Twyford Bathrooms

Directors' report and financial statements

Registered number 00546129

31 December 2005

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2005.

Principal activity

The company's principal activity is the manufacture and sale of bathrooms and ancillary fittings for the UK and overseas markets.

Business review

Performance in 2005 has been adversely affected by the difficult market conditions experienced in the House build, RMI and Retail sectors, all of which are showing significant down turns since November 2004 and throughout 2005.

The industry forecasts suggest minimal improvement in 2006 and this is reflected in the outlook for 2006.

Manufacturing and sourcing costs also rose in 2005 due to a dip in factory efficiencies, rising energy costs, reduced purchased savings and higher raw material and component costs. These factors badly affected gross margin performance.

Selling, general and administration expenses were constant year over year and action was taken in late 2005 to reduce these costs by costs by £1m GBP.

As a result operating profit reduced by £4.6m in 2005 compared to the previous year.

Research and development

The company commits sufficient resources to research and development so as to ensure that it maintains its competitive position in the market.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the company are not significantly different to the book values.

Policy and practice on payment of creditors

The company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The number of days that the company takes to settle supplier invoices is 72 days (*2004: 69 days*).

Directors and directors' interests

The directors who held office during the year were as follows:

AD Brown
MG Conlon

According to the register of directors' interests, no directors who held office at the end of the financial year had any interests in the shares of the company.

Directors' report *(continued)*

Employees

The company is committed to employee involvement and encourages the development of co-operation with employees. To this end, the company's policy is to ensure that employees are kept informed on matters, which affect them, through direct communication and established procedures for joint consultation.

Disabled persons

The company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The company's policy on the employment of disabled persons has been applied as sympathetically as possible.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £3,380.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

AD Brown
Director

Lawton Road
Alsager
Stoke-on-Trent
ST7 2DF

16/10/06

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Twyford Bathrooms

We have audited the financial statements of Twyford Bathrooms for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

Independent auditors' report to the members of Twyford Bathrooms *(continued)*

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24th October 2006

Profit and loss account
for the year ended 31 December 2005

	Note	Before exceptional items 2005 £000	Exceptional items 2005 £000	Total 2005 £000	Restated Before exceptional items 2004 £000	Exceptional items 2004 £000	Restated Total 2004 £000
Turnover – continuing operations	*2*	71,325	-	71,325	79,769	-	79,769
Cost of sales		(48,866)	(1,296)	(50,162)	(50,820)	(4,168)	(54,988)
Gross profit		22,459	(1,296)	21,163	28,949	(4,168)	24,781
Distribution costs		(12,163)	(1,631)	(13,794)	(12,380)	(507)	(12,887)
Administrative expenses		(4,733)	(408)	(5,141)	(4,918)	(92)	(5,010)
Other operating costs		(936)	(28)	(964)	(1,073)	-	(1,073)
Operating profit/(loss) – continuing operations		4,627	(3,363)	1,264	10,578	(4,767)	5,811
Other interest receivable and similar income	*6*			-			230
Other finance income	*7*			68			52
Profit on ordinary activities before taxation				1,332			6,093
Tax on profit on ordinary activities	*8*			(429)			2,331
Profit on ordinary activities after taxation for the financial year				903			8,424
Dividends on equity shares	*9*			(189)			(9,052)
Retained profit/(loss) for the year				714			(628)

Details of exceptional items are shown in note 3.

Balance sheet
at 31 December 2005

	Note	2005		Restated 2004	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*10*		890		940
Tangible assets	*11*		26,215		27,309
Investments	*12*		3,527		3,527
			30,632		31,776
Current assets					
Stocks	*13*	15,771		12,732	
Debtors	*14*	14,798		16,070	
Cash at bank and in hand		5,948		9,109	
		36,517		37,911	
Creditors: amounts falling due within one year	*15*	(19,774)		(24,019)	
Net current assets			16,743		13,892
Total assets less current liabilities			47,375		45,668
Provisions for liabilities and charges	*16*		(895)		-
Net assets excluding pension liabilities			46,480		45,668
Pension liabilities	*20*		(935)		(461)
Net assets including pension liabilities			45,545		45,207
Capital and reserves					
Called up share capital	*17*		13,509		13,509
Share premium account	*18*		31,159		31,159
Revaluation reserve	*18*		3,005		3,026
Profit and loss account	*18*		(2,128)		(2,487)
Shareholders' funds			45,545		45,207

These financial statements were approved by the board of directors on 16/10/2006 and were signed on its behalf by:

AD Brown

AD Brown
Director

Statement of total recognised gains and losses
for the year ended 31 December 2005

	2005 £000	Restated 2004 £000
Profit/(loss) for the financial year	714	(628)
Actuarial (loss)/gain recognised in the pension scheme	(537)	168
Deferred tax arising on gains/(losses) in the pension scheme	161	(50)
Total recognised gains and losses relating to the financial year	338	(510)
Prior year adjustment (as explained in note 21)	(461)	
Total gains and losses recognised since last annual report	(123)	

Note of historical cost profits and losses
for the year ended 31 December 2005

	2005 £000	Restated 2004 £000
Reported profit on ordinary activities before taxation	1,332	6,093
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	21	21
Historical cost profit on ordinary activities before taxation	1,353	6,114
Historical cost profit/(loss) for the year after taxation	735	(607)

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2005

	2005 £000	Restated 2004 £000
Profit/(loss) for the financial year	714	(628)
Other recognised gains and losses relating to the year (net)	(376)	118
Net addition to/(reduction in) shareholders' funds	338	(510)
Opening shareholders' funds (2004 £45,668,000) restated for FRS17 compliance by prior year adjustment of (2004 £461,000)	45,207	45,717
Closing shareholders' funds	45,545	45,207

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements FRS 28 'Corresponding amounts' has been adopted for the first time, this has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of freehold land and buildings. The company has applied the transitional rules contained in Financial Reporting Standard 15, *Tangible Fixed Assets*, to retain previous valuations as the basis on which these assets are held.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

As 100% of the company's voting rights are controlled within the group headed by Sanitec Oy, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Sanitec Oy within which this company's included, can be obtained from the address given in note 23.

Goodwill

Purchased Goodwill (representing the excess of the fair value of the consideration given over the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful economic life.

Fixed assets and depreciation

Tangible fixed assets are stated at cost with the exception of freehold land and buildings which are stated at valuation. Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives at the following rates:

Freehold buildings	-	3% - 10% per annum
Plant and machinery	-	3% - 20% per annum
Motor vehicles	-	20% - 33% per annum
Fixtures and fittings	-	10% - 33% per annum

No depreciation is provided on freehold land.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Fixed asset investments are shown at cost.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumable and goods for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Notes *(continued)*

2 Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is derived solely from the company's principal activity. Analysis of turnover by geographical market is as follows:

	2005 £000	2004 £000
United Kingdom	59,830	68,373
Continental Europe	4,129	5,062
Rest of the World	7,366	6,334
	71,325	79,769

3 Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off owned tangible and intangible fixed assets.	2,476	2,468
Hire of plant and machinery – rentals payable under operating leases	55	106
Research and development expenditure	25	131
after crediting:		
Gain on sale of fixed assets	3	50

Auditors' remuneration:

	2005 £000	2004 £000
Audit	69	52
Other services - fees receivable by the auditors and their associates		

Notes *(continued)*

3 Profit on ordinary activities before taxation *(continued)*

During the year the company has also incurred certain exceptional write-offs and costs following the acquisition by, and subsequent integration with, its new ultimate parent company, Sanitec Oy, on 29 January 2001.

These write-offs and costs principally consisted of:

	2005 £000	2004 £000
Redundancy costs	932	1,145
Financial assistance	68	170
Royal Doulton write off	1,059	-
Fireclay closure	-	50
Queenborough closure	-	43
Sphinx reorganisation	290	105
Other costs	-	121
Stock write off	-	652
Product rationalisation	939	678
Tian project	-	410
Warneton project	-	792
P100	-	275
LLP	75	326
	3,363	4,767

4 Remuneration of directors

	2005 £000	2004 £000
Directors' emoluments	255	300
Contributions to defined benefit pension schemes	48	43

The aggregate emoluments of the highest paid director was £182,730 *(2004*: £178,611*)*. He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £25,128 *(2004:* £24,255*)*.

	Number of directors 2005	2004
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Manufacturing	**387**	384
Distribution	**8**	29
Administration	**145**	173
	540	586

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	**15,237**	14,853
Social security costs	**1,144**	1,276
Other pension costs (see note 20)	**958**	649
	17,339	16,778

6 Other interest receivable and similar income

	2005	2004
	£000	£000
Receivable from group undertakings	-	230

7 Other finance income

		Restated
	2005	2004
	£000	£000
Expected return on pension scheme assets	**479**	384
Interest on pension scheme liabilities	**(411)**	(332)
	68	52

Notes *(continued)*

8 Taxation

Analysis of charge in period

	2005 £000	2004 £000
UK Corporation tax		
Current tax on income for the period	-	-
Total current tax	-	-
Deferred tax (see note 16)		
(Reversal)/origination of timing differences	(472)	2,210
Adjustment in respect of FRS17 pensions	43	121
Tax on profit on ordinary activities	(429)	2,331

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005 £000	Restated 2004 £000
Current tax reconciliation		
Profit on ordinary activities before tax	1,332	6,093
Current tax at 30% (2004: 30%)	400	1,828
Effects of:		
Expenses not deductible for tax purposes	59	60
Capital allowances for period in excess of depreciation	684	647
Group relief	(1,177)	(2,786)
Other short term timing differences	(4)	130
Utilisation of tax losses	(5)	-
Adjustment in respect of FRS17 pensions	43	121
Total current tax charge (see above)	-	-

9 Dividends

	2005 £000	2004 £000
Equity dividends paid	189	9,052

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £000
Cost	
As at beginning and end of year	989
Amortisation	
At beginning of year	49
Charge for year	50
At end of year	99
Net book value	
At 31 December 2005	**890**
At 31 December 2004	940

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is being amortised over 20 years.

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 January 2005	17,178	11,851	48,637	708	78,374
Additions	17	223	1,092	-	1,332
Disposals	-	(596)	-	(23)	(619)
At 31 December 2005	17,195	11,478	49,729	685	79,087
Depreciation					
At 1 January 2005	1,718	11,274	37,476	597	51,065
Charge for year	290	262	1,862	12	2,426
Disposals	-	(596)	-	(23)	(619)
At 31 December 2005	2.008	10,940	39,338	586	52,872
Net book value					
At 31 December 2005	**15,187**	**538**	**10,391**	**99**	**26,215**
At 31 December 2004	15,460	577	11,161	111	27,309

Freehold land and buildings were valued as at 31 December 1997 by Healey & Baker, International Surveyors & Valuers, on the basis of open market values for existing use. This valuation has been retained under the transitional provisions as set out in Financial Reporting Standard 15, *Tangible Fixed Assets*. The following information relates to these assets:

	2005 £000	2004 £000
At valuation	**16,754**	16,754
Aggregate depreciation thereon	**(1,741)**	(1,520)
Net book value	**15,013**	15,234
Historic cost of revalued assets	**14,201**	14,201
Aggregate depreciation based on historical cost	**(2,193)**	(1,993)
Historical cost net book value	**12,008**	12,208

Freehold land and buildings includes freehold land not subject to depreciation amounting to £7,187,000 (31 December 2004: £7,187,000). Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are valued at cost.

Notes *(continued)*

12 Fixed asset investments

	Shares in group undertakings £000
Cost and net book value	
At beginning and end of year	3,527

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Twyfords Limited	England and Wales	Dormant	Ordinary 100%
Twyford Limited	England and Wales	Dormant	Ordinary 100%
Twyford Plumbing Solutions Limited	England and Wales	Dormant	Ordinary 100%
Sphinx Bathrooms Limited	England and Wales	Dormant	Ordinary 100%

13 Stocks

	2005 £000	2004 £000
Raw materials and consumables	2,854	2,803
Work in progress	1,278	1,213
Finished goods and goods for resale	11,639	8,715
	15,771	12,732

14 Debtors

	2005 £000	2004 £000
Trade debtors	11,386	12,018
Amounts owed by group undertakings	2,383	1,631
Other debtors	47	1,258
Prepayments and accrued income	744	453
Deferred tax asset	238	710
	14,798	16,070

All debtors fall due within one year.

Notes *(continued)*

14 Debtors *(continued)*

	Deferred taxation £000
Asset as at 1 January 2005	710
Charge to the profit and loss account for the year (see note 8)	(472)
Asset as at 31 December 2005 (see above)	**238**

The elements of deferred taxation are as follows:

	2005 £000	2004 £000
Difference between accumulated depreciation and amortisation and capital allowances	**200**	316
Other timing differences	**38**	394
Undiscounted asset	**238**	710
Deferred tax asset	**238**	710

Notes *(continued)*

15 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	9,792	11,213
Amounts owed to group undertakings	5,473	6,985
Corporation tax	2,163	2,163
Taxation and social security	1,584	2,633
Accruals and deferred income	762	1,025
	19,774	24,019

The amounts owed to group undertakings are interest free and repayable on demand.

16 Provisions for liabilities and charges

	Other £000
As at 1 January 2005	-
Charge to the profit and loss for the year	(895)
As at 31 December 2005	**(895)**

Other provisions relate to the expected costs to be incurred for the termination of a royalty agreement.

17 Called up share capital

	2005 £000	2004 £000
Authorised		
Equity: 37,465,116 ordinary shares of 36.05784p each	13,509	13,509
Allotted, called up and fully paid		
Equity: 37,465,116 ordinary shares of 36.05784p each	13,509	13,509

Notes *(continued)*

18 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	31,159	3,026	(2,487)
Retained profit for the year	-	-	714
Actuarial loss recognised in the pension scheme	-	-	(537)
Deferred tax arising on losses in the pension scheme	-	-	161
Transfers	-	(21)	21
At end of year	**31,159**	**3,005**	**(2,128)**

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005 Plant and machinery £000	2004 Plant and machinery £000
Operating leases which expire:		
Within one year	**96**	130
In the second to fifth years inclusive	**427**	490
	523	620

20 Pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 1 September 2001 and was updated for FRS 17 purposes to 31 December 2005 and 31 December 2004 by a qualified independent actuary.

The major assumptions used in this valuation were:

	2005	2004	2003
Rate of increase in salaries	3.75%	4.25%	4.75%
Rate of increase in pensions in payment and deferred pensions	2.75%	2.75%	2.75%
Discount rate applied to scheme liabilities	4.75%	5.30%	5.40%
Inflation assumption	2.75%	2.75%	2.75%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

20 Pension Scheme *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2005 £000	Value at 2004 £000	Value at 2003 £000
Equities	**7,714**	5,267	3,766
Bonds	**1,330**	896	671
Other – Cash	**180**	70	204
Total market value of assets	**9,224**	6,233	4,641
Present value of scheme liabilities	**(10,560)**	(6,891)	(5,062)
Deficit in the scheme – Pension liability	**(1,336)**	(658)	(421)
Related deferred tax asset	**401**	197	126
Net pension liability	**(935)**	(461)	(295)

The expected rates of return on the assets in the scheme were:

	Long term rate of return 2005	Long term rate of return 2004	Long term rate of return 2003
Equities	**6.75%**	7.25%	7.60%
Bonds	**4.25%**	4.65%	4.90%
Other – Property	**4.25%**	4.50%	4.00%

Movement in deficit during the year

	2005 £000	2004 £000
Deficit in scheme at beginning of year	**(658)**	(421)
Current service cost	**(1,201)**	(1,627)
Contributions paid	**992**	1,064
Past service cost	**-**	106
Other finance income	**68**	52
Actuarial loss gain	**(537)**	168
Deficit in the scheme – Pension liability	**(1,336)**	(658)

Notes *(continued)*

20 Pension Scheme *(continued)*

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000	2004 £000
Current service cost	1,201	1,627
Losses on settlements or curtailments	-	(106)
	1,201	1,521

Analysis of amounts included in other finance income

	2005 £000	2004 £000
Expected return on pension scheme assets	479	384
Interest on pension scheme liabilities	(411)	(332)
	68	52

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	982	(37)
Experience gains and losses arising on scheme liabilities	(392)	(138)
Changes in assumptions underlying the present value of scheme liabilities	(1,127)	343
Actuarial gain recognised in statement of total recognised gains and losses	(537)	168

History of experience gains and losses

	2005	2004	2003	2002	2001
Difference between the expected and actual return on scheme assets:					
Amount (£000)	982	(37)	209	(248)	-
Percentage of year end scheme assets	11%	(1%)	5%	(9%)	-
Experience gains and losses on scheme liabilities:					
Amount (£000)	(392)	(138)	399	(237)	-
Percentage of year end present value of scheme liabilities	(4%)	(2%)	8%	8%	-
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(537)	168	55	(671)	-
Percentage of year end present value of scheme liabilities	(5%)	2%	1%	(22%)	-

Notes *(continued)*

21 Prior year adjustment relating to adoption of FRS17 Retirement Benefits

The company has adopted FRS 17 in these financial statements. The effect of the change in accounting policy, which has been shown as a prior year adjustment, has been to increase the pension liability by £461,000 as at 31 December 2004 (*2003: £295,000*).

In the current period, the net effect has been to reduce profit by £98,000 (*2004: £284,000*), decrease the statement of total recognised gains and losses by £537,000 (*2004: increase £168,000*) and to reduce net assets by £935,000 (*2004: £461,000*).

22 Post balance sheet events

Following a thorough review of business operations a decision was taken to reduce the factory output levels at Twyford Bathrooms. This decision is due to be announced to the workforce in the first quarter of 2006.

Changes in operations are expected to generate £30.9m cash through sale and lease back of the Alsager site and provides an ongoing supply cost reduction of £4.1m per year. The implementation cash costs will be £7.45m with additional lease back cost of £2.35m per year. The transition to the new operating bases will be completed by the end of the second quarter of 2007.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Sanitec Oy which is the ultimate parent company incorporated in Finland.

The largest group in which the results of the company are consolidated is that headed by Sanitec Oy incorporated in Finland. The consolidated accounts of Sanitec Oy are available to the public and may be obtained from the registered office:

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