our revenues, it put additional pressure on our cost base. The Group's cash balance has increased due to good management of working capital, and cash control will remain a focus in 2009.

We continued to receive the support, commitment and enthusiasm of our employees, and for the third year running the Group was recognised as one of The Sunday Times '100 Best Companies to Work For' in 2008. On behalf of the board and the shareholders, I thank all employees for their contribution.

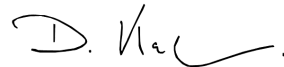
An interim dividend of 4.0p per share was paid to shareholders in November 2008. At the annual general meeting in June, the Group proposes to seek the approval of shareholders to pay a final dividend of 7.0p per share on Friday 24 July 2009 to those shareholders on the register at close of business on Friday 10 July 2009. The total dividend would remain at 11.0p for the year to 31 December 2008 [2007: 11.0p].

A share valuation of 272p was obtained from Dresdner Kleinwort Limited in March 2009 [April 2008: 504p] on behalf of the trustees of the EBT and the SIP. This decline reflects worldwide economic uncertainty and weak stock market indices, particularly in the construction and automotive industries.

The Group continues to support share ownership by employees and has set aside £300,000 [2007: £532,000] for the distribution of shares under the SIP in 2009.

The Company will seek the approval of shareholders at the annual general meeting for the purchase of up to £1.5 million of its own shares at 272p 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 world markets, the results for 2009 are difficult to forecast, but we expect the outcome to be below that achieved in 2008. However, we believe the strength of the Group, its product development and the contribution of its employees will serve it well in the face of these exceptionally difficult times.



**David Kahn**

# Chief Executives' review

## Altro Floors

It is pleasing to announce another record set of results for Altro Floors, despite the challenging economic climate. Our success is largely due to long-term strategic investment, strong customer relationships and the tremendous commitment of our people.

### The manufacture and marketing of Altro safety flooring

The main activity of the division is the manufacture and marketing of Altro safety flooring, a slip resistant flooring for use in commercial applications.

We continue to invest in the development of our safety flooring portfolio in order to maintain our position as market leader in safety and hygiene.

### Overseas subsidiaries

Our overseas subsidiaries are placed in key commercial regions. They, along with our sub distributors, are responsible for the growth of sales in each territory. Their product ranges vary from subsidiary to subsidiary but each company markets Altro safety flooring, together with other ranges supplied by partner flooring manufacturers. Each region has its own distribution arrangements and provides a local marketing programme, sales force and technical support team.

### The UK and Continental Europe

Our largest commercial region covers sales to over thirty European countries. Our safety floorings are chosen by architects, end users, distributors and flooring contractors, all of whom are important to us and an integral part of our route to market. Despite difficult trading conditions in 2008, we continued to operate successfully in this region and expect to strengthen our position further in 2009.

European sales are supported by our Customer Care Centres in the UK, Spain and Sweden.

### The Americas

This is an important region for us and it makes a significant contribution to the Group's profit. Our teams in North America have continued to promote sales in the region with a particular focus on expanding the Altro brand to a wider customer base.

### APAC (Australia and Asia Pacific)

Sales of Altro safety flooring continue to increase in Australia, the Pacific Rim and The People's Republic of China.

### Emerging Markets

Sales have continued to grow through our trading partners in the rest of the world and we are exploring expansion into new territories.

### Altro Resin Systems

Resin sales to the construction market continued to grow in 2008 and further investment in production equipment has strengthened our ability to meet the needs of contractors and the market. New product launches are planned in 2009.

## Altro Walls

Altro Walls continued to contribute to the profit of the Group. During the year, the division launched Altro Whiterock Stone, which combines hygiene with the look of natural stone for wall cladding. The new range complements other Altro Whiterock products which are available in various colours and patterns, along with the original white wall cladding.

## World Class Manufacturing

Further investment in manufacturing plant in 2008 continued to improve efficiency and provide opportunities for the development of innovative new products.

The new equipment will also provide our manufacturing team with improved resources to support the Altro '6 steps to sustainability' programme, which demonstrates our commitment to Corporate Social Responsibility and the environment.

In order to promote and facilitate recycling at all stages of safety flooring production, use and disposal, we have:

- made good progress with our new facility to process safety flooring waste into a form which can be recycled in-house; and
- completed our investment programme across all production lines to allow the use of simpler packaging.

The investment in our manufacturing plant and facilities continues to improve our efficiency and helps to reduce our carbon footprint, keeping sustainability at the forefront of our plans.

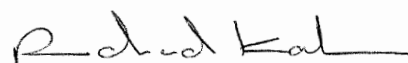
## Industry awards

During 2008, Altro Floors achieved recognition through the following major industry awards:

- "Safety at Sea International Award" for Altro Transflor Gallium, the Lloyd's Register Fairplay
- two Manufacturing Excellence awards, in June 2008: the Arup Award for Sustainable Manufacturing and the Professional Engineer Award for People Effectiveness
- FeRFA - the Resin Flooring Association "Manufacturer of the Year" for the third consecutive year
- "Training and Development" award, granted by the Hertfordshire Business Awards
- "Readers Choice" and "Editors Choice" awards for Altro Resins at the Contract Floors Industry Awards

## Outlook

We will continue to focus on our strengths: our people, our customer relationships and our product portfolio. With the current global economic uncertainty, the result for 2009 is difficult to predict but it is likely to be below that of 2008.



Richard Kahn

## Autoglym

To follow the record breaking success of 2007 was always going to be difficult; however, despite a number of challenges, many of which were outside the direct control of the business, 2008 produced the second highest result ever for the division. Increased raw material prices, exceptionally poor weather and the beginnings of the global economic problems which started to show in the reduction in demand from customers and destocking from most parts of the supply chain, all impacted negatively on sales.

Good progress was made in some markets including exports, Public Service Vehicle and car wash chemicals, along with good year on year growth in a number of product sectors, most notably the new vehicle protection market.

Existing customer relationships were strengthened further by continuing to provide world class customer service and innovative products, and investing in our branding and marketing targeted at driving consumers to our customers. These same strengths were also key elements in the new contracts gained during the year.

The directors and staff were delighted that Autoglym was the recipient of two major awards in 2008:

- the Demand Driven Manufacturing Award at the highly competitive European Strategic Manufacturing Awards in Düsseldorf in October; and
- The Creative Innovation Award for Autoglym High Definition Wax at the Hertfordshire Business Awards in November. This is the second year running that Autoglym has won this award, following Autoglym AquaWax last year.

We continued to develop ground-breaking products which demonstrate strong benefits over the competition; exciting leading edge products which were developed and trialled during 2008 are part of a programme of launches in 2009.

The market for 2009 and for the foreseeable future will be challenging. Every aspect of the business is being scrutinised to ensure that efficiency is maximised and that no opportunity to strengthen sales and profitability is ignored.

Although there are many hurdles ahead which will make 2009 a demanding year, we believe the Autoglym division is well placed to respond to the changing market ahead and to make the best of the coming year.



**Paul Caller**



# Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2008. The directors of the Company, all of whom have been directors for the whole of the year, are listed on page 11.

## Principal activities and review of the business

The principal activities and a review of the businesses, including expected future developments, are contained in the Chief Executives' review.

## Health & Safety and the environment

Health & safety and environmental performance continued to be prime business objectives.

Altro is committed to remaining a profitable company that recognises its social responsibilities whilst reducing its environmental footprint.

Good progress has been made in a wide range of activities as part of our sustainability programme.

Written policies on health & safety, sustainability and the environment for Altro Floors and Autoglym are available on request from the Company Secretary.

## Financial review

The profit and loss account for the year is set out on page 12. The growth in profit is due to increased sales of core products, the maintenance of margins through the introduction of innovative products and processes and excellent cost control throughout the Group.

The key performance indicators for the Group are:

- Turnover - growth of 14%
- Operating profit - increased by 4%
- Net funds - up by 82%
- Shareholders' funds - increased by 21%

The Group's net funds as at 31 December 2008 were £13.4 million [2007: £7.4 million].

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

## Principal risks and uncertainties

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

The key business risks affecting the Group are considered to relate to competition from other manufacturers and increased raw material and energy costs, in addition to fluctuations in the global economy.

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 2008, the Group bought back and cancelled 433,600 [2007: 426,439] ordinary shares of 10p each (representing 2.0% [2007: 2.0%] of the called up share capital) at a price of £5.04 per share [2007: £4.69 per share] for a total of £2,185,344 [2007: £1,999,999] with an aggregate nominal value of £43,360 [2007: £42,644].

In addition, 305,653 ordinary shares of 10p each were issued at between £1.63 and £2.49 under the Group's employee share option schemes, resulting in total issued capital of 21,209,679 shares at 31 December 2008.

The Group will seek approval at the annual general meeting to commit up to £1.5 million to buying back Group shares [2007: £4 million]. This is the fifteenth year in which the Group has run the Share Repurchase Scheme for the benefit of all shareholders.

## Directors' report continued

### Dividends

The directors recommend a final dividend of 7.0p per share, resulting in a total of 11.0p for the year. Diluted earnings per share were 47.0p [2007: 47.2p]. Assuming approval by shareholders at the annual general meeting, the final dividend will be paid on Friday 24 July 2009 to all those on the share register at close of business on Friday 10 July 2009.

### Share Incentive Plan (SIP)

£300,000 has been allocated to the Share Incentive Plan [2007: £532,000 for the award of shares to 430 employees]. This allocation will be the seventh under the SIP.

### Employee Benefit Trust (EBT)

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

### Phantom share option scheme

In 2005 the Company introduced a phantom share option scheme. This was designed to reward participating directors to the same extent as the Unapproved Share Option Scheme 1996 but without the necessity of allotting shares on exercise of an award. The rules of the Phantom Share Option Scheme 2005 state that no phantom options may be granted after 31 December 2008 unless shareholder approval has been granted for its renewal. The Company wishes to continue to grant phantom options and therefore a resolution will be put to the annual general meeting authorising its extension for a further three years.

### Employees

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

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.

### Research and development

We continue to strengthen this essential element of our business. The research teams are based at the Altro Floors and Autoglym laboratories in Letchworth Garden City and at the Altro Resins laboratory in Dorset. They are responsible for the development of new products, the improvement of existing products and the testing programmes required for certifications, as well as maintaining quality and competitiveness. 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.

Under FRS 17: Retirement Benefits, the Defined Benefit Pension Scheme is in surplus at 31 December 2008. Both the surplus and the funding plan agreed in 2006 are under regular review by the trustees and the Scheme's professional advisers. A full actuarial valuation of the Scheme was carried out as at 30 April 2008. The result of this valuation, which is yet to be finalised, is expected to be a deficit.

The Group also operates Defined Contribution Schemes 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. The Company acts as a holding company for the Group. Creditor days for the Company were nil [2007: nil] as it does not undertake any transactions with suppliers. The Group's creditor days were 37 at 31 December 2008 [2007: 38 days].

### Charitable and political donations

Charitable donations of £21,860 [2007: £17,458] were made during the year. The beneficiaries either received cash or free of charge products. The principal recipients were hospices, clubs and various other organisations. There were no political donations.

### Purchase and disposal of shares

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

## Corporate governance

The Listing Rules of the Financial Services Authority require listed companies to disclose how they have applied the principles set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance and whether they have complied with its provisions throughout the year. Although not listed, the Group is committed to maintaining the highest standards of corporate governance and therefore complies with the Combined Code where it is considered relevant, given the Group's size and structure.

### Board committees

The audit committee, consisting of a non-executive director, the Chairman and the Finance Director, considers the financial affairs and standing of the Group, including the external audit.

It is the role of the remuneration committee, consisting of the Chairman and the non-executive directors, to agree the remuneration of the executive directors, having taken external professional advice where appropriate.

### Internal control

Whilst recognising that no system of internal control can provide absolute assurance against material mis-statement or loss, the directors acknowledge their responsibility for the Group's system of internal control. In fulfilling these responsibilities, the directors have considered the major commercial and financial risks to the Group.

The Group has an established framework of internal control including appropriately defined delegation of responsibility to operating managers, authorisation limits, segregation of duties, annual budgets, cash flow reporting and the regular review of monthly management accounts.

### 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 2009 (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.

### 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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 1985. 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 website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. 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

12 May 2009

# Independent auditors' report to the members of The Altro Group plc for the year ended 31 December 2008

We have audited the group and parent company financial statements (the "financial statements") of The Altro Group plc for the year ended 31 December 2008 on pages 12 to 39. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chief Executives' review that is cross referenced from the Principal activities and review of the business section in the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, the Chief Executives' review, the Directors' report, the Directors and advisers, the Five year financial summary and the Notice of the annual general meeting. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

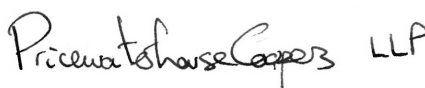
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2008 and of the Group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



## PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
Cambridge

12 May 2009

# 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

1493087

## Auditors

PricewaterhouseCoopers LLP

## Bankers

Barclays Bank PLC  
Scandinaviska Enskilda Banken AB

## Solicitors

DLA Piper UK LLP

## Stockbrokers

Dresdner Kleinwort Limited  
30 Gresham Street  
London  
EC2V 7PG

## Registrars

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

## Consolidated profit and loss account for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Turnover</b>	<b>2</b>	<b>120,346</b>	105,208
Cost of sales		<b>(57,452)</b>	(46,272)
<b>Gross profit</b>		<b>62,894</b>	58,936
Operating expenses	<b>5</b>	<b>(48,812)</b>	(45,431)
<b>Operating profit</b>		<b>14,082</b>	13,505
Net interest	<b>6</b>	<b>235</b>	112
Other finance income	<b>6</b>	<b>18</b>	567
<b>Profit on ordinary activities before tax</b>	<b>7</b>	<b>14,335</b>	14,184
Tax on profit on ordinary activities	<b>9</b>	<b>(4,450)</b>	(4,074)
<b>Profit on ordinary activities after tax</b>		<b>9,885</b>	10,110
<b>Earnings per share</b>	<b>25</b>		
Basic		<b>48.0p</b>	48.4p
Diluted		<b>47.0p</b>	47.2p

All the above results derive from continuing operations.

## Consolidated statement of total recognised gains and losses for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Profit attributable to shareholders		9,885	10,110
Currency translation differences		2,131	287
Actuarial gain / (loss) on net Defined Benefit Pension Scheme assets	20	6,419	(2,355)
Deferred tax on actuarial (gain) / loss		(1,798)	707
<b>Total recognised gains and losses in the year</b>		<b>16,637</b>	<b>8,749</b>

## Reconciliation of movements in Group shareholders' funds for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Total recognised gains and losses in the year		16,637	8,749
Dividends paid	11	(2,387)	(1,788)
		14,250	6,961
Issue of new shares	22	607	495
Purchase of own shares	22	(2,185)	(2,000)
Purchase of own shares for the SIP		(531)	-
Purchase of own shares by the EBT		(3,143)	(1,772)
Sale of own shares by the EBT		2,456	1,272
Reclassification of share-based payment from liability-settled to equity-settled		-	438
Credit in respect of equity-settled share-based payments		296	-
Total movement in the year		11,750	5,394
Opening Group shareholders' funds		55,037	49,643
<b>Closing Group shareholders' funds</b>		<b>66,787</b>	<b>55,037</b>

# Consolidated balance sheet

## at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Intangible assets	12	2,232	2,448
Tangible assets	13	34,459	34,700
		<b>36,691</b>	37,148
<b>Current assets</b>			
Stocks	15	13,728	10,231
Debtors	16	15,446	16,439
Cash at bank and in hand		14,671	8,514
		<b>43,845</b>	35,184
<b>Creditors:</b> amounts falling due within one year	17	<b>(15,032)</b>	(12,843)
		<b>28,813</b>	22,341
<b>Net current assets</b>			
		<b>65,504</b>	59,489
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after more than one year	18	-	(52)
<b>Provisions for liabilities and charges</b>	19	<b>(1,181)</b>	(1,226)
<b>Net assets excluding Defined Benefit Pension Scheme asset / (liability)</b>		<b>64,323</b>	58,211
Defined Benefit Pension Scheme asset / (liability)	20	2,464	(3,174)
<b>Net assets including Defined Benefit Pension Scheme asset / (liability)</b>		<b>66,787</b>	55,037
<b>Capital and reserves</b>			
Called up share capital	22	2,121	2,134
Share premium account	23	6,101	5,524
Capital redemption reserve	23	558	515
Profit and loss account	23	61,541	49,196
		<b>70,321</b>	57,369
Own shares held	23	<b>(3,534)</b>	(2,332)
<b>Total Group shareholders' funds</b>		<b>66,787</b>	55,037

These financial statements were approved by the Board on 12 May 2009 and signed on its behalf by



**RJ Kahn**  
Managing Director

# Company balance sheet

## at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	13	20,679	21,060
Investments	14	7,099	5,124
		<b>27,778</b>	26,184
<b>Current assets</b>			
Debtors	16	-	47
Cash at bank and in hand		2,260	2,795
		<b>2,260</b>	2,842
<b>Creditors:</b> amounts falling due within one year	17	<b>(3,405)</b>	(2,085)
		<b>(1,145)</b>	757
<b>Net current assets</b>			
		<b>26,633</b>	26,941
<b>Total assets less current liabilities</b>			
		<b>(75)</b>	(66)
<b>Provisions for liabilities and charges</b>			
		<b>26,558</b>	26,875
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	22	2,121	2,134
Share premium account	23	6,101	5,524
Capital redemption reserve	23	558	515
Profit and loss account	23	21,312	21,034
		<b>30,092</b>	29,207
Own shares held	23	<b>(3,534)</b>	(2,332)
<b>Total shareholders' funds</b>			
		<b>26,558</b>	26,875

These financial statements were approved by the Board on 12 May 2009 and signed on its behalf by



**RJ Kahn**  
Managing Director

## Consolidated cash flow statement for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	26(a)	16,082	13,614
Returns on investments and servicing of finance	26(b)	235	112
Tax paid		(2,253)	(3,970)
Capital expenditure and financial investment	26(b)	(4,414)	(7,627)
Dividends paid	11	(2,387)	(1,788)
<b>Cash inflow before financing</b>		<b>7,263</b>	<b>341</b>
<b>Financing</b>			
Purchase of own shares	22	(2,185)	(2,000)
Issue of ordinary share capital	22	607	495
Repayment of property loan		(79)	(70)
<b>Increase / (decrease) in cash</b>		<b>5,606</b>	<b>(1,234)</b>

## Reconciliation of cash to movement in net funds for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Increase / (decrease) in cash		5,606	(1,234)
Cash outflow from repayment of loans		79	70
Change in net funds resulting from cash flows		5,685	(1,164)
Effect of exchange differences		374	190
<b>Movement in net funds for the year</b>		<b>6,059</b>	<b>(974)</b>
Opening net funds		7,351	8,325
<b>Closing net funds</b>	26(c)	<b>13,410</b>	<b>7,351</b>

# Notes to the consolidated financial statements

## 1 Accounting policies

### (a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards under the historical cost convention on the going concern basis. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements. A summary of the more important accounting policies is set out below.

### (b) Basis of consolidation

The Group financial statements consolidate the results of The Altro Group plc and all its subsidiary undertakings at 31 December 2008 using acquisition accounting.

### (c) Change in accounting policy

The Group has adopted the amendment to FRS 17: Retirement Benefits. As a result of this, quoted securities held as plan assets in the Defined Benefit Pension Scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of plan assets at 31 December 2007 would have been £46,000 higher, resulting in a decrease of the pension deficit of £32,000 net of deferred tax. Current and prior year profit are unaffected by this change. The directors have elected not to restate the net pension liability as at 31 December 2007 as the adjustment is immaterial.

### (d) Capital contributions

The Company adopted UITF 44: Group and Treasury Share Transactions in the 2007 financial statements. 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, UITF 44 requires the subsidiary to record 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.

### (e) 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.

### (f) 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.

# Notes to the consolidated financial statements

## 1 Accounting policies (continued)

### (g) 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.

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.

### (h) 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 arising from the translation of the opening net asset investment in subsidiaries at the closing rates and matched long-term foreign currency borrowings are taken direct to reserves.

### (i) 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.

### (j) Research and development

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

### (k) 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 bid price, and the liabilities using a projected unit method and discounted at a high quality corporate bond rate.

# Notes to the consolidated financial statements

## 1 Accounting policies (continued)

### (k) Pension costs (continued)

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 net interest income. 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 Defined Contribution Pension Schemes (DC Schemes). The pension costs for these DC Schemes represent contributions payable by the Group in the year.

### (l) Investments

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).

### (m) 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.

### (n) Employee Benefit Trust (EBT)

The Group's EBT is separately administered. 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.

### (o) Dividends

In accordance with FRS 21: Events after the Balance Sheet Date, dividends proposed after the balance sheet date are not charged to the profit and loss account in the year. A final dividend for the year ended 31 December 2008 will be proposed at the annual general meeting.

### (p) 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 35%.

The Group operates a Share Incentive Plan (SIP) 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, pro-rated over the vesting period of the options.

### (q) 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 VAT) 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:

	2008		2007	
	£'000	%	£'000	%
<b>Territory</b>				
United Kingdom	61,935	51	60,425	57
Continental Europe	21,687	18	19,059	18
The Americas	28,846	24	18,771	18
Australia and Asia Pacific	6,941	6	6,241	6
Rest of world	937	1	712	1
	<b>120,346</b>	<b>100</b>	105,208	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:

	2008	2007
Manufacturing	156	157
Sales and marketing	238	237
Warehouse and distribution	75	70
Administration and management	163	168
	<b>632</b>	632

Employee costs, including directors, during the year were:

	2008	2007
	£'000	£'000
Wages and salaries	21,382	19,343
Social security costs	2,408	2,210
Pension costs:		
Defined Benefit Scheme	1,802	1,517
Defined Contribution Schemes	54	28
Other staff benefits	1,025	1,066
	<b>26,671</b>	24,164

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

	2008 £	2007 £
Emoluments	1,034,989	879,741
DB Scheme contributions	114,347	100,557
	<b>1,149,336</b>	980,298

Retirement benefits are accruing to four directors (31 December 2007: four) under the DB Scheme at 31 December 2008.

Highest paid director:		
emoluments	356,035	255,537
DB Scheme contributions	43,116	36,860
	<b>399,151</b>	292,397

The amount of the accrued pension of the highest paid director at 31 December 2008 is £98,472 (31 December 2007: £76,759). 43,660 share options were exercised by the highest paid director in the year (31 December 2007: nil).

## 5 Operating expenses

	2008 £'000	2007 £'000
Distribution costs	30,776	27,577
Administrative expenses	18,036	17,854
	<b>48,812</b>	45,431

## 6 Net interest and other finance income

	2008 £'000	2007 £'000
Interest payable and similar charges:		
bank loan	(7)	(7)
bank overdraft	(1)	(14)
other	(4)	(6)
Interest receivable and similar income:		
short term deposits	243	136
other	4	3
<b>Net interest receivable</b>	<b>235</b>	112
<b>Finance gain on Defined Benefit Pension Scheme (note 20)</b>	<b>18</b>	567

# 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):

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Depreciation	<b>3,740</b>	3,639
Amortisation of goodwill and intangibles	<b>216</b>	216
Fees payable to the Company's auditor for:		
the audit of the Company and consolidated financial statements	<b>63</b>	61
other services:		
the audit of the Company's subsidiaries pursuant to legislation	<b>15</b>	15
taxation services	<b>91</b>	24
other services	<b>95</b>	-
Research and development	<b>1,722</b>	1,343
Foreign exchange losses / (gains)	<b>122</b>	(252)
Rentals under operating leases:		
hire of plant and machinery	<b>2</b>	-
other operating leases	<b>1,545</b>	776
(Profit) / loss on disposal of tangible fixed assets and asset impairments	<b>(5)</b>	774

## 8 Operating lease commitments

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

	<b>Land and buildings</b>	<b>Other</b>	Land and buildings	Other
	<b>2008</b>	<b>2008</b>	2007	2007
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Leases expiring:				
within one year	<b>47</b>	<b>117</b>	120	89
between two and five years	<b>556</b>	<b>587</b>	435	551
after five years	<b>212</b>	-	174	-
	<b>815</b>	<b>704</b>	729	640

# Notes to the consolidated financial statements

## 9 Tax on profit on ordinary activities

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

	2008 £'000	2007 £'000
<b>Current tax:</b>		
UK corporation tax at 28.5% (2007: 30%)	2,889	3,472
UK income tax on EBT	438	18
UK under / (over) provision in respect of prior years	105	(182)
overseas tax	439	849
	<b>3,871</b>	4,157
<b>Deferred tax:</b>		
timing differences - origination and reversal	422	(145)
credit in respect of Industrial Buildings Allowances	-	(866)
movement in deferred tax on DB Scheme	30	812
other timing differences	127	116
	<b>579</b>	(83)
<b>Tax on profit on ordinary activities</b>	<b>4,450</b>	4,074

### 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 (2007: £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 (2007: £182,731).

At 31 December 2007 there was an unrecognised deferred tax asset of £530,692 in respect of timing differences relating to overseas tax losses. These losses were disallowed in the current year.

	2008 £'000	2007 £'000
<b>Reconciliation of current tax charge for the year</b>		
Profit before tax	14,335	14,184
Tax charge on profit at a standard rate of 28.5% (2007: 30%)	4,085	4,255
Expenses not deductible for tax purposes	(227)	813
Capital allowances in excess of depreciation	104	171
Movement in short-term timing differences	(700)	(1,212)
Differences in overseas tax rates	(22)	85
Over provision in prior years	789	(21)
Foreign tax credits	(155)	(52)
Other	(3)	118
<b>Current tax charge for the year</b>	<b>3,871</b>	4,157

# Notes to the consolidated financial statements

## 10 Profit attributable to the members of the Company

Of the profit for the financial year, a profit of £4,788,879 (2007: £6,317,375) is dealt with in the accounts of the parent. The directors have taken advantage of the exemption under Section 230 of the Companies Act 1985 and have not presented a profit and loss account for the Company.

## 11 Dividends

	2008 £'000	2007 £'000
Final dividend for prior year of 7.6p (2007: 5.2p)	1,564	1,106
Interim dividend for current year of 4.0p (2007: 3.4p)	823	723
Less: dividends on shares held by the EBT	-	(41)
	<b>2,387</b>	1,829
	<b>2,387</b>	1,788

A final dividend of 7.0p for the year ended 31 December 2008 will be proposed at the annual general meeting. In accordance with FRS 21: Events after the Balance Sheet Date, this dividend is not included above.

Dividends payable on shares held by the EBT have been waived in 2008.

## 12 Intangible fixed assets

	Distribution rights £'000	Franchise £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 January 2008	100	141	3,216	3,457
<b>At 31 December 2008</b>	<b>100</b>	<b>141</b>	<b>3,216</b>	<b>3,457</b>
<b>Accumulated amortisation</b>				
At 1 January 2008	100	39	870	1,009
Charge for the year	-	7	209	216
<b>At 31 December 2008</b>	<b>100</b>	<b>46</b>	<b>1,079</b>	<b>1,225</b>
<b>Net book value</b>				
<b>At 31 December 2008</b>	<b>-</b>	<b>95</b>	<b>2,137</b>	<b>2,232</b>
At 31 December 2007	-	102	2,346	2,448

# Notes to the consolidated financial statements

## 13 Tangible fixed assets

The Group	Land and buildings			Plant equipment and vehicles	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000		
<b>Cost or valuation</b>					
At 1 January 2008	2,091	24,845	387	31,405	58,728
Currency translation differences	129	-	48	416	593
Additions	-	164	5	3,081	3,250
Disposals	-	-	-	(352)	(352)
<b>At 31 December 2008</b>	<b>2,220</b>	<b>25,009</b>	<b>440</b>	<b>34,550</b>	<b>62,219</b>
At valuation	256	4,394	-	-	4,650
At cost	1,964	20,615	440	34,550	57,569
<b>At 31 December 2008</b>	<b>2,220</b>	<b>25,009</b>	<b>440</b>	<b>34,550</b>	<b>62,219</b>
<b>Accumulated depreciation</b>					
At 1 January 2008	350	4,683	278	18,717	24,028
Currency translation differences	28	-	13	253	294
Charge for the year	43	530	44	3,123	3,740
Disposals	-	-	-	(302)	(302)
<b>At 31 December 2008</b>	<b>421</b>	<b>5,213</b>	<b>335</b>	<b>21,791</b>	<b>27,760</b>
<b>Net book value</b>					
<b>At 31 December 2008</b>	<b>1,799</b>	<b>19,796</b>	<b>105</b>	<b>12,759</b>	<b>34,459</b>
At 31 December 2007	1,741	20,162	109	12,688	34,700
Comparable amounts determined according to the historical cost convention:					
cost	2,093	23,658	440	34,550	60,741
accumulated depreciation	(410)	(4,968)	(335)	(21,791)	(27,504)
<b>Net book value</b>					
<b>At 31 December 2008</b>	<b>1,683</b>	<b>18,690</b>	<b>105</b>	<b>12,759</b>	<b>33,237</b>
At 31 December 2007	1,625	19,055	109	12,688	33,477

Included in long leasehold land and buildings is land at a cost or valuation of £4,941,648 (2007: £4,941,648) which is not depreciated.

# Notes to the consolidated financial statements

## 13 Tangible fixed assets (continued)

The Company	Land and buildings		Total £'000
	Freehold £'000	Long leasehold £'000	
<b>Cost or valuation</b>			
At 1 January 2008	1,087	24,731	25,818
Additions	-	164	164
<b>At 31 December 2008</b>	<b>1,087</b>	<b>24,895</b>	<b>25,982</b>
At valuation	256	4,394	4,650
At cost	831	20,501	21,332
<b>At 31 December 2008</b>	<b>1,087</b>	<b>24,895</b>	<b>25,982</b>
<b>Accumulated depreciation</b>			
At 1 January 2008	149	4,609	4,758
Charge for the year	16	529	545
<b>At 31 December 2008</b>	<b>165</b>	<b>5,138</b>	<b>5,303</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>922</b>	<b>19,757</b>	<b>20,679</b>
At 31 December 2007	938	20,122	21,060
Comparable amounts determined according to the historical cost convention:			
cost	960	23,544	24,504
accumulated depreciation	(154)	(4,894)	(5,048)
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>806</b>	<b>18,650</b>	<b>19,456</b>
At 31 December 2007	822	19,015	19,837

Included in long leasehold land and buildings is land at a cost or valuation of £4,941,648 (2007: £4,941,648) which is not depreciated.

# Notes to the consolidated financial statements

## 14 Investments held as fixed assets

	<b>Group</b> <b>2008</b> <b>£'000</b>	Group 2007 £'000	<b>Company</b> <b>2008</b> <b>£'000</b>	Company 2007 £'000
At 1 January	-	-	<b>5,124</b>	4,845
Capital contribution arising from share-based payment charge	-	-	<b>161</b>	279
Additional investments in principal trading subsidiaries	-	-	<b>1,814</b>	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>7,099</b>	5,124

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 2008 were:

<b>Company</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Percentage of shares held</b>	<b>Activity</b>
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

## 15 Stocks

	<b>2008</b> <b>£'000</b>	2007 £'000
Raw materials	<b>3,420</b>	2,924
Finished goods	<b>10,308</b>	7,307
	<b>13,728</b>	10,231

# Notes to the consolidated financial statements

## 16 Debtors

	<b>Group</b> <b>2008</b> <b>£'000</b>	Group 2007 £'000	<b>Company</b> <b>2008</b> <b>£'000</b>	Company 2007 £'000
Trade debtors	14,025	14,838	-	-
Other debtors	560	724	-	47
Prepayments and accrued income	861	767	-	-
Deferred tax asset	-	110	-	-
	<b>15,446</b>	16,439	-	47

## 17 Creditors: amounts falling due within one year

	<b>Group</b> <b>2008</b> <b>£'000</b>	Group 2007 £'000	<b>Company</b> <b>2008</b> <b>£'000</b>	Company 2007 £'000
Bank loans and overdrafts	1,260	1,111	1,201	991
Trade creditors	7,157	5,604	-	-
Owed to subsidiary undertakings	-	-	515	489
Corporate taxes	1,832	555	1,197	49
Other taxes	302	773	-	-
Social security costs	659	798	97	160
Other creditors	270	360	40	126
Accruals	3,552	3,642	355	270
	<b>15,032</b>	12,843	<b>3,405</b>	2,085

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

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

	<b>Group</b> <b>2008</b> <b>£'000</b>	Group 2007 £'000
<b>Bank loan</b>	-	52
The loan is scheduled for repayment by instalments:		
within one year	59	70
between one and two years	-	52
	<b>59</b>	122

The Altro Nordic loan is secured by a fixed and floating charge on the assets of Altro Nordic and incurs interest at Swedish base rate plus 1%.

The Company has no liabilities falling due after more than one year.

# Notes to the consolidated financial statements

## 19 Provisions for liabilities and charges

The Group	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2008	-	1,226	1,226
Charged to profit and loss account	705	-	705
Released in the year	(490)	(150)	(640)
Reclassified from debtors	(110)	-	(110)
<b>At 31 December 2008</b>	<b>105</b>	<b>1,076</b>	<b>1,181</b>

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 2008	66	-	66
Charged to profit and loss account	9	-	9
<b>At 31 December 2008</b>	<b>75</b>	<b>-</b>	<b>75</b>

Deferred tax	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
<b>Provision for deferred tax / (deferred tax asset ) comprises:</b>				
Additional DB Scheme contribution balance	(362)	(775)	-	-
Accelerated capital allowances	609	502	75	66
Short-term timing differences	(142)	163	-	-
<b>Deferred tax provision / (asset)</b>	<b>105</b>	<b>(110)</b>	<b>75</b>	<b>66</b>

Not included above is a deferred tax liability of £958,160 (2007: asset of £1,360,585) relating to the Defined Benefit Pension Scheme asset (2007: liability) which is disclosed in note 20.

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
<b>Unprovided deferred tax</b>				
Trading losses	-	531	-	-
Roll-over relief	183	183	183	196
Surplus on revaluation of land and buildings	419	419	419	449
<b>Total unprovided deferred tax</b>	<b>602</b>	<b>1,133</b>	<b>602</b>	<b>645</b>

# Notes to the consolidated financial statements

## 20 Retirement benefits

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

The Group operates one fully-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 preliminary results have been updated to 31 December 2008 by a qualified independent actuary and showed a surplus of £3.4 million under FRS 17: Retirement Benefits. In accordance with FRS 17, a net surplus in the DB Scheme should be recognised to the extent that it can be used to generate future economic benefits. The Group and its advisers have considered how much of this surplus is recoverable and consider that the surplus should be recognised in full.

As the 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 Scheme for the year beginning 1 January 2009 are currently expected to be £3.4 million. This figure is likely to be revised following completion of the actuarial valuation.

#### i) Net pension asset / (liability)

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

	2008 £'000	2007 £'000
Fair value of Scheme assets	54,714	56,058
Present value of Scheme liabilities	(51,292)	(60,593)
Pension asset / (liability) before tax	3,422	(4,535)
Related deferred tax (liability) / asset	(958)	1,361
<b>Net pension asset / (liability)</b>	<b>2,464</b>	<b>(3,174)</b>

The asset values as at 31 December 2007 have not been restated to reflect the change in valuation of the assets of the Defined Benefit Pension Scheme (as required by FRS 17: Retirement Benefits), from mid-market value to bid price as the change to the prior year's figure is not material (£46,000 before deferred tax).

The present value of the unfunded Scheme liabilities is nil (2007: nil). The irrecoverable surplus in the DB Scheme is nil (2007: nil).

#### ii) Analysis of assets and expected rates of return

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

	2008			2007		
	Expected rate of return %	% of overall Scheme assets	£'000	Expected rate of return %	% of overall Scheme assets	£'000
Equities	7.4	44.4	24,269	8.0	47.0	26,347
Bonds	3.8	53.5	29,321	4.4	52.6	29,487
Cash	3.8	2.1	1,124	4.4	0.4	224
<b>Fair value of Scheme assets</b>		<b>100.0</b>	<b>54,714</b>		<b>100.0</b>	<b>56,058</b>

The 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

## 20 Retirement benefits (continued)

### iii) Financial and demographic assumptions

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

	2008	2007
	%	%
Rate of increase in salaries	4.00	4.50
Rate of increase in pensions in payment (post April 1997)	3.40	3.60
Discount rate	6.65	5.70
Inflation assumption	3.00	3.50

The assumed life expectancies on retirement at age 65 were:

	2008	2007
	years	years
Retiring today		
males	21.0	21.0
females	23.9	23.9
Retiring in 20 years' time		
males	21.0	21.0
females	23.9	23.9

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

### iv) Changes in fair value of Scheme assets

	2008	2007
	£'000	£'000
Fair value of Scheme assets at beginning of year	56,058	49,461
Expected return on Scheme assets	3,537	3,492
Actuarial (loss) / gain	(7,176)	20
Contributions by employers	3,322	3,514
Contributions by Scheme members	814	849
Benefits paid	(1,841)	(1,278)
<b>Fair value of Scheme assets at end of year</b>	<b>54,714</b>	<b>56,058</b>

### v) Changes in present value of Scheme liabilities

	2008	2007
	£'000	£'000
Present value of Scheme liabilities at beginning of year	60,593	54,205
Current service cost	1,788	1,517
Interest cost	3,473	2,925
Contributions by Scheme members	814	849
Actuarial (gain) / loss	(13,549)	2,375
Benefits paid	(1,841)	(1,278)
Past service cost	14	-
<b>Present value of Scheme liabilities at end of year</b>	<b>51,292</b>	<b>60,593</b>

# Notes to the consolidated financial statements

## 20 Retirement benefits (continued)

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

	2008 £'000	2007 £'000
Current service cost	1,788	1,517
Past service cost	14	-
<b>Total operating charge</b>	<b>1,802</b>	1,517
Expected return on DB Scheme assets	3,491	3,492
Interest on DB Scheme liabilities	(3,473)	(2,925)
<b>Total finance gain (note 6)</b>	<b>18</b>	567

### vii) Cumulative actuarial gains and losses recognised in equity

	2008 £'000	2007 £'000
Loss at start of year	(4,537)	(2,889)
Net actuarial gains / (losses) recognised in the year	4,621	(1,648)
<b>Cumulative actuarial gain / (loss) at end of year</b>	<b>84</b>	(4,537)

### viii) History of scheme assets, liabilities and experience adjustments

	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	Year to 30 Sep 2004 £'000
Fair value of Scheme assets	54,714	56,058	49,461	38,638	28,726
Present value of Scheme liabilities	(51,292)	(60,593)	(54,205)	(54,968)	(40,598)
<b>Pension asset / (liability) before tax</b>	<b>3,422</b>	(4,535)	(4,744)	(16,330)	(11,872)
Experience adjustments to Scheme assets					
amount	(7,176)	20	1,356	6,274	657
percentage of Scheme assets	(13.1)%	0.5%	2.7%	16.2%	2.3%
Experience adjustments to Scheme liabilities					
amount	(666)	-	-	(2,073)	-
percentage of Scheme liabilities	(1.3)%	0.0%	0.0%	(3.8)%	0.0%

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

A number of employees are in DC Schemes. The assets of these Schemes are held in separate, insured funds. The total contributions payable by the Group in the year in respect of these Schemes were £53,712 (2007: £28,196). There were no prepaid or accrued contributions at the year end.

# Notes to the consolidated financial statements

## 21 Share-based payment

During the year ended 31 December 2008, the Group operated five share-based payment arrangements, as follows:

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

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

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

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

	2008 £'000	2007 £'000
<b>Expense arising from share-based payment arrangements</b>	<b>99</b>	350

A reconciliation of option and share movements over the year to 31 December 2008 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.

	2008		2007	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	1,152,243	238	1,320,513	216
Granted during the year	318,308	439	243,522	352
Exercised during the year	(305,653)	199	(384,243)	199
Cancelled during the year	(29,153)	302	(27,549)	218
<b>Outstanding at 31 December</b>	<b>1,135,745</b>	<b>293</b>	1,152,243	238
<b>Exercisable at 31 December</b>	<b>420,242</b>	<b>217</b>	525,544	195

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:

	2008	2007
Risk-free interest rate	3.9 - 4.5%	4.3 - 4.5%
Expected volatility	35%	30%
Expected option life in years	4	4
Expected dividend yield	2.0%	2.0%

# Notes to the consolidated financial statements

## 21 Share-based payment (continued)

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

Share option schemes	Settlement method	Number of options		Exercise price pence	Exercisable between
		2008	2007		
Unapproved	Equity	-	109,786	163	27.09.04 and 27.09.08
		<b>79,325</b>	94,525	200	31.10.05 and 31.10.09
		<b>72,700</b>	81,860	188	28.08.06 and 28.08.10
		<b>115,737</b>	153,174	218	22.04.07 and 22.04.11
		<b>129,469</b>	197,140	249	27.01.08 and 27.01.12
		<b>397,231</b>	636,485		
Approved	Equity	-	17,555	180	27.01.03 and 27.01.10
		-	30,000	200	31.10.05 and 31.10.12
		<b>23,011</b>	24,883	188	28.08.06 and 28.08.13
		-	13,761	218	22.04.07 and 22.04.14
		<b>44,499</b>	-	485	03.04.11 and 03.04.15
		<b>67,510</b>	86,199		
Phantom	Cash	<b>169,810</b>	186,037	262	21.04.09 and 21.04.13
		<b>205,354</b>	140,758	352	18.04.10 and 18.04.14
		<b>16,542</b>	-	485	18.04.10 and 18.04.14
		<b>71,196</b>	-	485	03.04.11 and 03.04.15
		<b>462,902</b>	326,795		
SIP	Equity	<b>208,102</b>	102,764		
		<b>208,102</b>	102,764		
		<b>1,135,745</b>	1,152,243		

## 22 Called up share capital

	2008 £'000	2007 £'000
Authorised: 50,000,000 ordinary shares of 10p each	<b>5,000</b>	5,000
Called up, allotted and fully paid: 21,209,679 ordinary shares of 10p each	<b>2,121</b>	2,134
	<b>Number of shares 2008</b>	Number of shares 2007
<b>Movements in the year</b>		
At 1 January	<b>21,337,626</b>	21,514,915
Shares issued	<b>305,653</b>	249,150
Own shares purchased	<b>(433,600)</b>	(426,439)
<b>At 31 December</b>	<b>21,209,679</b>	21,337,626

# Notes to the consolidated financial statements

## 22 Called up share capital (continued)

### 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	239,254	23,925	476,685
The 1996 Approved Senior Staff Share Option Scheme	66,399	6,640	130,897
	<b>305,653</b>	<b>30,565</b>	<b>607,582</b>

### Purchase of own shares

During the year the Company purchased 433,600 (2007: 426,439) of its own shares. The nominal value of the shares was £43,360 (2007: £42,644) and the amount paid was £2,185,344 (2007: £1,999,999).

### Major shareholdings

In addition to the interests of the directors, at 31 December 2008 there were the following substantial interests in the shares of the Company:

Shareholder	Shares	%
3i	2,910,921	13.7
BL Cohen	1,140,293	5.4
M Harmer	688,300	3.2

### Shareholder analysis

	Number	Shares (millions)	%
Directors and their families	16	10.8	50.9
Employees, ex-employees and their families	394	4.4	20.7
The Share Incentive Plan and the Employee Benefit Trust	7	1.2	5.7
Institutions	2	3.0	14.2
Other	2	1.8	8.5
	<b>421</b>	<b>21.2</b>	<b>100.0</b>

# Notes to the consolidated financial statements

## 23 Reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Own shares £'000	Total reserves £'000
<b>The Group</b>						
At 1 January 2008	2,134	5,524	515	49,196	(2,332)	55,037
Dividends paid	-	-	-	(2,387)	-	(2,387)
Actuarial gain on DB Scheme	-	-	-	4,621	-	4,621
Purchase of own shares for the Share Repurchase Scheme	(43)	-	43	(2,185)	-	(2,185)
Purchase of own shares for the SIP	-	-	-	(531)	-	(531)
Purchase of own shares by the EBT	-	-	-	-	(3,143)	(3,143)
Sale of own shares by the EBT	-	-	-	515	1,941	2,456
Share issue	30	577	-	-	-	607
Currency translation differences	-	-	-	2,131	-	2,131
Increase in reserves arising from share-based payments	-	-	-	296	-	296
Profit for the year	-	-	-	9,885	-	9,885
<b>At 31 December 2008</b>	<b>2,121</b>	<b>6,101</b>	<b>558</b>	<b>61,541</b>	<b>(3,534)</b>	<b>66,787</b>
<b>The Company</b>						
At 1 January 2008	2,134	5,524	515	21,034	(2,332)	26,875
Dividends paid	-	-	-	(2,387)	-	(2,387)
Purchase of own shares for the Share Repurchase Scheme	(43)	-	43	(2,185)	-	(2,185)
Purchase of own shares for the SIP	-	-	-	(531)	-	(531)
Purchase of own shares by the EBT	-	-	-	-	(3,143)	(3,143)
Sale of own shares by the EBT	-	-	-	515	1,941	2,456
Share issue	30	577	-	-	-	607
Capital contribution arising from share-based payments	-	-	-	77	-	77
Profit for the year	-	-	-	4,789	-	4,789
<b>At 31 December 2008</b>	<b>2,121</b>	<b>6,101</b>	<b>558</b>	<b>21,312</b>	<b>(3,534)</b>	<b>26,558</b>

# Notes to the consolidated financial statements

## 24 Investment in own shares

The Group accounts for its own shares held by the trustees of the Employee Benefit Trust 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	
	2008	2007
Number of shares in the Company owned by the EBT	744,524	569,219
Nominal value of shares held	£74,452	£56,922
Cost price of shares held	£3,534,841	£2,331,981
Prevailing valuation of the shares (pence)	404	485
Total market value of the shares	£3,007,877	£2,760,712
Maximum number of shares in the Company owned by the EBT during the year	866,600	692,564
Minimum number of shares in the Company owned by the EBT during the year	523,990	440,940

Dividends payable on these shares have been waived in 2008.

## 25 Earnings per share

	2008	2007
	£'000	£'000
<b>Profit for the year</b>	<b>9,885</b>	10,110

	Number of shares	Number of shares
Weighted average number of shares in issue	21,324,311	21,427,091
Weighted average number of shares held by the EBT	(715,501)	(538,761)
Basic weighted average number of shares in issue	20,608,810	20,888,330
Dilutive effect of share option schemes	418,670	548,034
<b>Diluted weighted average number of shares</b>	<b>21,027,480</b>	21,436,364
<b>Basic</b>	<b>48.0p</b>	48.4p
<b>Diluted</b>	<b>47.0p</b>	47.2p

# Notes to the consolidated financial statements

## 26 Notes to the consolidated cash flow statement

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

	2008 £'000	2007 £'000
Operating profit	14,082	13,505
Depreciation charge	3,740	3,639
DB Scheme contributions	(3,322)	(3,514)
DB Scheme operating charge	1,802	1,517
Amortisation of goodwill	216	216
(Profit) / loss on sale of tangible fixed assets	(5)	774
Increase in net provisions	105	271
Currency translation differences	(681)	41
(Increase) / decrease in stock	(2,088)	1,434
Decrease / (increase) in debtors	1,968	(1,373)
Increase / (decrease) in creditors	265	(2,896)
<b>Net cash inflow from operating activities</b>	<b>16,082</b>	<b>13,614</b>

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

	2008 £'000	2007 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	247	139
Interest paid	(12)	(27)
	<b>235</b>	<b>112</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(3,250)	(7,232)
Disposal of tangible fixed assets	54	105
Purchase of own shares by the EBT	(3,143)	(1,772)
Disposal of own shares by the EBT	1,925	1,272
	<b>(4,414)</b>	<b>(7,627)</b>

### (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 2008	7,473	(70)	(52)	7,351
Cash flow	5,606	79	-	5,685
Exchange movements	390	(9)	(7)	374
Other non-cash movement	-	(59)	59	-
<b>At 31 December 2008</b>	<b>13,469</b>	<b>(59)</b>	<b>-</b>	<b>13,410</b>

# Notes to the consolidated financial statements

## 27 Capital commitments

	2008 £'000	2007 £'000
Contracted but not provided for	965	1,324

## 28 Contingent liabilities

The Company has guarantees totalling £67,672 (2007: £77,121) 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

	2008	2007	2006	2005	2004
	£'000	£'000	as restated £'000	as restated £'000	£'000
<b>Balance sheet</b>					
Fixed assets	36,691	37,148	34,583	31,154	29,348
Current assets	43,845	35,184	36,286	40,553	42,299
<b>Total assets</b>	<b>80,536</b>	72,332	70,869	71,707	71,647
Ordinary shareholders' funds	66,787	55,037	49,643	40,976	49,696
Borrowings:					
due after more than one year	-	52	118	181	273
due within one year	59	70	113	113	68
Other creditors	16,154	13,999	17,674	19,006	21,610
Defined Benefit Pension Scheme (asset) / liability	(2,464)	3,174	3,321	11,431	-
<b>Total funds employed</b>	<b>80,536</b>	72,332	70,869	71,707	71,647
<b>Turnover and profits</b>					
Turnover	120,346	105,208	97,601	119,796	85,481
Operating profit	14,082	13,505	11,142	9,982	8,966
Profit after tax	9,885	10,110	7,818	5,799	5,994
Ordinary dividends	2,387	1,788	1,298	1,698	1,245
	<b>Pence</b>	Pence	Pence	Pence	Pence
<b>Diluted earnings per share</b>	<b>47.0</b>	47.2	36.1	26.3	27.1
<b>Dividends per share</b>	<b>11.0</b>	11.0	7.8	7.8	5.7
<b>Net assets per share</b>	<b>314.9</b>	257.9	230.7	187.8	223.1
<b>Gearing ratio %</b>	<b>0.1</b>	0.2	0.5	0.7	0.7
<b>Average number of employees</b>	<b>632</b>	632	631	640	600

The final dividends for 2005 to 2008 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 Defined Benefit Pension Scheme liability for the year ended 30 September 2004 is not shown.

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

The comparative figures for 2004 have not been restated for the adoption of FRS 17, FRS 20 and FRS 21.



# 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 18 June 2009, at 5.00pm.

## Ordinary Business

1. To receive and adopt the Directors' Report and the audited accounts for the year ended 31 December 2008.
2. To declare a final dividend of 7.0p per issued Ordinary Share of 10p each of the Company in respect of the year ended 31 December 2008.
3. To authorise the directors' remuneration payable for the year ended 31 December 2008.
4. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to agree their remuneration.
5. To approve the extension of the Phantom Share Option Scheme 2005 until 31 December 2011.

## Special Business

6. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:  
**THAT** the terms of the proposed contracts whereby the Company shall become entitled and obliged to purchase up to 551,470 Shares of 10p each at a price of 272p per share, copies of which have been available for inspection by the members of the Company at the Company's registered office for not less than fifteen days ending with the date hereof and copies of which have been produced to the meeting and initialled for the purpose of identification by the Company Secretary, are hereby approved and any director of the Company is hereby authorised to enter into the said contracts on behalf of the Company at any time before the conclusion of the next annual general meeting;
7. To consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:  
**THAT** in substitution for all existing authorities, the directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities, within the meaning of that section, up to an aggregate nominal amount of £2,873,847 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 relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.
8. To consider and if thought fit, pass the following resolution which will be proposed as a special resolution:  
**THAT** in substitution for all existing powers and subject to the passing of resolution 6, the directors be generally empowered pursuant to Section 95 of the Act to allot equity securities, within the meaning of section 94[2] of the Act, for cash pursuant to the general authority conferred by resolution 6 as if section 89[1] 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 relevant securities allotted under this authority does not exceed £2,873,847.

By order of the Board



**E P Boyle**  
Secretary

12 May 2009

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.