



THE ALTRO GROUP

Report and Accounts

2006

CONTENTS

Page	
3	Chairman's statement
4	Chief Executives' review
7	Directors' report
10	Independent auditors' report
11	Directors and advisers
12	Consolidated profit and loss account
13	Consolidated statement of total recognised gains and losses
13	Reconciliation of movements in equity shareholders' funds
14	Consolidated balance sheet
15	Company balance sheet
16	Consolidated cash flow statement
16	Reconciliation of cash to movement in net funds
17	Notes to the accounts
43	Five year financial summary
45	Annual general meeting

CHAIRMAN'S STATEMENT

for the year ended 31 December 2006

The year to 31 December 2006 was the most successful since the foundation of the Company in 1919. I am very pleased to report a record set of results with a profit before tax of £11.5 million, an increase of 27% on the twelve months to 31 December 2005. These results were achieved despite 2006 being a year in which the Group faced intense competitor price pressure and increased raw material, energy and overhead costs.

An interim dividend of 2.6p per share was paid to shareholders in November 2006. At the annual general meeting in June, the Group proposes to seek the approval of shareholders to pay a final dividend of 5.2p per share on Friday 27 July 2007 to those shareholders on the register at close of business on Friday 13 July 2007. The total dividend would be 7.8p for the year to 31 December 2006, compared with 7.8p for the fifteen month period ended 31 December 2005, an increase of 25%.

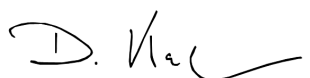
A share valuation of £4.69 was obtained from Dresdner Kleinwort Limited in April 2007 on behalf of the trustees of the Employee Benefit Trust (EBT) and the Share Incentive Plan (SIP).

The Group continues to support share ownership by employees and the board has set aside £482,000 [fifteen months to 31 December 2005: £440,400] for distribution of shares to employees under the SIP.

The Company will seek the approval of shareholders at the annual general meeting for the purchase of up to £2 million of its own shares at £4.69 per share. This buy back, 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 under the various Group share schemes.

We are delighted that in 2006 Altro was recognised as one of The Sunday Times '100 Best Companies To Work For'. The Group has always considered its people to be its most important asset and this award, which is based on the views of our employees, reflects the teamwork shown by our Company and our people. They are responsible for the continuing success of the Group and on behalf of the board, I extend our thanks for their enthusiasm and commitment.

We look forward to 2007 with confidence.



David Kahn

CHIEF EXECUTIVES' REVIEW

ALTRO FLOORS

This year has been our most successful to date, largely due to our accelerated product development programme and the 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.

This has been an exciting year with the launch of Altro Timbersafe, a new generation of safety flooring and a world first. Altro Timbersafe has the appearance of a beautiful timber floor with the slip resistance and ease of maintenance of an Altro safety flooring.

We have also launched the world's first non-vinyl safety flooring, designed for the marine and rail markets where special fire resistant properties are essential.

Since the end of December 2006, we have expanded the Altro Maxis Suprema range – one of our contemporary design safety flooring collections – to eighteen colours and launched Altro Contrax – a new range of functional safety flooring.

All these products have been well received by our customers and it is expected that the continual development of our safety flooring portfolio will grow market share and expand our business opportunities.

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 warehouse 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.

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 generates a significant contribution from sales of Altro safety flooring. This year we have seen the benefit of the re-organisation of our subsidiaries and look forward to further progress in 2007.

APAC (Australia and Asia Pacific)

We are continuing to grow sales of Altro safety flooring in Australia and throughout the Pacific Rim; The People's Republic of China is a new market in which we are making good progress.

Rest of the World

Sales through our trading partners in the rest of the world have grown very satisfactorily.

World Class Manufacturing

During the year, we continued to make major investments in manufacturing, both to support our accelerated product development programme and to ensure manufacturing efficiencies.

Further major investment in manufacturing is planned for 2007.

Altro Resin Systems

A new Altro PU resin range was launched in January 2007, designed to meet contractor and market needs: it is easier and cleaner to mix, with an innovative liquid colour system which minimises wastage. Increased sales of resin floors are expected as a result.

Altro Walls

There has been continued growth in sales of our wall cladding systems and the prospects remain good for the future. Altro Whiterock wall cladding is supplied in a range of colours and patterns as well as the original white panels and has many advantages over traditional wall tiles.

Industry awards

During 2006, Altro Floors achieved recognition by a number of other organisations, amongst which were the following major industry awards:

- Resilient flooring – the Contract Flooring Journal “Flooring Product of the Year” for the fifth consecutive year
- Resin flooring – the Contract Flooring Journal “Flooring Product of the Year” for the third consecutive year and
- FeFRA – the Resin Flooring Association – “Manufacturer of the Year”.

Outlook

We continue to develop our people, product portfolio and manufacturing facilities and we anticipate further growth in 2007.

Richard Kahn

AUTOGLYM

This was another successful year for Autoglym, with the division making an increased contribution to the Group's results.

The extension and refurbishment of the Autoglym site in Letchworth Garden City was completed on time and within budget. Work on the new warehouse hub started in November 2006 and is due for completion in June 2007; once operational, the new hub will be the main stocking and distribution centre for Autoglym and Kanor products.

Our successes were achieved despite some difficulties during the year; we dealt with the disruption caused by the construction work and also faced challenging retail trading conditions in the UK and in the general car wash market.

The continued development of innovative and environmentally friendly products and application methods continues to be a priority for the research and development team.

The Public Service Vehicle (PSV) business has had its best year to date and is developing new areas of the market. Wrightbus, one of the largest bus manufacturers in the UK, has endorsed a range of Autoglym PSV products for use on their buses and coaches. This is the only product range in the market to receive such approval and illustrates the quality of our products and services.

During the year, the Kanor business was moved from Warrington and has now been successfully integrated at Letchworth. We continue to supply products to oil companies and a variety of car wash operators in the UK and Europe.

Autoglym products are now sold in all major international markets and in 2006, we made major distribution gains in the Australian and French markets which will show benefits in the future.

The LifeShine range, launched to the UK in 2004, is currently being introduced to selected overseas markets. LifeShine, a specialist paint and car interior treatment, is offered via vehicle dealer networks as an optional extra with a warranty on the condition of the vehicle provided the customer uses only Autoglym products.

It is expected that with exciting product launches, a new warehouse and a re-organisation of the sales team, we will continue to build on our successes in 2007.

Paul Caller

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities and a review of the businesses are contained in the Chief Executives' Review.

FINANCIAL REVIEW

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, restated for a twelve month period, are:

- Profit – increased by 27%
- Turnover – underlying growth of 5%
- Dividends – increase of 25%
- Shareholders' funds – up by 19%
- Earnings per share – grew by 30.5%

The Group's net funds as at 31 December 2006 were £8.3 million [31 December 2005: £11.4 million]. Expenditure during the period has included investment in buildings, plant and machinery throughout the Group as well as an additional contribution of £5.2 million to the Pension Scheme. Such expenditure is a clear example of our policy of investing for the future.

Principal risks and uncertainties

The Group has procedures and systems to manage the major risks faced by both the flooring and car care businesses. Where possible, the board takes action to eliminate, reduce or mitigate specific risks through the adoption of appropriate strategies.

There is a particular emphasis on the prevention of disruption to production at the two manufacturing sites in Letchworth Garden City. This includes the maintenance of business continuity plans and constant monitoring of fire prevention procedures.

Financial instruments

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.

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

Currency risk

The Group is exposed in its trading operations to the risk of changes 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.

Liquidity risk

The Group has 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.

SHARE CAPITAL

During the twelve months, the Group bought back and cancelled 613,496 ordinary shares of 10p each (representing 2.8% of the called up share capital) at a price of £3.26 per share for a total of £1,999,997, with an aggregate nominal value of £61,350.

In addition, 303,839 ordinary shares of 10p each were issued at between £1.63 and £2.00 under Group share schemes, resulting in total issued capital of 21,514,915 shares at 31 December 2006.

The Group will seek approval at the annual general meeting to commit up to £2 million to buying back Group shares [2005: £2 million]. This is the thirteenth year in which the Group has run the Scheme for the benefit of all shareholders.

DIVIDENDS

The directors recommend a final dividend of 5.2p per share, resulting in a total of 7.8p for the twelve month period. Diluted earnings per share were 36.1p [fifteen months to 31 December 2005: 26.3p]. Assuming approval by shareholders at the AGM, the final dividend will be paid on Friday 27 July 2007 to all those on the share register at close of business on Friday 13 July 2007.

SHARE INCENTIVE PLAN (SIP)

£482,000 has been allocated to the Share Incentive Plan [fifteen months to 31 December 2005: £440,400 for the award of shares to 448 employees]. This allocation will be the fifth 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.

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.

HEALTH & SAFETY AND THE ENVIRONMENT

The directors believe that health & safety and environmental performance are prime business objectives.

We are delighted that Altro Maxis Suprema achieved an A rating in the Building Research Establishment Environmental Assessment Method in December 2006.

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

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

GROUP PENSION SCHEMES

The Company made a special contribution to the Defined Benefit Pension Scheme of £5.2 million during 2006 and will continue to make a further contribution of £1.75 million per annum for the next nine years in addition to the expected future funding contribution.

The deficit is under regular review by the trustees and the Scheme's professional advisers.

During the twelve months to December 2006, 89% of Defined Benefit Pension Scheme members elected to make a greater contribution to future service costs by increasing their employee contributions by 2% to 8% to maintain an accrual rate of 60^{ths}. The remaining members chose not to increase their contributions and their accrual rate reduced to 80^{ths} for service after 1 October 2006.

The Group also operates Defined Contribution Schemes for employees who joined after 1 October 2005.

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.

DIRECTORS' INTERESTS

The directors of the Group together with their interests in the shares of The Altro Group plc are shown in note 4.

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. Creditor days were 54 at 31 December 2006 [31 December 2005: 42 days].

CHARITABLE AND POLITICAL DONATIONS

Charitable donations of £9,787 [2005: £26,904] were made during the period. 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 period. 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.

Chairman and Managing Director

During the year under review, David Kahn combined the roles of Chairman and Managing Director for the first three months. With effect from 1 April 2006, Richard Kahn was appointed Managing Director and David Kahn continued in the role of Chairman.

Board Committees

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

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 2007 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 financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report is available on the Company's websites. The maintenance and integrity of the websites are the responsibility of the directors. 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 information contained in the financial statements since they were initially presented on the websites.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of this report, each of the Company's directors, as set out on page 11, confirm the following:

- as far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

AUDITORS

RSM Robson Rhodes LLP have expressed their willingness to continue as auditors. A resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

By order of the Board



EP Boyle
Secretary

15 May 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ALTRO GROUP PLC

Year ended 31 December 2006

We have audited the financial statements on pages 12 to 41. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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).

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 in the Directors' Report includes 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. The other information comprises only the Chairman's Statement, the Chief Executives' Review, the Directors' Report and the Five Year Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the 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 misstatement, 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 affairs of the Group and parent Company as at 31 December 2006 and of the profit of the Group 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.

RSM Robson Rhodes LLP.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England

15 May 2007

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

RSM Robson Rhodes LLP

BANKERS

Barclays Bank PLC
The Royal Bank of Scotland plc
Scandinaviska Enskilda Banken AB

SOLICITORS

DLA Piper

STOCKBROKERS

Dresdner Kleinwort Limited
PO Box 52715
30 Gresham Street
London
EC2P 2XY

REGISTRARS

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Notes	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Turnover			
Continuing operations		98,544	119,583
Acquisitions		-	213
Group Turnover			
Cost of sales	2	98,544 (43,172)	119,796 (55,345)
Gross Profit			
Operating expenses	6	55,372 (44,230)	64,451 (54,469)
Operating Profit			
Continuing operations		11,142	9,982
Acquisitions		-	-
Group Operating Profit			
Net interest	7	11,142 320	9,982 (114)
Profit on Ordinary Activities before Tax			
Tax on profit on ordinary activities	8 10	11,462 (3,644)	9,868 (4,069)
Profit on Ordinary Activities after Tax			
		7,818	5,799
Earnings per Share			
Basic	22	36.8p	26.6p
Diluted		36.1p	26.3p

All the above results derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2006

	12 months to 31 December 2006	15 months to 31 December 2005 as restated
Notes	£'000	£'000
Profit attributable to equity shareholders	7,818	5,799
Currency translation differences	(512)	332
Actuarial gain / (loss) on net Pension Scheme assets	6,470	(4,171)
Deferred tax on actuarial gain / (loss)	(1,941)	1,251
Total Recognised Gains and Losses in the year	11,835	3,211
Prior year adjustment	27	(12,337)
Total Recognised Gains and Losses since the last Annual Report	(502)	

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Year ended 31 December 2006

	12 months to 31 December 2006	15 months to 31 December 2005 as restated
Notes	£'000	£'000
Total Recognised Gains and Losses in the year	11,835	3,211
Equity dividends	12	(1,698)
Issue of new shares	24	1,513
Purchase of own shares	24	527
Purchase of own shares by the EBT	(2,000)	(1,969)
Sale of own shares by the EBT	(1,489)	(1,050)
	1,066	1,490
Total movement in the year	8,667	511
Opening equity shareholders' funds (originally £53,313,000)	27	40,976
Closing Equity Shareholders' Funds	49,643	40,976

CONSOLIDATED BALANCE SHEET

at 31 December 2006

	Notes	2006 £'000	2005 as restated £'000
Fixed Assets			
Intangible assets	13	2,664	3,669
Tangible assets	14	31,919	27,485
		34,583	31,154
Current Assets			
Stocks	16	11,422	11,503
Debtors	17	14,726	15,359
Cash at bank and in hand		10,138	13,691
		36,286	40,553
Creditors			
Amounts falling due within one year	18	(16,947)	(17,459)
		19,339	23,094
Net Current Assets			
		53,922	54,248
Total Assets less Current Liabilities			
Creditors			
Amounts falling due after more than one year	19	(118)	(181)
Provisions for Liabilities and Charges			
	20	(840)	(1,660)
Net Assets excluding Pension Scheme Liability			
		52,964	52,407
Pension Scheme liability	21	(3,321)	(11,431)
Net Assets including Pension Scheme Liability			
		49,643	40,976
Capital and Reserves			
Called up share capital	24	2,151	2,182
Share premium account	25	5,054	4,532
Capital redemption reserve	25	473	411
Profit and loss account	25	43,307	34,535
		50,985	41,660
Own shares	28	(1,342)	(684)
Equity Shareholders' Funds			
		49,643	40,976

These financial statements were approved by the Board on 15 May 2007 and signed on its behalf by




RJ Kahn
Managing Director

COMPANY BALANCE SHEET

at 31 December 2006

	Notes	2006 £'000	2005 as restated £'000
Fixed Assets			
Tangible assets	14	19,119	16,604
Investments	15	3,555	3,555
		22,674	20,159
Current Assets			
Debtors	17	3,043	2,905
		3,043	2,905
Creditors			
Amounts falling due within one year	18	(2,156)	(2,405)
		887	500
Net Current Assets			
		23,561	20,659
Total Assets less Current Liabilities			
	20	(932)	(838)
Net Assets			
		22,629	19,821
Capital and Reserves			
Called up share capital	24	2,151	2,182
Share premium account	25	5,054	4,532
Capital redemption reserve	25	473	411
Profit and loss account	25	16,293	13,380
		23,971	20,505
Own shares	28	(1,342)	(684)
Equity Shareholders' Funds			
		22,629	19,821

These financial statements were approved by the Board on 15 May 2007 and signed on its behalf by



RJ Kahn
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

		12 months to 31 December 2006 £'000	15 months to 31 December 2005 £'000
	Notes		
Net cash inflow from operating activities	29(a)	10,415	12,444
Returns on investments and servicing of finance	29(b)	161	171
Tax paid		(3,158)	(4,103)
Capital expenditure and financial investment	29(b)	(7,697)	(5,161)
Acquisitions	29(b)	-	(843)
Equity dividends paid		(1,298)	(1,240)
Cash inflow before financing		(1,577)	1,268
Financing			
Purchase of own shares		(2,000)	(1,969)
Issue of ordinary share capital		553	527
Repayment of property loan		(68)	(82)
Decrease in cash		(3,092)	(256)

RECONCILIATION OF CASH TO MOVEMENT IN NET FUNDS

Year ended 31 December 2006

		12 months to 31 December 2006 £'000	15 months to 31 December 2005 £'000
	Notes		
Decrease in cash		(3,092)	(256)
Cash inflow from increase in debt		-	(47)
Cash outflow from repayment of loans		68	82
Change in net funds resulting from cash flows		(3,024)	(221)
Effect of exchange differences		(53)	88
Movement in net funds for year		(3,077)	(133)
Opening net funds		11,402	11,535
Closing net funds	29(c)	8,325	11,402

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

(a) Change of year end accounting date

The accounts for 2006 cover the year ended 31 December 2006. In 2005 the Group changed its year end accounting reference date from 30 September to 31 December. The comparative figures are in respect of the fifteen month period from 1 October 2004 to 31 December 2005.

(b) Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings. 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.

The Group has adopted FRS 17: Retirement Benefits (note 21), FRS 20: Share-based Payment (note 23) and FRS 21: Events after the Balance Sheet Date (note 12) in these financial statements. The comparative figures for the fifteen months to 31 December 2005 have been restated to reflect the adoption of these accounting standards (note 27).

(c) Basis of consolidation

The Group financial statements consolidate the results of The Altro Group plc and all its subsidiary undertakings at 31 December 2006 using acquisition accounting. The results of subsidiary undertakings acquired or disposed of during the financial year are included from, or up to, the effective date of acquisition or disposal.

(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.

Prior to 1 October 1998 goodwill arising on acquisitions was transferred to reserves in the year of acquisition.

(e) Tangible fixed assets

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 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.

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 tax is also taken directly to the statement of total recognised gains and losses in due course.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (continued)

(g) Foreign currencies

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

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

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

The 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 investment in subsidiaries at the closing rates and matched long-term foreign currency borrowings are taken direct to reserves.

(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.

(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 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 Defined Benefit Scheme have been accounted for in accordance with FRS 17: Retirement Benefits. The assets of the Pension Scheme are measured at market value, and the liabilities using a projected unit method and discounted at an high quality corporate bond rate.

The Pension Scheme 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 service cost of the Pension Scheme. The interest cost and expected return on Pension 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.

Under the previous accounting policy, costs included the regular cost of providing benefits, with variations from the regular pension costs spread evenly through the profit and loss account over the average remaining service lives of current employees.

The Group also operates Defined Contribution Schemes. The pension costs for these Schemes represent contributions payable by the Group in the year.

(k) 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).

(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. Liabilities of the EBT are guaranteed by the Company and the assets of the EBT comprise shares in the Company. The income, costs, assets and liabilities of the EBT have been included in the consolidated financial statements.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (continued)

(n) Risk management - foreign currency

The Group finances its operations primarily by internally generated cash flow. The principal financial exposure of the Group is to movements in foreign exchange rates which result from the international nature of the Group's business activities. The Group seeks to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It operates within policies and procedures approved by the board, which include strict controls on the use of financial instruments in managing the Group's risk. The Group does not undertake any trading activity in financial instruments.

The Group faces currency exposures on trading transactions undertaken in foreign currencies and on the translation of profits earned and net assets in overseas subsidiaries. The Group hedges the majority of its transactional exposures by taking out forward foreign exchange contracts of up to one year against its known and anticipated sales. Currency swaps and options may also be entered into.

The Group does not hedge its translation exposures as these are an accounting rather than cash exposure; in addition, as currency profits are accounted for using average exchange rates, there is a smoothing effect on short-term currency movements.

(o) Dividends

In accordance with FRS 21: Events after the Balance Sheet Date, dividends proposed after the balance sheet date are no longer included in the profit and loss account.

A final dividend for the year ended 31 December 2006 will be proposed at the annual general meeting.

(p) Share-based payment

The Group issues share options to certain employees. Share options are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight line over the vesting period, based on the Group's estimate of shares that will eventually vest.

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

NOTES TO THE ACCOUNTS

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:

	12 months to 31 December		15 months to 31 December	
	2006	2006	2005	2005
	£'000	%	£'000	%
Territory				
United Kingdom	57,427	58	67,382	56
Continental Europe	17,716	18	17,741	15
The Americas	17,303	18	27,286	23
Australia and Asia Pacific	5,266	5	6,664	5
Rest of World	832	1	723	1
	98,544	100	119,796	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:

	12 months to 31 December 2006	15 months to 31 December 2005
Manufacturing	134	139
Sales and marketing	268	271
Warehouse and distribution	61	62
Administration and management	168	168
	631	640

Employee costs, including directors, during the year were:

	12 months to 31 December 2006	15 months to 31 December 2005 as restated
	£'000	£'000
Wages and salaries	18,807	23,423
Social security costs	1,923	2,360
Pension costs		
Defined Benefit Scheme	2,023	2,110
Defined Contribution Schemes	6	36
Other staff benefits	931	934
	23,690	28,863

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

NOTES TO THE ACCOUNTS

4 DIRECTORS' INTERESTS

The directors of the Group together with their interests in the shares of The Altro Group plc are shown below:

	DJ Kahn	G Cleverdon	MP Fincham	EP Boyle	RJ Kahn	JFH Park	PL Caller
Number of Shares							
At 31 December 2006	6,478,932	250,890	347,313	66,044	3,568,262	10,000	2,110
At 1 January 2006	6,503,470	256,815	347,313	50,401	3,580,949	10,000	2,110

Unapproved Scheme Share Options

Exercisable between 27.01.03 and 27.01.07 - Exercise Price 180p

At 31 December 2006	-	-	-	-	-	-	-
At 1 January 2006	-	23,611	-	14,167	4,167	-	-

Exercisable between 27.09.04 and 27.09.08 - Exercise Price 163p

At 31 December 2006	-	26,994	-	20,000	26,994	-	15,798
At 1 January 2006	-	26,994	-	20,000	26,994	-	15,798

Exercisable between 31.10.05 and 31.10.09 - Exercise Price 200p

At 31 December 2006	-	22,750	-	16,875	24,500	-	13,325
At 1 January 2006	-	22,750	-	16,875	24,500	-	13,325

Exercisable between 28.08.06 and 28.08.10 - Exercise Price 188p

At 31 December 2006	-	9,096	-	5,814	26,976	-	17,579
At 1 January 2006	-	9,096	-	5,814	26,976	-	17,579

Exercisable between 22.04.07 and 22.04.11 - Exercise Price 218p

At 31 December 2006	-	23,792	-	18,033	25,615	-	19,811
At 1 January 2006	-	23,792	-	18,033	25,615	-	19,811

Exercisable between 27.01.08 and 27.01.12 - Exercise Price 249p

At 31 December 2006	-	21,879	-	19,076	27,512	-	20,593
At 1 January 2006	-	21,879	-	19,076	27,512	-	20,593

Phantom Share Options

Exercisable between 21.04.09 and 21.04.13 - Exercise Price 262p

At 31 December 2006	-	21,417	-	21,417	27,863	-	20,992
At 1 January 2006	-	-	-	-	-	-	-

Approved Scheme Share Options

Exercisable between 27.01.03 and 27.01.10 - Exercise Price 180p

At 31 December 2006	-	-	-	-	16,666	-	-
At 1 January 2006	-	-	-	3,333	16,666	-	13,611

Exercisable between 28.08.06 and 28.08.13 - Exercise Price 188p

At 31 December 2006	-	15,957	-	-	-	-	2,926
At 1 January 2006	-	15,957	-	12,766	-	-	2,926

Unapproved Scheme Share Options of 41,945 were exercised by Group directors during the year to 31 December 2006.

Approved Scheme Share Options of 29,710 were exercised by Group directors during the year to 31 December 2006.

Phantom Share Options of 91,689 were granted during the year to 31 December 2006 to Group directors.

The following share valuations were provided by Dresdner Kleinwort Limited:

- 262p in December 2005
- 326p in April 2006
- 352p in October 2006
- 469p in April 2007

NOTES TO THE ACCOUNTS

5 DIRECTORS' REMUNERATION

	12 months to 31 December 2006 £	15 months to 31 December 2005 £
Emoluments	792,844	883,556
Pension scheme contributions	92,622	91,296
	885,466	974,852

Retirement benefits are accruing to four directors (31 December 2005: four) under the Defined Benefit Scheme at 31 December 2006

Highest paid director:		
emoluments	298,584	258,959
pension scheme contributions	37,085	29,947
	335,669	288,906

The amount of the accrued pension of the highest paid director at 31 December 2006 is £65,041 (31 December 2005: £46,806). 4,167 Share Scheme options were exercised by the highest paid director in the year (31 December 2005: 34,667). Details of directors' share options are shown in note 4.

6 OPERATING EXPENSES

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Distribution costs	27,704	32,484
Administrative expenses	16,044	21,545
Share Incentive Plan	482	440
	44,230	54,469

7 NET INTEREST

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Interest payable and similar charges:		
bank loan	(8)	(11)
bank overdraft	(7)	(50)
other	(4)	(62)
Interest receivable and similar income:		
short term deposits	177	290
other	3	4
Finance gain / (loss) on Pension Scheme liabilities (note 21)	159	(285)
Net Interest Receivable / (Payable)	320	(114)

NOTES TO THE ACCOUNTS

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

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

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 £'000
Depreciation	2,818	3,343
Amortisation of goodwill and intangibles	213	361
Fees payable to the Company's auditor for the audit of the annual financial statements	64	64
Fees payable to the Company's auditor for other services:		
audit of the financial statements of the company's subsidiaries pursuant to legislation	28	34
other services relating to tax - compliance and advice	63	59
other services - accounting advice	3	-
Research and development	1,196	1,176
Foreign exchange losses / (gains)	40	(32)
Rentals under operating leases:		
hire of plant and machinery	4	9
other operating leases	920	1,184
(Profit) / loss on disposal of tangible fixed assets	(3)	291

9 OPERATING LEASE COMMITMENTS

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

	Land and Buildings 2006 £'000	Other 2006 £'000	Land and Buildings 2005 £'000	Other 2005 £'000
Leases expiring:				
within one year	327	123	291	124
between two and five years	398	426	478	449
after five years	94	-	113	-
	819	549	882	573

NOTES TO THE ACCOUNTS

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	12 months to 31 December 2006	15 months to 31 December 2005 as restated
	£'000	£'000
Current tax:		
UK corporation tax at 30% (2005: 30%)	3,151	3,720
UK (over) / under provision in respect of prior years	(230)	225
overseas tax	143	14
	3,064	3,959
Deferred tax:		
timing differences - origination and reversal	595	214
adjustment in respect of prior years	(15)	(104)
	580	110
	3,644	4,069

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 rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £448,400 (2005: £448,400).

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 rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £195,783 (2005: £195,783).

A deferred tax asset has not been recognised in respect of timing differences relating to capital losses and overseas trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £646,252 (2005: £646,252). The asset would be recovered if sufficient capital gains and trading profits arise in future years.

	12 months to 31 December 2006	15 months to 31 December 2005 as restated
	£'000	£'000
Reconciliation of current tax charge for the year		
Profit before tax	11,462	9,868
Tax charge on profit at a standard rate of 30% (2005: 30%)	3,439	2,960
Expenses not deductible for tax purposes	498	784
Capital allowances in excess of depreciation	(101)	(59)
Movement in short-term timing differences	(499)	(178)
Differences in overseas tax rates	(7)	(20)
Overseas losses not utilised	43	228
(Over) / under provision in prior years	(230)	225
Foreign tax credits	(20)	-
Other	(59)	19
Current Tax Charge for the Year	3,064	3,959

NOTES TO THE ACCOUNTS

11 PROFIT ATTRIBUTABLE TO THE MEMBERS OF THE PARENT COMPANY

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Dealt with in the profit and loss account of the parent company	5,976	3,720
Retained by subsidiary companies	1,842	2,079
	7,818	5,799

12 EQUITY DIVIDENDS

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Second interim dividend for prior period of 2.1p	-	458
Final dividend for prior period of 3.6p (2005: 3.6p)	772	808
Interim dividend for current year of 2.6p (2005: 2.1p)	558	457
	1,330	1,723
Less dividends on shares held by the EBT	(32)	(25)
	1,298	1,698

A final dividend of 5.2p for the year ended 31 December 2006 will be proposed at the annual general meeting. In accordance with FRS 21: Events after the Balance Sheet Date, the figures are not included above.

NOTES TO THE ACCOUNTS

13 INTANGIBLE FIXED ASSETS

	Distribution Rights £'000	Franchise £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2006	100	141	4,008	4,249
Revision of deferred consideration	-	-	(792)	(792)
At 31 December 2006	100	141	3,216	3,457
Accumulated amortisation				
At 1 January 2006	100	25	455	580
Charge for the year	-	7	206	213
At 31 December 2006	100	32	661	793
Net book value				
At 31 December 2006	-	109	2,555	2,664
At 31 December 2005	-	116	3,553	3,669

As required by FRS 7: Fair Values in Acquisition Accounting, the deferred consideration in respect of Kanor Chemicals Limited has been further revised from £639,874 to £608,179. The deferred consideration was originally based on estimated sales to February 2006. The adjustment reflects a shortfall in the actual sales for that period.

The deferred consideration of Compass Concepts Inc has been revised from £1,081,000 to £320,463. The original estimate was based on the performance of a specific contract. The reduction represents the shortfall against the original estimate.

NOTES TO THE ACCOUNTS

14 TANGIBLE FIXED ASSETS

The Group	Land and Buildings			Plant Equipment and Vehicles £'000	Total £'000
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000		
Cost or valuation					
At 1 January 2006	2,017	19,582	303	24,150	46,052
Currency translation differences	18	-	(3)	(155)	(140)
Additions	49	2,753	106	4,425	7,333
Disposals	-	-	-	(433)	(433)
At 31 December 2006	2,084	22,335	406	27,987	52,812
At valuation	256	4,394	-	-	4,650
At cost	1,828	17,941	406	27,987	48,162
At 31 December 2006	2,084	22,335	406	27,987	52,812
Accumulated depreciation					
At 1 January 2006	251	3,750	234	14,332	18,567
Currency translation differences	3	-	(1)	(117)	(115)
Charge for the year	42	413	30	2,333	2,818
Disposals	-	-	-	(377)	(377)
At 31 December 2006	296	4,163	263	16,171	20,893
Net book value					
At 31 December 2006	1,788	18,172	143	11,816	31,919
At 31 December 2005	1,766	15,832	69	9,818	27,485
Comparable amounts determined according to the historical cost convention:					
cost	1,957	20,984	406	27,987	51,334
accumulated depreciation	(285)	(3,919)	(263)	(16,171)	(20,638)
Net book value					
At 31 December 2006	1,672	17,065	143	11,816	30,696
At 31 December 2005	1,628	14,728	69	9,818	26,243

Included in long leasehold land and buildings is land at a cost or valuation of £4,940,248 (2005: £3,884,209) which is not depreciated.

NOTES TO THE ACCOUNTS

14 TANGIBLE FIXED ASSETS (continued)

The Company

	Land and Buildings		Total £'000
	Freehold £'000	Long Leasehold £'000	
Cost or valuation			
At 1 January 2006	1,120	19,276	20,396
Additions	-	2,945	2,945
At 31 December 2006	1,120	22,221	23,341
At valuation	256	4,394	4,650
At cost	864	17,827	18,691
At 31 December 2006	1,120	22,221	23,341
Accumulated depreciation			
At 1 January 2006	116	3,676	3,792
Charge for the year	17	413	430
At 31 December 2006	133	4,089	4,222
Net book value			
At 31 December 2006	987	18,132	19,119
At 31 December 2005	1,004	15,600	16,604
Comparable amounts determined according to the historical cost convention:			
cost	993	20,870	21,863
accumulated depreciation	(122)	(3,845)	(3,967)
Net book value			
At 31 December 2006	871	17,025	17,896
At 31 December 2005	866	14,496	15,362

Included in long leasehold land and buildings is land at a cost or valuation of £4,940,248 (2005: £3,884,209) which is not depreciated.

NOTES TO THE ACCOUNTS

15 INVESTMENTS HELD AS FIXED ASSETS

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Shares in subsidiary undertakings	-	-	3,555	3,555

Principal Trading Companies

At 31 December 2006 the following were the principal trading subsidiaries:

Company	Country of Incorporation	Class of Shares	Percentage 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 Solutions Inc	USA	Common	100%	Distribution
Compass Concepts Inc	USA	-	100%*	Distribution

* The Altro Group plc owns 50% of the investment in Compass Concepts Inc, with the remaining 50% being held by Altro Limited.

NOTES TO THE ACCOUNTS

16 STOCKS

	2006 £'000	2005 £'000
Raw materials	2,939	2,212
Finished goods	8,483	9,291
	11,422	11,503

17 DEBTORS

	Group 2006 £'000	Group 2005 as restated £'000	Company 2006 £'000	Company 2005 as restated £'000
Trade debtors	13,146	13,291	-	-
Owed by subsidiary undertakings	-	-	2,996	2,806
Other debtors	738	1,122	47	99
Prepayments and accrued income	842	946	-	-
	14,726	15,359	3,043	2,905

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2006 £'000	Group 2005 as restated £'000	Company 2006 £'000	Company 2005 as restated £'000
Bank loans and overdrafts	1,695	2,108	1,581	1,570
Trade creditors	7,707	5,680	-	-
Corporation tax	1,400	1,271	28	28
Other taxes	228	777	7	7
Social security costs	716	629	-	-
Other creditors	356	319	116	90
Accruals	4,845	6,217	424	252
Authorised dividends	-	458	-	458
	16,947	17,459	2,156	2,405

NOTES TO THE ACCOUNTS

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Bank loan	118	181
The loan is scheduled for repayment by instalments:		
within one year	113	113
between one and two years	68	66
between two and five years	50	115
	231	294

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%.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Deferred tax				
Capital allowances in excess of depreciation	1,524	1,507	932	838
Additional pension contribution balance	(1,162)	-	-	-
Other timing differences	398	49	-	-
	760	1,556	932	838
Other provisions	80	104	-	-
	840	1,660	932	838
Movement in deferred tax				
At 1 January	1,556	1,360	838	769
Charge for the year	595	214	94	69
Additional pension contribution	(1,550)	-	-	-
Adjustments in respect of prior years	159	(18)	-	-
At 31 December	760	1,556	932	838
Unprovided deferred tax				
Trading losses	489	524	-	-
Roll-over relief	196	196	196	196
Surplus on revaluation of land and buildings	449	449	449	449
Other	122	122	-	-
	1,256	1,291	645	645
Movement in other provisions				
At 1 January	104	210	-	-
Credit for the year	(24)	(106)	-	-
At 31 December	80	104	-	-

NOTES TO THE ACCOUNTS

21 PENSION SCHEMES

(a) Defined Benefit Scheme

The Group operates a Defined Benefit Scheme for the majority of its UK employees which was closed to new members on 30 September 2005. The assets of the Defined Benefit Scheme are held in separate, trustee-administered funds. The Scheme is subject to triennial valuation by independent actuaries. A full actuarial valuation was carried out as at 30 April 2005 and updated to 31 December 2005. The deficit at this date was £16.3 million.

The trustees agreed a funding plan with the Company to correct the past-service deficit as follows:

	£
Initial contribution in May 2006	4,000,000
Monthly contribution from May 2006 until December 2015	145,833

A further valuation based on the December 2005 figures and including changes in assumptions was prepared as at 31 December 2006 and showed a reduction in the deficit to £4.7 million.

The contributions made to the Scheme in the accounting year were £6,980,000. The contribution rate for future service of the Company will be 15%.

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.

FRS 17: Retirement Benefits was issued in November 2000. Full adoption of this accounting standard is mandatory and the Group has fully adopted the standard in these financial statements.

- i) The assets and liabilities and expected rate of return at 31 December, as determined by an independent actuary, are as follows:

	December 2006		December 2005		September 2004	
	Expected Rate of Return %	£'000	Expected Rate of Return %	£'000	Expected Rate of Return %	£'000
Equities	7.85	35,464	7.30	31,205	7.50	22,881
Government bonds	4.25	13,899	4.00	7,271	4.50	5,763
Cash	5.00	98	4.50	162	4.75	82
Total market value of assets		49,461		38,638		28,726
Present value of Scheme liabilities		(54,205)		(54,968)		(40,598)
Deficit in the Scheme		(4,744)		(16,330)		(11,872)
Related deferred tax asset		1,423		4,899		3,562
Net Scheme Deficit		(3,321)		(11,431)		(8,310)

The major assumptions used by the actuary in assessing Scheme liabilities on an FRS 17 basis were:

	2006 %	2005 %	2004 %
Rate of increase in salaries	3.60	3.50	3.70
Rate of increase in pensions in payment (post April 1997)	3.20	3.10	3.00
Discount rate	5.35	4.90	5.50
Inflation assumption	2.60	2.50	2.70

NOTES TO THE ACCOUNTS

21 PENSION SCHEMES (continued)

ii) The amount recognised in the profit and loss account is as follows:

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 £'000
Current service cost	2,023	2,110
Total operating charge	2,023	2,110
Expected return on Pension Scheme assets	2,889	2,540
Interest on Pension Scheme liabilities	(2,730)	(2,825)
Total finance gain / (loss) (note 7)	159	(285)

iii) The amount recognised in the statement of total recognised gains and losses (STRGL) is as follows:

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 £'000
Actual return less expected return on Pension Scheme assets	1,356	6,274
Experience loss arising on Pension Scheme liabilities	-	(2,073)
Changes in assumptions underlying the present value of Pension Scheme liabilities	5,114	(8,372)
Actuarial gain / (loss) recognised in the STRGL	6,470	(4,171)

iv) The movement in the deficit during the year is as follows:

	2006 £'000	2005 £'000
Deficit at 1 January	(16,330)	(11,872)
Current service cost	(2,023)	(2,110)
Contributions	6,980	2,108
Total finance gain / (loss)	159	(285)
Actuarial gain / (loss)	6,470	(4,171)
Deficit at 31 December	(4,744)	(16,330)
Related deferred tax asset	1,423	4,899
Net Scheme Deficit	(3,321)	(11,431)

NOTES TO THE ACCOUNTS

21 PENSION SCHEMES (continued)

v) The history of experience gains and losses is as follows:

	12 months to 31 December 2006		15 months to 31 December 2005		12 months to 30 September 2004		12 months to 30 September 2003	
	£'000	%	£'000	%	£'000	%	£'000	%
Difference between expected and actual return on Pension Scheme assets	1,356	3	6,274	16	657	2	1,205	5
Experience losses on Pension Scheme liabilities	-	-	(2,073)	(4)	-	-	(69)	-
Total amount recognised in STRGL	6,470	12	(4,171)	(8)	1,827	5	(290)	(1)

(b) Defined Contribution Schemes

A number of employees are in Defined Contribution Schemes. The assets of these Schemes are held in separate, trustee-administered funds. The total contributions payable by the Group in the year in respect of these Schemes were £5,842 (2005: £36,111). There were no prepaid or accrued contributions at the year end.

22 EARNINGS PER SHARE

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Profit for the year	7,818	5,799
	Number of shares	Number of shares
Weighted average of shares in issue	21,702,211	22,113,163
Weighted average of shares held by the EBT	(436,411)	(339,638)
Basic weighted average of shares in issue	21,265,800	21,773,525
Dilutive effect of share option schemes	414,122	295,833
Diluted weighted average number of shares	21,679,922	22,069,358
Basic	36.8p	26.6p
Diluted	36.1p	26.3p

NOTES TO THE ACCOUNTS

23 SHARE BASED PAYMENT

Analysis of share options at 31 December:

	12 months to 31 December 2006		15 months to 31 December 2005	
	Options	Weighted average exercise price pence	Options	Weighted average exercise price pence
Outstanding at 1 January	701,590	218	482,571	203
Granted during the year	197,487	262	219,019	249
Exercised during the year	(36,613)	203	-	-
Outstanding at 31 December	862,464	228	701,590	218
Exercisable at 31 December	540,343	184	613,986	180

The weighted average exercise price at the date of exercise for share options exercised during the period was 203p.

The options outstanding at the end of the year have an exercise price in the range of 163p to 200p and a weighted average remaining contractual life of 2.9 years.

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

Method of settlement	Expiry Date	Exercise Price	At 31 December 2006	At 31 December 2005
			Options	Options
Equity	28.08.10	188p	153,577	159,391
Equity	22.04.11	218p	214,810	232,843
Equity	27.01.12	249p	219,019	219,019
Cash	21.04.13	262p	186,037	-
Equity	28.08.13	188p	63,810	76,576
Equity	22.04.14	218p	13,761	13,761
Equity	21.04.16	262p	11,450	-
			862,464	701,590

The liability recognised at 31 December 2006 in respect of the application of FRS 20 is £424,227 (2005: £182,331).

The charge to profit and loss account in the year to 31 December 2006 in respect of the application of FRS 20 is £241,895 (2005: £130,141).

On 21 April 2006, share options were granted to certain employees under the Unapproved Scheme. These have been valued using the Black-Scholes valuation model with the following assumptions:

Fair value at grant date	128p
Share price at grant date	352p
Exercise price	262p
Expected volatility	30%
Option life	4 years
Expected dividends	2.5%
Risk-free interest rate	4.8% - 5.1%

The volatility assumption was derived by reference to the Group's historic earnings data and by reference to the historic earnings data of some of the Group's competitors.

Phantom Share Options totalling 186,037 have been included in the above calculations.

NOTES TO THE ACCOUNTS

24 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised: 50,000,000 Ordinary Shares of 10p each	5,000	5,000
Called up, allotted and fully paid: 21,514,915 Ordinary Shares of 10p each	2,151	2,182
	Number of Shares 2006	Number of Shares 2005
Movements in the year		
At 1 January	21,824,572	22,275,498
Shares issued	303,839	339,711
Own shares purchased	(613,496)	(790,637)
At 31 December	21,514,915	21,824,572

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 Share Option Scheme	251,453	25,145	457,158
The 1996 Approved Share Option Scheme	52,386	5,239	95,316
	303,839	30,384	552,474

Purchase of own shares

During the year the Company purchased 613,496 (2005: 790,637) of its own shares. The nominal value of the shares was £61,350 (2005: £79,064) and the amount paid was £1,999,997 (2005: £1,968,686).

NOTES TO THE ACCOUNTS

24 CALLED UP SHARE CAPITAL (continued)

Options to subscribe for Ordinary Shares

Under the terms of the 1996 United Kingdom Unapproved Share Option Scheme and the 1996 United Kingdom Approved Share Option Scheme, employees held the following options at 31 December 2006:

Scheme	Number of Options	Exercise Price	Exercisable Between
Unapproved	141,382	163p	27.09.04 and 27.09.08
	121,175	200p	31.10.05 and 31.10.09
	153,577	188p	28.08.06 and 28.08.10
	214,810	218p	22.04.07 and 22.04.11
	219,019	249p	27.01.08 and 27.01.12
	849,963		
Approved	30,399	180p	27.01.03 and 27.01.10
	30,000	200p	31.10.05 and 31.10.12
	63,810	188p	28.08.06 and 28.08.13
	13,761	218p	22.04.07 and 22.04.14
	11,450	262p	21.04.09 and 21.04.16
	149,420		
	999,383		

Phantom Share Options totalling 186,037 with an exercise price of 262p have been excluded from the above disclosure.

Major shareholdings

In addition to the interests of the directors shown in note 4 at 31 December 2006 there were the following substantial interests in the shares of the Company:

Shareholder	Shares	%
3i	2,910,921	13.5
BL Cohen	1,140,293	5.3
M Harmer	697,300	3.2

Shareholder analysis	Number	Shares (millions)	%
Directors and their families	15	10.7	49.8
Employees, ex-employees and their families	429	4.9	22.6
The Share Incentive Plan and the Employee Benefit Trust	5	0.8	3.9
Institutions	3	3.3	15.1
Other	2	1.8	8.6
	454	21.5	100.0

NOTES TO THE ACCOUNTS

25 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 2006 (as originally stated)	2,182	4,532	411	46,872	(684)	53,313
Prior year adjustment (note 27)	-	-	-	(12,337)	-	(12,337)
At 1 January 2006 (as restated)	2,182	4,532	411	34,535	(684)	40,976
Equity dividends paid	-	-	-	(1,298)	-	(1,298)
Actuarial gain on Pension Scheme	-	-	-	4,529	-	4,529
Purchase of own shares	(62)	-	62	(2,000)	-	(2,000)
Purchase of own shares by the EBT	-	-	-	-	(1,489)	(1,489)
Sale of own shares by the EBT	-	-	-	235	831	1,066
Share issue	31	522	-	-	-	553
Currency translation differences	-	-	-	(512)	-	(512)
Profit for the year	-	-	-	7,818	-	7,818
At 31 December 2006	2,151	5,054	473	43,307	(1,342)	49,643
The Company						
At 1 January 2006 (as originally stated)	2,182	4,532	411	12,852	(684)	19,293
Prior year adjustment (note 27)	-	-	-	528	-	528
At 1 January 2006 (as restated)	2,182	4,532	411	13,380	(684)	19,821
Equity dividends paid	-	-	-	(1,298)	-	(1,298)
Purchase of own shares	(62)	-	62	(2,000)	-	(2,000)
Purchase of own shares by the EBT	-	-	-	-	(1,489)	(1,489)
Sale of own shares by the EBT	-	-	-	235	831	1,066
Share issue	31	522	-	-	-	553
Profit for the year	-	-	-	5,976	-	5,976
At 31 December 2006	2,151	5,054	473	16,293	(1,342)	22,629

26 GROUP RESERVES INCLUDING PENSION LIABILITY

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000	Own Shares £'000	Total Reserves £'000
At 31 December 2006						
Reserves excluding pension liability	2,151	5,054	473	46,628	(1,342)	52,964
Pension Scheme deficit	-	-	-	(3,321)	-	(3,321)
Reserves including pension liability	2,151	5,054	473	43,307	(1,342)	49,643

NOTES TO THE ACCOUNTS

27 PRIOR YEAR ADJUSTMENT

The prior year adjustment reflected in the statement of total recognised gains and losses has arisen from the application of FRS 17: Retirement Benefits, FRS 20: Share-based Payment and FRS 21: Events after the Balance Sheet Date, and has resulted in the restatement of the prior year equity shareholders' funds as follows:

	The Group	
	At 31 December 2005	
	£'000	£'000
Closing equity shareholders' funds as originally stated		53,313
Add: Prior year adjustment arising from the application of FRS 21	780	
Less: Prior year adjustment arising from the application of FRS 17	(12,865)	
Prior year adjustment arising from the application of FRS 20	(252)	
Total prior year adjustment reflected in the statement of total recognised gains and losses		(12,337)
Closing equity shareholders' funds as restated		40,976

The effect on the results for the current and prior period are disclosed in the statement of total recognised gains and losses.

	The Company	
	At 31 December 2005	
	£'000	£'000
Closing equity shareholders' funds as originally stated		19,293
Add: Prior year adjustment arising from the application of FRS 21	780	
Less: Prior year adjustment arising from the application of FRS 20	(252)	
Total prior year adjustment		528
Closing equity shareholders' funds as restated		19,821

28 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 2006, the EBT owned 440,940 shares with a nominal value of £44,094 and the cost price of the shares held was £1,341,836. At that date the most recent valuation of the shares by Dresdner Kleinwort Limited in October 2006 was 352p per share, resulting in a total value of £1,552,109 (2005: 271,414 shares at a value of £711,105).

Dividends payable on these shares have not been waived.

The maximum and minimum number of shares held by the EBT during the year were 537,305 shares (2005: 607,552) and 271,414 shares (2005: 205,399) respectively.

NOTES TO THE ACCOUNTS

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 as restated £'000
Operating profit	11,142	9,982
Depreciation charge	2,818	3,343
Pension Scheme contributions	(6,980)	(2,108)
Defined Benefit Scheme current service cost	2,023	2,110
Amortisation of goodwill	213	361
(Profit) / loss on disposal of tangible fixed assets	(3)	291
Increase in net provisions	-	46
Currency translation differences	362	(336)
Increase in stock	(479)	(1,423)
Decrease in debtors	358	3,158
Increase / (decrease) in creditors	961	(2,980)
Net cash inflow from operating activities	10,415	12,444

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

	12 months to 31 December 2006 £'000	15 months to 31 December 2005 £'000
Returns on investments and servicing of finance		
Interest received	180	294
Interest paid	(19)	(123)
	161	171
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,333)	(5,846)
Disposal of tangible fixed assets	59	245
Purchase of own shares by the EBT	(1,489)	(1,050)
Disposal of own shares by the EBT	1,066	1,490
	(7,697)	(5,161)
Acquisition and disposal		
Purchase of subsidiary undertaking	-	(1,077)
Cash acquired from subsidiary	-	234
	-	(843)

NOTES TO THE ACCOUNTS

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Analysis of net funds

	Cash at bank and in hand £'000	Bank loans falling due within one year £'000	after more than one year £'000	Total £'000
At 1 January 2006	11,696	(113)	(181)	11,402
Cash flow	(3,092)	68	-	(3,024)
Exchange movements	(47)	(2)	(4)	(53)
Other non-cash movement	-	(67)	67	-
At 31 December 2006	8,557	(114)	(118)	8,325

30 CAPITAL COMMITMENTS

Contracted but not provided for

2006 £'000	2005 £'000
2,985	1,262

31 CONTINGENT LIABILITIES

Guarantees totalling £94,327 (2005: £507,743) have been issued by the Company.

32 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption in FRS 8: Related Party Transactions from disclosing transactions with other Group companies.

FIVE YEAR FINANCIAL SUMMARY

	2006	2005	2004	2003	2002
	£'000	as restated £'000	£'000	£'000	£'000
Balance Sheet					
Fixed assets	34,583	31,154	29,348	28,538	27,302
Current assets	36,286	40,553	42,299	35,184	30,526
Total Assets	70,869	71,707	71,647	63,722	57,828
Ordinary shareholders' funds	49,643	40,976	49,696	45,933	41,656
Borrowings:					
due after more than one year	118	181	273	350	370
due within one year	114	113	68	70	62
Other creditors	20,994	30,437	21,610	17,369	15,740
Total Funds Employed	70,869	71,707	71,647	63,722	57,828
Turnover and Profits					
Turnover	98,544	119,796	85,481	77,666	72,992
Operating profit	11,142	9,982	8,966	8,645	8,169
Profit after tax	7,818	5,799	5,994	5,798	5,628
Ordinary dividends	1,298	1,698	1,245	1,194	1,156
	Pence	Pence	Pence	Pence	Pence
Earnings per share: diluted before exceptionals	36.1	26.3	27.1	26.1	25.1
Dividends per share	6.2	7.8	5.7	5.4	5.2
Net assets per share	230.7	187.8	223.1	203.7	187.1
Gearing ratio %	0.5	0.7	0.7	0.9	1.0
Average number of employees	631	640	600	555	544

The final dividend for 2006 is not included above, in accordance with FRS 21 (see note 12).

Figures for 2005 are for the 15 months to December 2005.

The comparatives have not been restated in respect of UITF 38 for 2002.

The comparatives for 2002 to 2004 have not been restated for the adoption of FRS 17, FRS 20 and FRS 21.

Other creditors for 2005 and 2006 include the Pension Scheme liability.

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 21 June 2007, at 5.00pm.

Ordinary Business

1. To adopt the Directors' Report and the audited accounts for the year ended 31 December 2006;
2. To declare a final dividend of 5.2p per issued Ordinary Share of 10p each of the Company in respect of the year ended 31 December 2006;
3. To authorise the directors' remuneration payable for the year ended 31 December 2006;
4. To re-appoint RSM Robson Rhodes 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 426,439 Shares of 10p each at a price of £4.69 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 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 £2,848,508 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;
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 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 £2,848,508.

By order of the Board

E P Boyle
 Secretary
 15 May 2007

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.