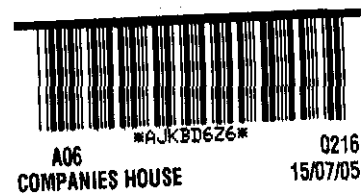


Twyford Bathrooms

Directors' report and financial
statements

Registered number 00546129

31 December 2004



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Twyford Bathrooms	4
Profit and loss account	5
Balance sheet	6
Note of historical cost profits and losses	7
Reconciliation of movements in shareholder's funds	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

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

The results for the year are set out in the profit and loss account on page 5.

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.

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 69 days (*2003: 71 days*).

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.

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 any group companies.

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 £575.

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

28 April 2005

Lawton Road
Alsager
Stoke-on-Trent
ST7 2DF

Statement of directors' responsibilities

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 of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 on pages 5 to 20.

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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

28th April 2005

Profit and loss account
for the year ended 31 December 2004

	Note	Before exceptional items 2004 £000	Exceptional items 2004 £000	Total 2004 £000	Before exceptional items 2003 £000	Exceptional items 2003 £000	Total 2003 £000
Turnover – continuing operations	2	79,769	-	79,769	77,676	-	77,676
Cost of sales		(50,820)	(4,168)	(54,988)	(50,563)	-	(50,563)
Gross profit		28,949	(4,168)	24,781	27,113	-	27,113
Distribution costs		(12,380)	(507)	(12,887)	(12,492)	(35)	(12,527)
Administrative expenses		(4,461)	(92)	(4,553)	(5,167)	(350)	(5,517)
Other operating costs		(1,073)	-	(1,073)	(891)	(740)	(1,631)
Operating profit/(loss) – continuing operations		11,035	(4,767)	6,268	8,563	(1,125)	7,438
Other interest receivable and similar income	6			230			234
Profit on ordinary activities before taxation	3-6			6,498			7,672
Tax on profit on ordinary activities	7			2,210			(500)
Profit on ordinary activities after taxation and for the financial year				8,708			7,172
Dividends on equity shares	8			(9,052)			(3,153)
Retained (loss)/profit for the year				(344)			4,019

The company has no recognised gains or losses other than those reported above, and therefore no statement of total recognised gains and losses has been presented.

Details of exceptional items are shown in Note 3.

Balance sheet
at 31 December 2004

	Note	2004 £000	£000	2003 £000	£000
Fixed assets					
Intangible assets	9		940		989
Tangible assets	10		27,309		27,062
Investments	11		3,527		3,527
			<hr/>		<hr/>
			31,776		31,578
Current assets					
Stocks	12	12,732		13,451	
Debtors	13	16,070		19,140	
Cash at bank and in hand		9,109		7,486	
		<hr/>		<hr/>	
		37,911		40,077	
Creditors: amounts falling due within one year	14	(24,019)		(24,143)	
		<hr/>		<hr/>	
Net current assets			13,892		15,934
			<hr/>		<hr/>
Total assets less current liabilities			45,668		47,512
			<hr/>		<hr/>
Provisions for liabilities and charges	15		-		(1,500)
			<hr/>		<hr/>
Net assets			45,668		46,012
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		13,509		13,509
Share premium account	17		31,159		31,159
Revaluation reserve	17		3,026		3,047
Profit and loss account	17		(2,026)		(1,703)
			<hr/>		<hr/>
Equity shareholder's funds			45,668		46,012
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 28/4/05 and were signed on its behalf by:



AD Brown
Director

Note of historical cost profits and losses
for the year ended 31 December 2004

	2004 £000	2003 £000
Reported profit on ordinary activities before taxation	6,498	7,672
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	6,519	7,693
Historical cost profit for the year after taxation	8,729	7,193

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2004

	2004 £000	2003 £000
Profit for the financial year	8,708	7,172
Dividends	(9,052)	(3,153)
Net (reduction in)/addition to shareholder's funds	(344)	4,019
Opening shareholder's funds	46,012	41,993
Closing shareholder's funds	45,668	46,012

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 company's financial statements.

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 21. Other related party transactions are disclosed in note 20.

Goodwill

Purchased Goodwill (representing the excess of the fair value of the consideration given over the separable net assets acquired) arising on business contributions 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 as follows:

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.

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.

Notes (continued)

1 Accounting policies (continued)

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

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, consumables 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:

	2004 £000	2003 £000
United Kingdom	68,373	67,617
Continental Europe	5,062	3,015
Rest of the World	6,334	7,044
	<u>79,769</u>	<u>77,676</u>

3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off owned tangible and intangible fixed assets.	2,468	2,724
Hire of plant and machinery – rentals payable under operating leases	106	55
Research and development expenditure	131	141
Auditors remuneration – in respect of audit services	52	49
	<u>2,757</u>	<u>3,069</u>
<i>after crediting:</i>		
Gain on sale of fixed assets	50	827
	<u>2,807</u>	<u>3,896</u>

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:

	2004 £000	2003 £000
Redundancy costs	1,145	577
Pension costs	-	350
Financial assistance	170	-
Corporate identity	-	34
Fireclay closure	50	-
Queenborough closure	43	(6)
Sphinx reorganisation	105	(3)
Other costs	121	173
Stock Write Off	652	-
Product Rationalisation	678	-
Restructuring costs	1,803	-
	<u>4,767</u>	<u>1,125</u>

Notes (continued)

4 Remuneration of directors

	2003 £000	2003 £000
Directors' emoluments	300	251
Contributions to defined benefit pension schemes	43	36

The aggregate emoluments of the highest paid director was £178,611 (2003: £140,650). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £24,255 (2003: £17,712).

Number of directors
2004 2003

Retirement benefits are accruing to the following number of directors under:

Defined benefit schemes	2	2
-------------------------	---	---

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 2004	2003
Manufacturing	384	366
Distribution	29	86
Administration	173	221
	586	673

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	14,853	16,597
Social security costs	1,276	1,301
Other pension costs (see note 19)	649	1,211
	16,778	19,109

6 Other interest receivable and similar income

	2004 £000	2003 £000
Receivable from group undertakings	230	234

Notes (continued)

7 Taxation

Analysis of charge in period

	2004 £000	2003 £000
<i>UK Corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax (see note 15)</i>		
Origination of timing differences	2,210	(500)
Tax on profit on ordinary activities	2,210	(500)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,498	7,672
Current tax at 30% (2003: 30%)	1,949	2,302
<i>Effects of:</i>		
Expenses not deductible for tax purposes	60	199
Capital allowances for period in excess of depreciation	647	(137)
Group relief	(2,786)	(1,575)
Other short term timing differences	130	(185)
Utilisation of tax losses	-	(604)
Total current tax charge (see above)	-	-

8 Dividends

	2004 £000	2003 £000
Equity dividends paid	9,052	3,153

Notes (continued)

9 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
As at beginning and end of year	989
<i>Amortisation</i>	
At beginning of year	-
Charge for year	49
At end of year	49
Net book value At 31 December 2004	940
At 31 December 2003	989

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.

10 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>					
At 1 January 2004	17,163	11,732	46,105	1,647	76,647
Additions	15	119	2,532	-	2,666
Disposals	-	-	-	(939)	(939)
At 31 December 2004	17,178	11,851	48,637	708	78,374
<i>Depreciation</i>					
At 1 January 2004	1,428	10,919	35,741	1,497	49,585
Charge for year	290	355	1,735	39	2,419
Disposals	-	-	-	(939)	(939)
At 31 December 2004	1,718	11,274	37,476	597	51,065
<i>Net book value</i>					
At 31 December 2004	15,460	577	11,161	111	27,309
At 31 December 2003	15,735	813	10,364	150	27,062

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:

Notes (continued)

10 Tangible fixed assets (continued)

	2004 £000	2003 £000
At valuation	16,754	16,754
Aggregate depreciation thereon	(1,520)	(1,299)
Net book value	<u>15,234</u>	<u>15,455</u>
Historic cost of revalued assets	14,201	14,201
Aggregate depreciation based on historical cost	(1,993)	(1,793)
Historical cost net book value	<u>12,208</u>	<u>12,408</u>

Freehold land and buildings includes freehold land not subject to depreciation amounting to £7,187,000 (31 December 2003: £7,187,000). Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are valued at cost.

11 Fixed asset investments

Shares in group
undertakings
£000

Cost and net book value

At beginning and end of year	<u>3,527</u>
------------------------------	--------------

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%

12 Stocks

	2004 £000	2003 £000
Raw materials and consumables	2,803	3,684
Work in progress	1,213	1,230
Finished goods and goods for resale	8,715	8,537
	<u>12,732</u>	<u>13,451</u>

Notes (continued)

13 Debtors

	2004 £000	2003 £000
Trade debtors	12,018	12,634
Amounts owed by group undertakings	1,631	5,550
Other debtors	1,258	312
Prepayments and accrued income	453	644
Deferred tax asset (see note 15)	710	-
	<u>16,070</u>	<u>19,140</u>

All debtors fall due within one year.

14 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	11,213	10,466
Amounts owed to group undertakings	6,985	6,297
Corporation tax	2,163	2,163
Taxation and social security	2,633	2,970
Accruals and deferred income	1,025	2,247
	<u>24,019</u>	<u>24,143</u>

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

15 Provision for liabilities and charges

	Deferred taxation £000
Liability as at 1 January 2004	1,500
Credit to the profit and loss account for the year (see note 7)	(2,210)
Asset as at 31 December 2004 (see note 13)	<u>(710)</u>

The elements of deferred taxation are as follows:

	2004 £000	2003 £000
Difference between accumulated depreciation and amortisation and capital allowances	316	(1,784)
Other timing differences	394	284
Undiscounted asset/(provision)	<u>710</u>	<u>(1,500)</u>
Deferred tax asset/(liability)	<u>710</u>	<u>(1,500)</u>

Notes (continued)

16 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
Equity: 37,465,116 ordinary shares of 36.05784p each	13,509	13,509
	<u>13,509</u>	<u>13,509</u>
<i>Allotted, called up and fully paid</i>		
Equity: 37,465,116 ordinary shares of 36.05784p each	13,509	13,509
	<u>13,509</u>	<u>13,509</u>

17 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	31,159	3,047	(1,703)
Retained loss for the year	-	-	(344)
Transfers	-	(21)	21
	<u>31,159</u>	<u>3,026</u>	<u>(2,026)</u>
At end of year	31,159	3,026	(2,026)

18 Commitments

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

	2004 Plant and machinery £000	2003 Plant and machinery £000
Operating leases which expire:		
Within one year	130	50
In the second to fifth years inclusive	490	59
	<u>620</u>	<u>109</u>
	<u>620</u>	<u>109</u>

Notes (continued)

19 Pension scheme

From 1 January 2001 to 31 August 2001 the company made contributions of £568,000 to the Novar plc pension scheme. This scheme is a defined benefit pension scheme based on final pensionable pay, and was set up by Novar plc (formerly Caradon plc) and is held in separate trustee administered funds. There were no outstanding or prepaid contributions to this scheme at either the beginning or end of the financial year.

From 1 September 2001 the company has operated a separate pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The company made contributions of £649,000 (2003: £1,211,000) to the scheme during the year.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 September 2001 (ie the commencement of the scheme). This showed that the market value of the scheme's assets and the value of benefits that had accrued to members was £nil since the scheme only commenced at that time. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The financial assumptions adopted for the valuation were as follows:

	2004	2003
Investment returns	5.30% pa	5.40%pa
Pensionable salary increases	4.25% pa	4.75%pa
Pension increases	2.75% pa	2.75%pa
Price inflation	2.75% pa	2.75%pa

The contributions of the company and the employees are currently 12.5% and 7.5% of earnings respectively.

There was a provision of £141,000 in the balance sheet at 31 December 2004 (2003: £152,000) representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

Whilst the company continues to account for pension costs in accordance with the Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under Financial Reporting Standard 17 'Retirement Benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on a Financial Reporting Standard 17 basis as at 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001.

The major assumptions used in this valuation were:

	31 December 2004	31 December 2003	31 December 2002	31 December 2001
Rate of increase in salaries	4.25%	4.75%	4.40%	4.50%
Rate of increase in pensions in payment and deferred pensions	2.75%	2.75%	2.40%	2.50%
Discount rate applied to scheme liabilities	5.30%	5.40%	5.47%	5.83%
Inflation assumption	2.75%	2.75%	2.40%	2.50%

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)

19 Pension scheme (continued)

Scheme Assets

The fair value of the assets in the scheme, 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 cashflow projections over long periods which are inherently uncertain, were:

	Long term rate of return 2004 %	Value at 31 December 2004 £000	Long term rate of return 2003 %	Value at 31 December 2003 £000	Long term rate of return 2002 %	Value at 31 December 2002 £000	Long term rate of return 2002 %	Value at 31 December 2004 £000
Equities	7.25	5,267	7.6	3,766	7.25	-	-	-
Bonds	4.65	896	4.9	671	4.25	-	-	-
Cash	4.50	70	4.0	204	4.00	2,719	4.00	852
Total market value of assets		6,233		4,641		2,719		852
Actuarial value of liability		(6,891)		(5,062)		(3,003)		(319)
Deficit in the scheme – pension liability		(658)		(421)		(284)		533
Related deferred tax asset		197		126		85		(160)
Net pension liability		(461)		(295)		(199)		373

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year

	2004 £000	2003 £000	2002 £000
Deficit in scheme at beginning of year	(421)	(284)	533
Current service cost	(1,627)	(1,588)	(1,540)
Contributions paid	1,064	1,209	1,401
Curtailment	106	265	-
Other finance costs	52	(78)	(7)
Actuarial gain	168	55	(691)
Deficit in the scheme at end of year	(658)	(421)	(284)

Notes (continued)

19 Pension scheme (continued)

If Financial Reporting Standard 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

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

	2004 £000	2003 £000	2002 £000
Current service cost	1,627	1,588	1,540
Curtailment	(106)	(265)	-
	<u>1,521</u>	<u>1,323</u>	<u>1,540</u>

Analysis of amounts included in other finance income/costs

	2004 £000	2003 £000	2002 £000
Expected return on pension scheme assets	384	140	75
Interest on pension scheme liabilities	(332)	(218)	(82)
	<u>52</u>	<u>(78)</u>	<u>(7)</u>

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

	2004 %	2004 £000	2003 %	2003 £000	2002 %	2002 £000
Actual return less expected return on scheme assets		(37)		209		(248)
Percentage of year end scheme assets	(1%)		5%		(9%)	
Experience gains and losses arising on scheme liabilities		(138)		399		(237)
Percentage of present value of year end scheme liabilities	(2%)		9%		(9%)	
Changes in assumptions underlying the present value of scheme liabilities		343		(553)		(186)
Percentage of present value of year end scheme liabilities	4%		(12%)		(7%)	
		<u>168</u>		<u>55</u>		<u>671</u>
Actuarial gain/loss recognised in statement of total recognised gains and losses						
Percentage of present value of year end scheme liabilities	2%		1%		(22%)	

Notes *(continued)*

20 Related party transactions

The company made purchases to the value of £3,834,169 from an associated group company, Lecico Egypt during the year. A creditor of £441,502 exists at the year end.

21 Ultimate parent company and parent undertaking of a 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:

PO Box 447
00101 Helsinki
Mikonkatu 15a 7th Floor
00100 Helsinki
Finland