GLYNWED PIPE SYSTEMS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2011

CONTENTS

COMPANY DETAILS

Company registration number	01698059
Registered office	Walsall Road Norton Canes Cannock Staffordshire WS11 9NS
Auditor	KPMG Audit Plc 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT

DIRECTORS' REPORT

The directors present the financial statements for the year ended 31 December 2011 They are reported in accordance with International Financial Reporting Standards (IFRS)

Principal Activities, Review of Activities and Future Developments

The principal activity of the company is the manufacture and sale of thermoplastic pipework systems

We have developed several medium-term financial targets which measure the effectiveness of our strategy to deliver shareholder value The company is focused on delivering these financial objectives through organic growth both in home markets and export markets

The volume of trade has significantly improved and this has compensated for the higher prices of raw materials during the year The defined benefit scheme was closed to future accruals on 31 May 2011, with the emplyees being offered entrance into the improved defined contribution scheme The result of the closure to future accruals is a one-off credit of £3 3 million

The company is actively marketing two properties that have become vacant as a result of the transfer of manufacturing operations to Lenham These properties, with a net book value of £1 3 million, have been reclassified to assets held for sale

Return on capital employed – in 2011 the company achieved a return on capital employed of 29% (2010 18%)

Return on sales at current operating level – this rose to 11% in 2011 from 8% in 2010

The company currently produces strategic plans annually covering five years future trading expectations

Revenue from continuing operations of £92 2 million (2010 £77 4 million) was up 19% on 2010 Operating profits from continuing operations of £10 3 million were higher than the £5 9 million profit achieved in 2010 Profit after taxation from continuing operations was higher at £7 3 million (2010 £4 2 million)

The company continues to derive the majority of its turnover from the UK market and this represents 76 8% (2010 75 1%) of the total Other business within Europe represents a further 16 1% (2010 17 0%) and Asia 3 7% (2010 3 5%)

Cash flow

The cash flow generated from operations in the year was down on the previous year at £1 0 million outflow compared to an inflow of £4 5 million in 2010 Cash and cash equivalents were a net overdraft of £1 0 million (2010 in hand £4 2 million) at the year end

Net capital expenditure in the year was £2 3 million (2010 £3 0 million) This compares to depreciation and impairment of £1 7 million (2010 £1 7 million) Tax payments in the year were £1 9 million (2010 £0 8 million) A £5 0 million interim dividend was settled through the loan account with Aliaxis Holdings UK Limited during the year (2010 £nil dividend)

Pensions

We continue to focus attention on our pension schemes The company participates in both defined benefit and defined contribution schemes, with the largest scheme being the defined benefit scheme The last formal actuarial valuation of the defined benefit scheme made by Towers Watson, the scheme actuary, was prepared as at 31 March 2010 Using the actuarial assumptions set out in the last valuation, the actuarial surplus was £9 2 million at 31 December 2011 and £2 4 million at 31 December 2010 The scheme liabilities of £48 6 million (2010 £49 2 million) are offset by scheme assets that increased from £52 4 million at the end of 2010 to £55 7 million at the end of 2011 Unrecognised actuarial losses are £2 1m (2010 gains £0 7m) The cash contribution for current employees was £3 3 million including a £2 7m additional pre-closure contribution (2010 £1 5 million)

On 31 May 2011, the UK defined benefit pension scheme was closed to future benefit accrual As part of the negotiations with the plan trustees, the company agreed to make an additional special contribution of £2 7 million to both derisk the scheme investments and to more fully fund the scheme prior to its closure to future benefit accrual

Risks and uncertainties

This section highlights some of the particular risks which affect the company but it is not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise Some risks may be unknown to the company and other risks, currently regarded as immaterial, could turn out to be material

There are a number of potential risks and uncertainties which could have a material impact on the company's long-term performance and achievement of its strategy These risks and uncertainties arise as a result of operational, regulator, financial and market driven factors, among other things The company takes a proactive approach to managing risk through risk management processes These processes also help to identify business, product and performance opportunities Although the company has been successful in managing and mitigating these risks in the past, there is no guarantee that it can continue to do so

External risks

External risks include, but are not limited to the following

Global, political and economic conditions

All the company's principal operations are located in the UK, with sales being made around the world Whilst it benefits from the opportunities and growth in other countries, the company is exposed to political and economic risks associated with such international trade Political risks can include sudden change in regulation, imposition of trade barriers, limits on the export of currency and the volatility of currencies, prices and taxes

The diverse nature of our products and services and our international spread help to mitigate the impact of any individual exposure to economic conditions However, some 75% of our revenues are from customers in the United Kingdom and we are thus particularly affected by economic conditions there

Legislation and regulation

The company is subject to varying laws and regulations around the world and operates in sectors that can be impacted by changes in the regulatory environment leading to product specification changes Whilst failure to comply with laws and regulations, including health and safety and environmental regulations, could impact performance and could damage the reputation of the company, changes in legislation and regulations can also provide opportunities for the development of new products and can open up new markets for existing products

Raw material and utility prices

The company uses large amounts of electricity, gas, raw material plastic compounds and related commodities Volatility and changes in the pricing and availability of these could have a significant impact on the company's results In particular, the prices of utilities and raw material plastics compounds have increased significantly in recent years and only very recently have they fallen from historically high levels

Our raw materials are sourced on the world market and in general we have access to multiple sources of supply However, should there be a significant change in global balance of supply and demand, or should there be a cessation of supply of a key commodity, the performance of the company could be adversely affected

Changes in trends and spending

The company derives a significant proportion of its revenue from the building sector in the UK and mainland Europe The company's financial and operating performance will depend, in part, on factors which affect the level and patterns of utility and building spend (including changes in customer preferences and trends and general economic conditions)

The company's future success and revenues will be dependent, in part, on the strength of its principal trading brands The company monitors changing consumer preferences, brand perception, price points and other trends such as environmental awareness, etc to better understand and anticipate its customers and their preferences The company has focussed on internationalising its principal trading brands to further help mitigate these risks

Intellectual property rights

The company relies primarily on trade secret, copyright, design, trademark and patent law and contractual protections to protect the company's propriety technology and other proprietary rights Notwithstanding the precautions taken, the company will continue to take action to protect its intellectual property rights It is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorisation or may otherwise infringe on the company's rights In some cases, including a number of the company's most important products, there may be no effective legal recourse against duplication by competitors The company relies on registered and unregistered rights and uses these rights wherever possible to protect its proprietary rights, brand and reputation

Innovation and actions of competitors

The company operates in highly competitive markets characterised by changing technology and evolving industry standards Innovative new products and technical advances by competitors could adversely affect the company However, the diversity of our products mitigates the potential impact from an individual competitor or innovation

The markets in which the company competes are fragmented but many of the company's competitors are large and may enjoy substantially greater financial, marketing, technological and personnel resources The company is subject to their competitive actions and although the company believes that the performance and price characteristics of its products provide competitive solutions for the customers' needs, there can be no assurance that the existing customers will continue to choose our products over products offered by competitors The company has a good understanding of the markets in which it operates, and its key competitors and their strategies, and monitors and develops its strategy to mitigate these risks

Pension funding

The company's defined benefit pension scheme forms a section within the wider Group's UK pension scheme and is financially relatively significant, as detailed in note 18 to the financial statements The funding position of the scheme is likely to fluctuate year on year on account of changes in economic conditions, demographic experience and the investment performance of the scheme's assets The potential risks and uncertainties are mitigated by careful management and continual monitoring of the schemes and by appropriate and timely action to ensure as far as possible that the company's defined benefit pension liabilities do not increase disproportionately The scheme was closed to future benefit accrual on 31 May 2011,

Scheme assets are defensively invested with the year end asset portfolio analysis being described in note 18 The company works closely with the scheme trustees and believes that a strong Corporate covenant is the best way to allow a systematic and measured approach to managing the inherent risk of such a scheme

Customer market dynamics

The company's key customers include major and independent building product distribution chains both in the UK and abroad If key customers change their capital expenditure programmes, suffer a significant loss of market share or in the event of an economic down turn / seasonality this could have a material adverse effect on the company's financial condition and results of operations

These risks are mitigated by monitoring industry and competitive developments to help prevent the company from becoming unduly dependent on any one customer

Internal risks

Internal risks include but are not limited to

New product and technological developments

The company continually seeks to refine and improve upon the performance, utilities and physical attributes of its existing products and to develop new products As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical, marketing or other problems The occurrence of any of these risks could cause a substantial change in the design, delay in the development or abandonment of new technologies and product Such risks could have a material adverse effect on the company's financial condition and operating results

Succession planning

The future success of the company is dependent on the continued services and continuing contributions of the company's directors and other key personnel The loss of the services of these individuals could adversely affect our ability to maintain the loyalty of certain key customers, to continue to develop important markets or to implement our future strategy

The company has reviewed its succession plans and the board is kept informed of the succession planning in place for directors and senior management Appropriate internal development is in place to ensure individuals can, where possible, be promoted from within to middle and senior management positions

Controls failure

The company is ISO 9001 accredited and operates internal controls as such, control processes are reviewed on a regular and controlled basis, by means of internal audits The company is also subject to internal audit from the Aliaxis Internal Audit function

Treasury risk and policy

The company operates a central treasury which operates in accordance with a Treasury policy and procedures manual setting out guidelines for managing foreign exchange risk, interest rate risk, credit risk and the financial instruments to be used in managing these risks

The objective of the treasury policy is to manage the company's financial risk The treasury policy applied by the company and the specific guidelines to manage the main financial risks are outlined under the accounting policies

Liquidity risk

The company's funding objective is to have sufficient long-term committed facilities, in addition to uncommitted facilities and finance agreements to meet its funding needs

The company maintains relationships with several large financial institutions Group treasury management spends significant amounts of time with its lenders keeping them informed of the company's development plan when appropriate to do so

The wider Aliaxis group has significant committed facilities available to it and the company benefits from being able to call on group funds as required

Foreign exchange risk

The company operates predominantly in the UK and Europe and as such the exposure to movements in exchange rates is mainly against the Euro As activity has grown internationally there has been an increased level of foreign currency transactions The Group's treasury function hedges currency on the company's behalf where appropriate to reduce the potential risk of currency exposure

Legal and other matters

The company is committed to operating within the law in all applicable jurisdictions, and seeks to benefit from the rights and protections afforded by relevant laws The company aims to anticipate and meet the changing requirements of the markets it serves, as legal and regulatory reforms impact those markets There were no material legal, regulatory or compliance matters to be disclosed during the period under review and no significant post balance sheets events to be disclosed

Resources

The company has significant resources to support its core business operations Key strengths and resources which assist the company in the pursuit of its key objectives include

Our people

We have consistently sought to recruit and retain the best employees in our sector and this has contributed to our success in developing, manufacturing and selling our products in our traditional markets and in entering an developing our presence in new markets The company has its own approach to identifying and attracting the appropriate skills and expertise it needs, in line with both its own and the company's strategy and requirements

Vacancies and development opportunities are advertised internally and where suitable candidates cannot be identified conventional recruitment channels are used The company regularly reviews its training and development needs to ensure we have people with the appropriate levels of skills, qualifications and experience to assist it in achieving our strategy

The company's policy is to keep employees as fully informed as possible about its activities and to encourage meetings of employees at various levels All employees participate in, and benefit from, remuneration schemes linked to the company's performance

Further, it is our policy to offer equal opportunities to disabled persons, whether registered or not, applying for vacancies having regard to their aptitude and abilities in relation to the job for which they apply The company's employment policies incorporate the training, career development and promotion of disabled people The company also actively promotes the continued employment and training of persons who become disabled while in the company's employment

The company is an equal opportunities employer

Our market position

We have a strong corporate reputation for quality products and award winning service which is based on our longevity in supplying customers and on our development of new products using advanced technology and innovative design The company is amongst the larger players within the sector and now has growing international reach and is well-placed in product terms

Our manufacturing facilities

A key differentiator for our product is our manufacturing facilities which not only maximises the efficiency in our production processes but also means that we have a reputation for high quality products This efficiency has been replicated following the relocation of certain manufacturing operations to the Aliaxis Lenham site

Intellectual property rights

The company has registered a number of patents to support its business and to protect its competitive advantage Some of the intellectual property and product innovation developed by our research and development teams results in new patents being secured

In addition, we have a large number of registered trademarks and designs to protect our world renowned brands and trading styles We monitor market developments closely to identify any potential violations of our proprietary rights and take appropriate legal action where considered necessary

Procurement

The central procurement team works with the company to enable us to negotiate contracts to ensure we benefit from the synergies available from the wider Group's buying power, whilst ensuring the quality of components and products is to our high standards and that delivery is scheduled to support our lean manufacturing processes We are increasingly taking advantage of procurement opportunities by emerging economies where it is ethical and appropriate to do so

Cautionary statement

The intention of the business review is to provide information to shareholders and should not be relied upon by any other part or for any other purpose The business review and other sections of this annual report contain certain forward-looking statements with respect to the operations, performance and financial condition of the company By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated The forward-looking statements which are made by the directors in good faith are based on the information available to them up to the date of their approval of the financial statements and the company undertakes no obligation to update these forward-looking statements The forward-looking statement should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information Nothing in this annual report should be construed as a profit forecast

The business review has been prepared for the company as a whole and therefore gives greater emphasis to those matters which are of significance to Glynwed Pipe Systems Limited

Directors

The directors who held office throughout the year are as follows

B M Blanchard
S M Dix
M J Gisbourne
P A Herbert
K M Lawson
C D Leach
C Mazzacano
Glynwed Overseas Holdings Limited

The Aliaxis SA group operates a stock option plan for certain employees and the directors of the company have options to acquire shares in the ultimate parent undertaking, Aliaxis SA Full details are provided in note 18 to the financial statements

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board

I C McNair
Company Secretary

18 May 2012

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 IFRSs as adopted by the EU and applicable laws

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLYNWED PIPE SYSTEMS LIMITED

We have audited the financial statements of Glynwed Pipe Systems Limited for the year ended 31 December 2011 set out on pages 10 to 35 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 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 members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

M Sheppard (Senior Statutory Auditor)
for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

21 May 2012

Glynwed Pipe Systems Limited
2011 Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

(£ '000s)

Continuing operations	Notes	2011	2010
Revenue		**92,235**	**77,425**
Cost of sales		72,791	60,802
Gross profit		**19,444**	**16,623**
Commercial expenses		4,371	6,038
Administrative expenses		3,373	3,634
R&D expenses		527	793
Other operating expenses	5	920	278
Operating profit	4	**10,253**	**5,880**
Interest expense, net	7	(184)	(42)
Other finance expenses	8	(81)	(170)
Profit before income taxes		**9,988**	**5,668**
Income taxes	9	(2,699)	(1,502)
Profit of the year		**7,289**	**4,166**

There was no other comprehensive income

The notes on pages 15 to 35 form a part of these financial statements

STATEMENT OF FINANCIAL POSITION

(£'000s)

As at 31 December	Notes	2011	2010
Non current assets		**40,527**	**37,748**
Property, plant & equipment	11	13,318	14,512
Investments in subsidiary undertakings	12	12,967	12,967
Amounts receivable	14	4,838	7,719
Employee benefits	18	9,191	2,383
Deferred tax assets	19	213	167
Current assets		**27,912**	**24,918**
Inventories	13	15,890	12,456
Amounts receivable	14	10,682	8,238
Cash & cash equivalents	15	-	4,224
Non current assets held for sale		1,340	-
TOTAL ASSETS		**68,439**	**62,666**
Equity attributable to equity holders of the company		**36,971**	**34,682**
Share capital	16	11,189	11,189
Share premium		1,690	1,690
Retained earnings		24,092	21,803
Total equity		**36,971**	**34,682**
Non-current liabilities		**10,113**	**8,996**
Non-interest bearing loans	17	7,331	7,385
Employee benefits	18	138	97
Deferred tax liabilities	19	2,644	1,514
Current liabilities		**21,355**	**18,988**
Bank overdraft	15	1,013	-
Provisions	20	830	1,459
Other amounts payable	21	19,512	17,529
Total liabilities		**31,468**	**27,984**
TOTAL EQUITY & LIABILITIES		**68,439**	**62,666**

The notes on pages 15 to 35 form a part of these financial statements

These financial statements were approved by the board of directors on 18 May 2012 and signed on its behalf by

Susan M. Dix

S M Dix
Director
Glynwed Pipe Systems Limited
Company Number 01698059

Glynwed Pipe Systems Limited
2011 Financial Statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

(£ '000s)	Notes	2011	2010
OPERATING ACTIVITIES			
Profit before income tax		9,988	5,668
Depreciation	11	1,712	1,588
Impairment	11	-	153
Interest expense		184	42
Loss on sale of property, plant and equipment	4	60	118
Cash flow from operating activities before changes in working capital and provisions		**11,944**	**7,569**
Increase in inventories		(3,435)	(1,092)
Increase in amounts receivable		(2,144)	(2,254)
Increase in amounts payable		1,975	2,261
Movement in provisions and pension asset / liability		(7,396)	(1,203)
Cash flow generated from operations		**944**	**5,281**
Income tax paid		(1,906)	(753)
Cash flow (absorbed by) / from operating activities		**(962)**	**4,528**
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		339	1,814
Acquisition of property, plant and equipment	11	(2,257)	(3,010)
Loans paid / (granted)		2,881	(7,719)
Cash flow from investing activities		**963**	**(8,915)**
FINANCING ACTIVITIES			
Repayment of borrowings		(54)	(285)
Dividends paid	16	(5,000)	-
Interest paid		(184)	(42)
Cash flow absorbed by financing activities		**(5,238)**	**(327)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,237)**	**(4,714)**
Cash and cash equivalents at the beginning of the year	15	4,224	8,938
Cash and cash equivalents at the end of the year	**15**	**(1,013)**	**4,224**

The notes on pages 15 to 35 form a part of these financial statements

STATEMENT OF CHANGES IN EQUITY

(£ '000s)	Notes	*ATTRIBUTABLE TO EQUITY HOLDERS OF GLYNWED PIPE SYSTEMS LIMITED*			
		Share capital	**Share premium**	**Retained earnings**	**Total**
As at 31 December 2009		**11,189**	**1,690**	**17,637**	**30,516**
Result of the year		-	-	4,166	**4,166**
As at 31 December 2010		**11,189**	**1,690**	**21,803**	**34,682**
Result of the year		-	-	7,289	**7,289**
Dividends to shareholders	16	-		(5,000)	**(5,000)**
As at 31 December 2011		**11,189**	**1,690**	**24,092**	**36,971**

The notes on pages 15 to 35 form a part of these financial statements

Notes to the financial statements

Notes to the financial statements

1 Company information

Glynwed Pipe Systems Limited ("the company") is a company incorporated in the UK The address of the company's registered office is Walsall Road, Norton Canes, Cannock, Staffordshire, WS11 9NS The financial statements of the company as at and for the year ended 31 December 2011 comprise solely those of the company

The financial statements were approved by the Board of Directors on 18 May 2012

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union up to 31 December 2011 Having reviewed the forecasts, the directors are satisfied that the going concern basis is the appropriate basis upon which to prepare the financial statements

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following

- derivative financial instruments are measured at fair value
- financial instruments at fair value through the profit or loss are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in pounds sterling, which is the company's functional currency All financial information in pounds has been rounded to the nearest thousand

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 18 - measurement of defined benefit obligations

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

The financial statements are prepared as of and for the year ended 31 December 2011

(a) Foreign currencies

Foreign currency transactions
Transactions in foreign currencies are translated to pounds sterling at exchange rates at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date Non monetary assets and liabilities denominated in foreign currencies that are carried at historical cost are translated at the reporting date at exchange rates at the dates of the transactions Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the reporting date at the exchange rate at the date the fair value was determined Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income

(b) Intangible assets

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when incurred

Development activities involve a plan or design for the production of new or substantially improved products and processes Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Aliaxis intends to and has sufficient resources to complete development and to use or sell the asset The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use If the recognition criteria referred to above are not met, the expenditure is recognised in the statement of comprehensive income as an expense when incurred

Capitalised development expenditure is measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see note 3(e))

Other intangible assets
Other intangible assets that are acquired by the company which have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see note 3(e))

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred

Amortisation
Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets with a finite life, from the date that they are available for use The estimated useful lives are as follows

• Patents, concessions and licenses	5 years
• Capitalised development costs	3-5 years
• IT software	5 years

(c) Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see note 3(e)) The company elected to measure certain items of property, plant and equipment at 1 January 2005, the date of transition to IFRS, at fair value and used those fair values as deemed cost at that date

Cost includes expenditures that are directly attributable to the acquisition of the asset, e g costs incurred to bring the asset to its working condition and location for its intended use, costs where relevant of dismantling and removing the asset and restoring the site on which that asset is located Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment Borrowing costs incurred for the purpose of acquiring, constructing or producing an asset are expensed

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred

Depreciation
Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment Leased assets are depreciated over the shorter of the lease term and their useful lives, unless there is certainty that the company will take ownership at the end of the lease term Land is not depreciated

The estimated useful lives are as follows

• Buildings	
- Structure	40-50 years
- Roof and cladding	15-40 years
- Installations	15-20 years
• Plant, machinery and equipment	
- Silos	20 years
- Machinery and surrounding equipment	10 years
- Moulds	3-5 years
• Furniture	10 years
• Office machinery	3-5 years
• Vehicles	5 years
• IT & IS	3-5 years

Depreciation methods and useful lives, together with residual values if not insignificant, are reassessed at each reporting date

(d) Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases Upon initial recognition the leased asset, as well as the lease liability, is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset

Other leases are operating leases and the leased assets are not recognised on the company's statement of financial position

(e) Impairment

Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset For equity securities, one possible indicator is a significant or prolonged decline

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value

Individually significant financial assets are tested for impairment on an individual basis, the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics

All impairment losses are recognised in the statement of comprehensive income Any cumulative loss of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and such reversal is recognised in the statement of comprehensive income For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of comprehensive income For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity

Non-financial assets
The carrying amounts of the company's non-financial assets, other than deferred tax assets (see note 3(m)), are reviewed at each reporting date to determine whether there is any external or internal indication of impairment If any such indication exists then the asset's recoverable amount is estimated For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at least annually Those assets were also tested for impairment at 1 January 2005, the date of transition to IFRS

(f) Inventories

Inventories are measured at the lower of cost and net realisable value The cost of inventories is based on the weighted average principle for raw materials, packaging materials, consumables, purchased components and goods purchased for resale, and on the first-in first-out principle for finished goods, work in progress and produced components
The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition In the case of manufactured inventories and work in progress, cost also includes an appropriate share of production overheads based on normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

(g) Amounts receivable

Amounts receivable which comprise trade and other receivables are carried at amortised cost less impairment losses (see note 3(c))

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are shown net of bank overdrafts where the company has right of set-off Bank overdrafts are repayable on demand and form an integral part of the company's cash management

(i) Dividends

Dividends are recognised as liabilities in the period in which they are declared

(j) Employee benefits

Post employment benefits
The company participates in a UK-wide defined benefit plan, the Aliaxis UK Defined Benefit Pension Scheme, and a UK-wide defined contribution plan, the Aliaxis UK Defined Contribution Pension Scheme, the assets of which are held in separate trustee-administered funds The pension plans are funded by payments from employees and the company

• Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when they are due

• Defined benefit plan
The company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the company's obligations

The calculation is performed annually by qualified actuaries using the projected unit credit method

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income

All actuarial gains and losses as at 1 January 2005, the date of transition to IFRS, were recognised In respect of actuarial gains and losses that have arisen subsequent to 1 January 2005 in calculating the company's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan Otherwise, the actuarial gain or loss is not recognised

When the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan

The defined benefit pension scheme was closed to future benefit accrual on 31 May 2011

Short-term benefits and long term incentive plans
Short-term employee benefit obligations such as bonuses and long tern incentive plan benefits are measured on an undiscounted basis and are expensed as the related service is provided A provision is recognised for the amount expected to be paid under short-term and long-term incentive plan benefits if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

(k) Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation, and is reviewed at each reporting date and adjusted to reflect the current best estimate Provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability In addition, incremental costs (e g lawyer and expert fees) are included in the measurement of the provisions

(l) Amounts payable

Amounts payable which comprise trade and other amounts payable are carried at amortised cost

(m) Derivative financial instruments

At times, the company holds derivative financial instruments to hedge its exposure to foreign currency risks arising from investing activities As a policy, the company does not engage in speculative transactions, and does therefore not hold or issue derivative financial instruments for trading purposes However, derivatives are accounted for as trading instruments

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in the statement of comprehensive income when incurred Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below

Measurement
The fair value of forward exchange contracts is based on their listed market price

(n) Revenue

Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods
Transfers of risks and rewards vary depending on the individual terms of the contract of sale

Government grants
Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that Aliaxis will comply with the conditions associated with the grant Grants that compensate the Group for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised Grants that compensate the Group for the cost of an asset are recognised in the statement of comprehensive income on a systematic basis over the useful life of the asset

(o) Finance income

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in the statement of comprehensive income Interest income is recognised as it accrues, using the effective interest method

(p) Finance expenses and lease payments

Finance expenses
Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except losses on receivables) and losses on hedging instruments that are recognised in the statement of comprehensive income All borrowing costs are recognised in the statement of comprehensive income using the effective interest method

Operating lease payments
Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease Lease incentives received are recognised as a reduction of the total lease expense, over the term of the lease When an operating lease is terminated before the lease period is expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place

(q) Income tax

Income tax expense comprises current and deferred tax Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and on the same taxable entity or group of entities

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

(r) Contingencies

Contingent liabilities are not recognised in the financial statements, except if they arise from a business combination They are disclosed, when material, unless the possibility of a loss is remote Contingent assets are not recognised in the financial statements but are disclosed, when material, if the inflow of economic benefits is probable

(s) Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

(t) Non current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year

On initial classification as held for sale are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss Property, plant and equipment, once classified as held for sale or distribution, is not amortised or depreciated

(u) Events after the reporting date

Events after the reporting date which provide additional information about the company's position as at the reporting date (adjusting events) are reflected in the financial statements Events after the reporting date which are non adjusting events are disclosed in the notes to the financial statements, when material

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements None are expected to have a material impact on the company

4 Operating profit

(£ '000s) This is stated after charging	2011	2010
Depreciation - owned tangible and intangible fixed assets	1,712	1,588
Impairment - owned tangible and intangible fixed assets	-	153
Operating leases - plant, equipment & vehicles	136	333
Statutory auditor's remuneration - for audit of these financial statements	52	48
Capital loss on the sale of fixed assets	60	118

All costs relating to the statutory auditor are included within administrative expenses

5 Other operating expenses

(£ '000s)	2011	2010
Capital loss on the sale of fixed assets	(60)	(118)
Restructuring costs	(206)	349
Management fees	(542)	(522)
Other	(112)	13
Other operating expenses	**(920)**	**(278)**

6 Additional information on operating expenses

(£ '000s)	2011	2010
Wages & salaries	10,711	12,632
Social security contributions	1,027	897
Net change in restructuring provisions	-	(518)
Expenses for defined benefit plans	(3,561)	552
Contributions to defined contribution plans	522	130
Other personnel expenses	458	416
Personnel expenses	**9,157**	**14,109**

The total average number of personnel was as follows

(in units)	2011	2010
Production	229	264
Sales and marketing	79	84
R&D and administration	24	26
Total workforce	**332**	**374**

Personnel expenses, depreciation, amortisation and impairment charges are included in the following line items of the statement of comprehensive income

(£ '000s)	Personnel expenses	Depreciation and impairment of property and plant & equipment
Cost of sales	5,049	1,690
Commercial charges	3,194	1
Administrative charges	698	4
R&D expenses	186	17
Other operating expense - restructuring	30	-
Total	**9,157**	**1,712**

Directors' emoluments	£ 2011	£ 2010
The aggregate amount of emoluments paid to directors in respect of their qualifying services	230,000	147,000
The highest paid director received	230,000	147,000
The highest paid director had an accrued pension	22,000	20,000

	Number 2011	Number 2010
Number of directors who are members of the Aliaxis UK Defined Benefit Pension Scheme, which is a defined benefit scheme	1	1

7 Interest expense, net

(£ '000s)	2011	2010
Interest expenses on financial borrowings	(184)	(42)
Interest expense, net	**(184)**	**(42)**

8 Other finance expenses

(£ '000s)	2011	2010
Foreign exchange losses, net	(81)	(170)
Other finance expenses	**(81)**	**(170)**

9 Income taxes

Income taxes recognised in the statement of comprehensive income can be detailed as follows

(£ '000s)	2011	2010
Current taxes for the year	(1,423)	(1,870)
Adjustments to current taxes in respect of prior periods	(192)	147
Total current tax expense	**(1,615)**	**(1,723)**
Origination and reversal of temporary differences	(1,179)	253
Adjustment to deferred taxes in respect of prior periods	95	(32)
Total deferred tax expense	**(1,084)**	**221**
Income tax expense in the income statement	**(2,699)**	**(1,502)**

The reconciliation of the effective tax rate with the standard tax rate can be summarised as follows

(£ '000s)	2011	%	2010	%
Profit before taxes	9,989		5,668	
Tax at UK corporation tax rate	(2,647)	26 5%	(1,587)	28 0%
Tax effect of				
Non-deductible expenses	(27)	0 3%	(20)	0 4%
Current tax adjustments in respect of prior periods	(192)	1 9%	147	(2 7)%
Deferred tax adjustments in respect of prior periods	95	(1 0)%	(32)	0 6%
Effect of deferred tax rate change to 25% (2010 27%)	72	(0 7)%	(10)	0 2%
Income tax expense	**(2,699)**	**27 0%**	**(1,502)**	**26 5%**

10 Intangible assets

(£ '000s)	2011 Intangible assets (finite life)	2010 Intangible assets (finite life)
Cost		
As at 1 January and as at 31 December	171	171
Amortisation and impairment losses		
As at 1 January and as at 31 December	(171)	(171)
Carrying amount at 31 December	-	-

The recognition criteria regarding development expenditure were not met and those expenditures have therefore been recognised in the statement of comprehensive income as an expense

11 Property, plant and equipment

(£ '000s)	2011 Land & buildings	2011 Plant, machinery & equipment	2011 Other	2011 Under construction & advance payments	2011 Total	2010 Total
Cost or deemed cost						
As at 1 January	6,087	29,427	155	2,264	37,933	42,705
Movements during the year						
Acquisitions	-	366	-	1,891	2,257	3,010
Disposals & retirements	-	(367)	(19)	(369)	(755)	(7,782)
Transfers	-	1,494	-	(1,494)	-	-
Transfer to assets held for sale	(1,716)	-	-	-	(1,716)	-
As at 31 December	**4,371**	**30,920**	**136**	**2,292**	**37,719**	**37,933**
Depreciation and impairment losses						
As at 1 January	(983)	(22,304)	(134)	-	(23,421)	(27,530)
Movements during the year						
Charge for the year	(114)	(1,596)	(2)	-	(1,712)	(1,741)
- Ordinary depreciation	*(114)*	*(1 596)*	*(2)*		*(1,712)*	*(1,588)*
- Impairment recognised	-	-	-	-	-	*(153)*
Disposals & retirements	-	337	19	-	356	5,850
Transfer to assets held for sale	376	-	-	-	376	-
As at 31 December	**(721)**	**(23,563)**	**(117)**	**-**	**(24,401)**	**(23,421)**
Carrying amount at 31 December	**3,650**	**7,357**	**19**	**2,292**	**13,318**	**14,512**

Management considers that residual values of depreciable plant, vehicles and equipment are insignificant

12 Investments in subsidiary undertakings

(£ '000s)	Cost	Shares Provision	Net
Non current assets			
As at 1 January	15,419	(2,452)	12,967
Movements during the year			
Disposals	(2,416)	2,416	-
As at 31 December	13,003	(36)	12,967

The company's investment in Kunststoffwerk Hoehn GmbH was sold for EUR 1 in December 2011

Investments in shares relate to the company's holding in the ordinary share capital in each of its direct subsidiary undertakings The country of incorporation shown is also the country of operation

* indicates subsidiary is held directly

	Holding	Country of incorporation
Glynwed Properties Limited*	100%	UK
Wask - RMF Limited*	100%	UK
Glynwed Foundry Products Limited	100%	UK
Glynwed V Limited	100%	UK

Investments are stated at the lower of cost and net realisable value All subsidiaries are dormant

13 Inventories

(£ '000s) **As at 31 December**	2011	2010
Raw materials, packaging materials and consumables	1,409	1,130
Components	1,114	795
Work in progress	98	82
Finished goods	11,043	9,607
Goods purchased for resale	2,226	842
Inventories	**15,890**	**12,456**

The amount of write downs recognised on inventories during the period amounted to £14,000 (2010 £580,000)

The cost of inventories (valued at full cost) recognised as an expense amounted to £71,896,000 (2010 £57,822,000)

14 Amounts receivable

Non current

(£ '000s) **As at 31 December**	2011	2010
Loan to parent company	**4,838**	**7,719**

The loan to the parent company is non-interest bearing and has no fixed date for repayment

Current

(£ '000s) **As at 31 December**	2011	2010
Trade receivables - gross	10,494	7,852
Allowance for doubtful debtors	(763)	(648)
Trade receivables	**9,731**	**7,204**
Income taxes recoverable	337	37
Other taxes recoverable	128	172
Other	486	825
Amounts receivable	**10,682**	**8,238**

15 Cash and cash equivalents

(£ '000s) As at 31 December	2011	2010
Cash & cash equivalents	-	4,224
Bank overdrafts	(1,013)	-
Cash & cash equivalents in the statement of cash flows	**(1,013)**	**4,224**

16 Equity

Share capital

		2011	2010
Authorised share capital - shares of 25p each	Number	62,200,000	62,200,000
	Value £	15,550,000	15,550,000
The issued and fully paid ordinary shares	Number	44,757,845	44,757,845
	Value £	11,189,461	11,189,461

The holders of ordinary shares are entitled to receive dividends as declared and to one vote per share at shareholders' meetings of the company

Dividends

An interim dividend of £5,000,000 was declared and paid in the year (2010 £nil)

No final dividend is proposed for the current year by the directors (2010 no dividend)

17 Non-interest bearing loans

(£ '000s) As at 31 December	2011	2010
Non-current		
Loans from other group undertakings (note 26)	7,331	7,385
Non-current non-interest bearing loans	**7,331**	**7,385**

The company has unsecured loans from a fellow group undertaking that are non-interest bearing and which have no fixed date for repayment

18 Employee benefits

The company participates in group retirement and other long-term benefit plans

In addition, certain directors participate in the Group share-based payment plans

Defined contribution plan

The company made contributions of £522,000 (2010 £130,000) to the defined contribution scheme in the year to 31 December 2011 Once the contributions have been paid, the company has no further payment obligation The cash contributions constitute an expense for the year in which they are due

Defined benefit plan

The company acts as a participating employer to the Aliaxis UK Defined Benefit Pension Scheme, a defined benefit contributory pension scheme, the constitution and governance of which are in conformity with the requirements of the Pensions Act 1985 The Scheme provides benefits based on final pensionable pay, with all assets being held in an independent and separately administered trustee fund The funding of the Scheme is assessed in accordance with the advice of an independent and professionally qualified actuary The Scheme is closed to new members New employees are eligible to join an enhanced Defined Contribution scheme, the Aliaxis UK Defined Contribution Pension Scheme

The scheme was closed to future benefit accrual on 31 May 2011, resulting in a one-off curtailment gain of £3 3m The existing members were offered membership of the Defined Contributuion scheme

The company's net liability for the post-employment benefit plan comprises the following at 31 December

(£ '000s)	2011	2010	2009	2008	2007
Present value of funded obligations	48,579	49,248	50,518	37,268	39,521
Fair value of plan assets	(55,662)	(52,362)	(46,617)	(37,366)	(43,016)
Present value of net funded obligations	**(7,083)**	**(3,114)**	**3,901**	**(98)**	**(3,495)**
Unrecognised actuarial (losses) / gains	(2,108)	731	(5,337)	(344)	4,579
Total pension (assets) / liabilities	**(9,191)**	**(2,383)**	**(1,436)**	**(442)**	**1,084**
Long term incentive plan	138	97	31	-	-
Total defined benefit (assets) / liabilities	**(9,053)**	**(2,286)**	**(1,405)**	**(442)**	**1,084**
Liabilities	138	97	31	-	1,084
Assets	(9,191)	(2,383)	(1,436)	(442)	-
Net (asset) / liability at 31 December	**(9,053)**	**(2,286)**	**(1,405)**	**(442)**	**1,084**

The movements in the net (asset) / liability for defined benefit obligations recognised in the statement of financial position at 31 December are as follows

(£ '000s)	2011	2010	2009	2008	2007
Net (asset) / liability at 1 January	(2,383)	(1,436)	(442)	1,084	3,523
Employer contributions	(3,247)	(1,499)	(2,391)	(2,662)	(3,725)
Pension expense recognised in the statement of comprehensive income	(3,561)	552	1,197	1,136	1,286
Transfers between accounts or internal transfers	-	-	120	-	-
Actuarial losses on transfers	-	-	80	-	-
Net (asset) / liability at 31 December	**(9,191)**	**(2,383)**	**(1,436)**	**(442)**	**1,084**

The changes in the present value of the defined benefit obligations are as follows

(£ '000s)	2011	2010	2009	2008	2007
Defined benefit obligation at 1 January	49,248	50,518	37,268	39,521	42,415
Service cost	612	1,750	1,680	2,183	2,301
Contributions by employee	52	143	183	201	218
Interest cost	2,554	2,854	2,287	2,283	2,221
Actuarial losses / (gains)	1,684	(4,135)	10,732	(6,083)	(6,469)
Gains on curtailment	(4,658)	(721)	-	-	(342)
Benefits paid	(913)	(1,161)	(935)	(837)	(823)
Transfer between accounts or internal transfers	-	-	(697)	-	-
Defined benefit obligation at 31 December	**48,579**	**49,248**	**50,518**	**37,268**	**39,521**

The changes in the fair value of plan assets are as follows

(£ '000s)	2011	2010	2009	2008	2007
Fair value of plan assets at 1 January	(52,362)	(46,617)	(37,366)	(43,016)	(39,141)
Expected return	(3,436)	(3,379)	(2,771)	(3,299)	(2,932)
Actuarial (gains) / losses	2,522	(1,885)	(5,658)	10,975	2,177
Contributions by employer	(3,247)	(1,499)	(2,391)	(2,662)	(3,725)
Contributions by employee	(52)	(143)	(183)	(201)	(218)
Benefits paid	913	1,161	935	837	823
Transfer between accounts or internal transfers	-	-	817	-	-
Fair value of plan assets at 31 December	**(55,662)**	**(52,362)**	**(46,617)**	**(37,366)**	**(43,016)**

	2011	2010
The actual return gain on plan assets	915	6,042

During 2011, the defined benefit obligation has decreased due mainly to closing the scheme to future accruals The fair value of plan assets has increased by a greater amount mainly due to a voluntary contribution of £2 7m The funded position, i e the ratio of assets to the defined benefit obligation, has increased from around 106% to 115%

The net defined benefit asset has increased during the year from £2,383,000 to £9,191,000

The total employer contributions are £6,809,000 (2010 £947,000) higher than the pension credit of £3,562,000 (2010 expense of £552,000)

The company expects to pay normal contributions of approximately £0 1 million to its defined benefit plan in 2012 The level of contributions is expected to fall substantially following closure of the scheme on 31 May 2011

The historical evolution of the present value of the defined benefit obligation, the fair value of plan assets, the unrecognised actuarial gains and losses, the unrecognised past service costs and the unrecognised assets is as follows

(£ '000s) At 31 December	2011	2010	2009	2008	2007
Present value of defined benefit obligations	48,579	49,248	50,518	37,268	39,521
Fair value of plan assets	(55,662)	(52,362)	(46,617)	(37,366)	(43,016)
Unrecognised actuarial gains / (losses)	(2,108)	731	(5,337)	(344)	4,579
Change in the actuarial gains /(losses) during the year	(4,206)	6,020	(5,074)	(4,893)	4,292
of which					
* due to experience adjustments	(2,505)	7,072	5,760	(10,947)	(1,236)
* due to assumption adjustments	(1,701)	(1,053)	(10,834)	6,054	5,528

The expense recognised in the statement of comprehensive income with regard to defined benefit plans can be detailed as follows

(£ '000s)	2011	2010
Current service cost (net of employee contributions)	612	1,750
Interest cost	2,554	2,854
Expected return on plan assets	(3,436)	(3,379)
Actuarial losses recognised in the year	-	15
Gains on curtailments & settlements	(3,291)	(688)
Total	**(3,561)**	**552**

The employee benefit expense is included in the following lines in the statement of comprehensive income

(£ '000s)	2011	2010
Cost of sales	(1,914)	419
Commercial charges	(979)	145
Administrative charges	(470)	(3)
R&D expenses	(197)	(9)
Total	**(3,561)**	**552**

The principal actuarial assumptions can be summarised as follows

	2011	2010	2009	2008	2007
Discount rate at 31 December	4 90%	5 50%	5 70%	6 20%	5 80%
Expected return on assets at 31 December	5 50%	6 90%	7 20%	7 30%	7 50%
Rate of salary increases	n/a	4 40%	5 10%	4 60%	4 80%
Pension increase rate	3 00%	3 30%	3 50%	3 10%	3 30%

The discount rate and the salary increase rate have been weighted by the defined benefit obligation
The expected return on assets has been weighted by the fair value of plan assets

At 31 December the plan assets are broken down into the following categories according to the asset portfolios weighted by the amount of assets

	2011	2010	2009	2008	2007
Government bonds	40%	15%	15%	18%	17%
Corporate bonds	13%	11%	11%	12%	12%
Equity instruments	47%	74%	72%	69%	66%
Cash	-	-	2%	1%	5%
	100%	100%	100%	100%	100%

The plan assets do not include investments in the Company's own shares or in property occupied by the Company

Share-based payments

On 23 June 2004, Aliaxis SA approved a share option programme entitling key management personnel and senior employees to purchase shares in that company, and authorising the issuance of up to 3,250,000 options to be granted annually over a period of 5 years Five stock option plans were accordingly granted on 5 July 2004 (SOP 2004), 4 July 2005 (SOP 2005), 3 July 2006 (SOP 2006), 4 July 2007 (SOP 2007) and 8 July 2008 (SOP 2008) respectively No options were granted in 2009, 2010 or 2011

One option gives the beneficiary the right to buy one ordinary share of the Company The vesting period is 4 years after the grant date, and the options can be exercised subsequently during a period of 3 years with one exercise period per year

Each beneficiary is also granted a put option, as long as the Group remains unlisted, whereby Aliaxis shares acquired under these plans can be sold back to the Group at a price to be determined at each put exercise period The put exercise periods run in parallel with the exercise periods of each plan

At each exercise date, Aliaxis determines the fair value of the shares by applying market multiples derived from a representative sample of listed companies to its last annual financial performance

Details of outstanding options held by employees of the company (excluding those where the employment costs are borne by another group company) are

Director	Date granted	Number of shares at 1 1 11 appointment	Granted during the year	Exercised during the year	Number of shares at 31 12 11	Exercise price (€)	Date from which exercisable	Expiry Date
M J Gisbourne								
SOP 2006	03 07 2006	8,000	-	-	8,000	18 35	June 2010	June 2013
SOP 2007	04 07 2007	8,000	-	-	8,000	26 82	June 2011	June 2014
SOP 2008	08 07 2008	8,000	-	-	8,000	16 25	June 2012	June 2015
		24,000	-	-	24,000			

No options lapsed during the year The exercise period is from 1 June to 20 June each year

The number and weighted average exercise price of share options is as follows

	2011		2010	
	Number of options	Weighted average exercise price per option (in €)	Number of options	Weighted average exercise price per option (in €)
Outstanding at 1 January	24,000	20 47	-	-
Movements during the year				
Appointment of a director	-	-	24,000	20 47
Outstanding at 31 December	24,000	20 47	24,000	20 47
Exercisable at 31 December	16,000		8,000	

The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black & Scholes valuation model, with the following assumptions

Fair value and assumptions	SOP 2008	SOP 2007	SOP 2006
Fair value at grant date (€ per option)	4 02	7 13	4 39
Share price (€)	16 25	26 82	18 35
Exercise price (€)	16 25	26 82	18 35
Expected volatility (%)	20	20	21
Expected option average life (years)	5 5	5 5	5 5
Expected dividends (€)	0 16	0 13	0 12
Risk-free interest rate (%)	4 89	4 84	4 08

The expected volatility percentage is based on the historical volatility which is observed for comparable companies in Belgium Expected dividends take into account a 10% growth per annum The risk free interest rate is based on the SWAP Euro interest rate corresponding to the expected options' average life The vesting expectations are based on historical data of key management personnel turnover

A charge of £nil (2010 £nil) has been recorded in the statement of comprehensive income of the company relating to the share options exercised during the year

19 Deferred tax assets and liabilities

The change in deferred tax assets and liabilities is as follows

(£'000s)	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
As at 1 January	167	93	(1,514)	(1,867)	(1,347)	(1,774)
Recognised in the income statement	58	78	(1,274)	80	(1,216)	158
Change in rate	(12)	(4)	144	67	132	63
Transfer to fellow subsidiary undertaking	-	-	-	206	-	206
As at 31 December	213	167	(2,644)	(1,514)	(2,431)	(1,347)

Deferred tax assets and liabilities are attributable to the following items

(£'000s)	Assets 2011	2010	Liabilities 2011	2010	Net 2011	2010
Property, plant and equipment	15	-	(347)	(871)	(332)	(871)
Post employment benefit	-	-	(2,297)	(643)	(2,297)	(643)
Provisions	111	112	-	-	111	112
Other assets and liabilities	87	55	-	-	87	55
Tax assets / liabilities	213	167	(2,644)	(1,514)	(2,431)	(1,347)

On 23 March 2011, the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 25% with effect from 1 April 2012 This tax change became substantively enacted in July 2011 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2011 has been included in the figures above

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reduction from 25% to 23%, if these applied to the deferred tax balance at 31 December 2011 would be to further reduce the deferred tax liability by approximately £200,000

20 Provisions

Current provisions (£ '000s)	Product liability	Restructur-ing	TOTAL
As at 1 January 2011	856	603	**1,459**
Movements during the year			
Provisions created	53	39	**92**
Provisions used	(116)	(339)	**(455)**
Provisions reversed	(266)	-	**(266)**
As at 31 December 2011	**527**	**303**	**830**

21 Other amounts payable

(£'000s) As at 31 December	2011	2010
Trade payables	16,191	13,879
Payroll and social security payable	1,022	1,311
Income taxes payable	1,996	1,986
Other taxes payable	227	293
Other payables	76	60
Amounts payable	**19,512**	**17,529**

22 Financial instruments

Risks relating to credit worthiness, interest rates, exchange rates and liquidity arise in the company's normal course of business However the most significant financial exposure for the company relates to the fluctuation in currency exchange rates

The company addresses these risks and defines strategies to limit their economic impact on its performance in accordance with its financial risk management policy

The fair value of the financial instruments is materially the same as the amortised cost at which the financial instruments are carried in the financial statements

Credit risk

The company provides credit to customers in the normal course of business and the amount the appears on the balance sheet is net of an allowance of £115,000 (2010 £92,000) for doubtful receivables due to age

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet

The trade receivables as at 31 December are aged as follows

(£'000s)	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	5,858	(73)	4,388	(90)
Past due 0 - 30 days	2,884	(171)	2,150	(88)
Past due 31 - 90 days	914	(290)	1,123	(365)
Past due 91 - 365 days	898	(207)	228	(104)
More than one year	(60)	(22)	(37)	(1)
As at 31 December	**10,494**	**(763)**	**7,852**	**(648)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2011	2010
As at 1 January	(648)	(557)
Provision created	(176)	(196)
Provision used	28	93
Provision reversed	33	12
As at 31 December	**(763)**	**(648)**

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

2011	Carrying value	Contractual cash flow	Under 1 year	1 to 5 years	Over 5 years
Employee benefits	138	138	-	138	-
Finance lease liability	-	-	-	-	-
Unsecured intercompany loan	7,331	7,331	-	-	7,331
Provisions	830	830	830	-	-
Bank overdrafts	1,013	1,013	1,013	-	-
Trade and other payables	19,512	19,512	19,512	-	-
	28,824	**28,824**	**21,355**	**138**	**7,331**

2010	Carrying value	Contractual cash flow	Under 1 year	1 to 5 years	Over 5 years
Employee benefits	97	97	-	97	-
Unsecured intercompany loan	7,385	7,385	-	-	7,385
Provisions	1,459	1,459	1,459	-	-
Trade and other payables	17,529	17,529	17,529	-	-
	26,470	**26,470**	**18,988**	**97**	**7,385**

Foreign currency risk

Transaction exposure
The company is exposed to foreign currency risk on transactions and balances with group companies denominated in non-sterling currencies Currencies giving rise to such risk are primarily the US dollar and the Euro

Where there is no natural hedge, the foreign currency risk is primarily managed by the use of forward exchange contracts All contracts have maturities of less than one year

Foreign currency risk on firm commitments and forecast transactions is subject to hedging (in whole or in part) when the underlying operating transactions are reasonably expected to occur within a determined time frame

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies Changes in the fair value of such derivatives are recognised in the profit and loss as part of foreign currency gains and losses

The change in the fair value of forward exchange contracts outstanding at 31 December 2011 amounted to a credit of £2,000 in the statement of comprehensive income (2010 £11,000)

Statement of financial position exposure
(£'000s)

	2011 TOTAL	GBP	EUR	USD	Other
Amounts receivable	9,731	6,914	2,500	273	44
Cash & cash equivalents	(1,013)	(717)	(317)	103	(82)
Accounts Payable	(16,191)	(14,341)	(687)	(44)	(1,119)
Statement of financial position exposure	**(7,473)**	**(8,144)**	**1,496**	**332**	**(1,157)**

	2010 TOTAL	GBP	EUR	USD	Other
Amounts receivable	7,204	5,823	1,096	136	149
Cash & cash equivalents	4,224	4,100	212	(40)	(48)
Accounts Payable	(13,879)	(11,610)	(1,101)	(40)	(1,128)
Statement of financial position exposure	**(2,451)**	**(1,687)**	**207**	**56**	**(1,027)**

A 10% weakening of the following currencies against the pound sterling at 31 December would have increased equity and profit by the amounts shown below

	EUR 2011	USD 2011	Other 2011	EUR 2010	USD 2010	Other 2010
Equity and profit or loss	(150)	(33)	116	(21)	(6)	103

Interest rate risk

As a member of a UK cash pooling arrangement, the company benefits from centrally managed interest rates

23 Operating lease commitments

(£'000s)	Cost as a lessee
Commitments as at 31 December 2011	
Not later than one year	90
Later than one year and not later than 5 years	19
Total committed	**109**

24 Capital Commitments

The company had £158,000 of capital commitments at the end of the year (2010 £31,000)

25 Contingencies

Contingencies relate to the cross guarantees given in respect of fellow UK group subsidiaries' bank accounts This is detailed in note 26

26 Related Parties

(£'000s)
Transactions with subsidiaries

Sales to fellow subsidiaries are shown below:		2011	2010
Philmac Pty Ltd	Australia	185	187
Zhongshan Universal Enterprises	China	-	76
Akatherm - FIP GmbH	Germany	488	353
Glynwed SAS	France	1,680	1,229
FIP Srl	Italy	546	657
Ipex USA LLC	USA	848	1,081
GPS Iberica SA	Spain	167	145
Innoge PEI	France	2,948	2,121
Akatherm International BV	The Netherlands	1,565	1,626
Glynwed Pipe Systems (Asia) Pte Ltd	Singapore	191	301
Other fellow subsidiaries		1,167	689
Total inter-group sales		9,785	8,465

Management fees incurred from fellow Group companies		2011	2010
Aliaxis Services SA	France	542	522

Transactions with Aliaxis Holdings UK Ltd, parent company

	2011	2010
Non-current inter-company loan receivable / (payable) at 1 January	**7,719**	**(285)**
Disposal proceeds from sale of business	-	-
Disposal proceeds from sale of property	-	24
Cash pooling	4,080	7,977
Invoice settlement	(1,961)	3
Dividend paid	(5,000)	-
Non-current inter-company receivable at 31 December	**4,838**	**7,719**

Transactions with other fellow group companies

Wask-RMF Limited	2011	2010
Non-current inter-company loan payable at 1 January and 31 December	**(7,179)**	**(7,179)**

DHM Plastics Limited	2011	2010
Non-current inter-company loan payable at 1 January	**(206)**	**-**
Transfer of deferred tax liability	-	(206)
Trading	54	-
Non-current inter-company loan payable at 31 December	**(152)**	**(206)**

Contingent Liabilities
(£'000s)
The company has guaranteed the following borrowings of fellow group undertakings

	2011	2010
Aliaxis Holdings UK Limited	-	5,291
Total guarantees	**-**	**5,291**

The guarantees relate to current account cross guarantees with Fortis Bank SA/NV, UK branch

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

The company's ultimate parent undertaking is Aliaxis SA, a company incorporated in Belgium The company's immediate parent undertaking is Aliaxis Holdings UK Limited, a company incorporated in UK

The largest and smallest group in which the results of the company are consolidated is headed by Aliaxis SA, a company incorporated in Belgium The accounts of Aliaxis SA are available to the public and may be obtained from Avenue de Tervueren 270, B-1150 Brussels, Belgium