STOREYS GROUP LIMITED

(Registered No. 4355998)

CONSOLIDATED DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 AUGUST 2005

STOREYS GROUP LIMITED

Directors

D C O'Neill
N I Hamilton
M P Cox

Secretary, Head Office and Registered Office

N I Hamilton
Brantham Works
Brantham, Manningtree
Essex, CO11 1NJ

Auditors

KPMG Audit Plc
Ipswich

Bankers

Bank of Scotland

Registered Number

4355998

STOREYS GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report and audited accounts for the year to 31 August 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group designs, develops and manufactures a comprehensive range of specialised polymer foils for a wide range of commercial applications. These include automotive, white goods, furniture, pram and nursery, caravan and mobile home and medical.

The group intends to continue to work towards improvements in manufacturing techniques, service and distribution and the further development of products which have a competitive advantage in performance and styling.

RESULTS AND DIVIDENDS

The group loss for the year, after taxation, amounted to £535,000 (2004:£7,000). This is after charging discount payable of £390,000 (2004:£392,000) on loan notes 2011 issued to the ultimate controlling parties. The discount is not due for payment until the redemption of the loan notes in 2011. The directors do not recommend a dividend for the year ended 31 August 2005 (2004:£nil).

DIRECTORS

The directors holding office during the year were:

G Hallworth (resigned 28 February 2005)
J P Severn (resigned 10 June 2005)
J Moulton (appointed 1 March 2005, resigned 19 May 2005)
D C O'Neill (appointed 19 May 2005)
N I Hamilton (appointed 10 June 2005)
M P Cox (appointed 16 June 2005)

DIRECTORS' INTERESTS

None of the directors holding office at 31 August 2005 had any interest in the shares of the company.

During the year there were no contracts of significance to which the company or any of its subsidiaries were a party in which any director of the company had a material interest.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

EMPLOYEES

The group employs 208 people, who have considerable expertise and experience in the group's markets, products and services. Their commitment is an essential ingredient to the group's success, and the Board would like to thank them all for their efforts during the period under review. Employees are kept informed of any relevant information through management and employee meetings. Regular consultation is encouraged between management and employees.

DISABLED EMPLOYEES

The group's policy in relation to the employment of disabled persons is, where practicable, to continue to employ employees who become temporarily or permanently disabled. Full regard is given to their training needs, career development and promotional potential. Full and fair consideration is also given to the employment of applicants who are disabled persons, taking into account their aptitudes and abilities.

AUDITORS

A resolution concerning the reappointment and remuneration of KPMG Audit Plc as auditor of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

N I Hamilton
Secretary

26 June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities

Company Law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group 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; and
* Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to prevent and detect fraud and other irregularities.

STOREYS GROUP LIMITED

REPORT OF THE INDEPENDENT AUDITOR

Report of the independent auditor to the members of Storeys Group Limited

We have audited the financial statements on pages 6 to 24.

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 that 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

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, 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 group 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 group'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 or information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 August 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Ipswich
26 June 2006

STOREYS GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 2005

	NOTE	2005 £'000	2004 £'000
TURNOVER	1	12,817	14,434
Change in stocks of finished goods and work in progress		117	(130)
Other operating income		297	187
Raw materials and consumables		(4,724)	(5,133)
Other external charges		(3,783)	(3,198)
Staff costs	2	(4,865)	(5,654)
Depreciation and amortisation		(183)	(185)
OPERATING (LOSS)/PROFIT		(324)	321
Interest payable and similar charges	3	(405)	(458)
Interest receivable and similar income		21	26
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(708)	(111)
Taxation credit for the year	5	173	104
RETAINED LOSS FOR THE YEAR	16	(535)	(7)

There were no recognised gains and losses other than those shown above.

The notes on pages 11 to 24 form part of these Accounts.

STOREYS GROUP LIMITED

CONSOLIDATED BALANCE SHEET

AT 31ST AUGUST

	NOTE	2005 £'000	2004 £'000
FIXED ASSETS			
Intangible assets - negative goodwill	6	(2,166)	(2,495)
Tangible assets	7	3,508	3,864
		1,342	1,369
CURRENT ASSETS			
Stocks	9	1,758	1,670
Debtors:amounts falling due after more than one year	10	-	43
Debtors:amounts falling due within one year	10	2,270	2,947
Cash at bank and in hand	11	514	358
		4,542	5,018
CREDITORS:AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(1,847)	(2,032)
NET CURRENT ASSETS		2,695	2,986
TOTAL ASSETS LESS CURRENT LIABILITIES		4,037	4,355
CREDITORS:AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(4,662)	(4,272)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(170)	(343)
NET LIABILITIES		(795)	(260)
CAPITAL AND RESERVES			
Called up share capital	15	104	104
Profit and loss account	16	(899)	(364)
DEFICIT ON EQUITY SHAREHOLDERS' FUNDS		(795)	(260)

The notes on pages 11 to 24 form part of these Accounts.

The Accounts were approved by the Board of directors on 26 June 2006.

M P Cox *Director*

STOREYS GROUP LIMITED

COMPANY BALANCE SHEET

AT 31ST AUGUST

	NOTE	2005 £'000	2004 £'000
FIXED ASSETS			
Investments	8	12,516	12,906
		12,516	12,906
CURRENT ASSETS			
Debtors:amounts falling due within one year	10	15	14
Cash at bank and in hand	11	34	29
		49	43
CREDITORS:AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(15,729)	(15,670)
NET CURRENT LIABILITIES		(15,680)	(15,627)
NET LIABILITIES		(3,164)	(2,721)
CAPITAL AND RESERVES			
Called up share capital	15	104	104
Profit and loss account	16	(3,268)	(2,825)
DEFICIT ON EQUITY SHAREHOLDERS' FUNDS		(3,164)	(2,721)

The notes on pages 11 to 24 form part of these Accounts.

The Accounts were approved by the Board of directors on 26 June 2006.

M P Cox *Director*

STOREYS GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2005

	NOTE	2005 £'000	2004 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(i)	276	856
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		21	26
Interest paid		(15)	(66)
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		6	(40)
TAXATION		-	283
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(156)	(258)
Sale of tangible fixed assets		30	-
NET CASH (OUTFLOW)/INFLOW FOR CAPITAL EXPENDITURE		(126)	(258)
NET CASH INFLOW BEFORE FINANCING		156	841
FINANCING			
Loan repayments		-	(1,780)
NET CASH OUTFLOW FROM FINANCING	18(ii)	-	(1,780)
INCREASE/(DECREASE) IN CASH IN THE YEAR	18(iii)	156	(939)

STOREYS GROUP LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31ST AUGUST 2005

GROUP

	2005 £'000	2004 £'000
LOSS FOR THE FINANCIAL YEAR	(535)	(7)
NET DECREASE IN SHAREHOLDERS' FUNDS	(535)	(7)
OPENING DEFICIT ON SHAREHOLDERS' FUNDS	(260)	(253)
CLOSING DEFICIT ON SHAREHOLDERS' FUNDS	(795)	(260)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31ST AUGUST 2005

COMPANY

	2005 £'000	2004 £'000
LOSS FOR THE FINANCIAL YEAR	(443)	(360)
NET DECREASE IN SHAREHOLDERS' FUNDS	(443)	(360)
OPENING DEFICIT ON SHAREHOLDERS' FUNDS	(2,721)	(2,361)
CLOSING DEFICIT ON SHAREHOLDERS' FUNDS	(3,164)	(2,721)

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group'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. The financial statements are prepared on a going concern basis which the directors believe to be appropriate as the group meets its day to day working capital requirements through its cash reserves and currently has access to an overdraft facility which is unused. The directors have also prepared projected cash flow information for the period ended 12 months from the date of their approval of these financial statements and, on the basis of this cash flow information, the directors consider that the group will continue to operate within its available cash reserves during this period.

BASIS OF CONSOLIDATION

The consolidated accounts comprise the accounts of the company and its subsidiary undertakings at 31st August 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account as from the date of their acquisition or to the date of their disposal as appropriate. A profit and loss account is not presented in respect of the company, as allowed by section 230 (4) of the Companies Act 1985.

INTANGIBLE ASSETS

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

FOREIGN CURRENCIES

The group uses forward foreign currency contracts to reduce exposure to movements in foreign exchange rates. Gains and losses on these forward foreign currency contracts are recognised in the profit and loss account and offset the gains or losses on translation of the underlying transactions being hedged.

TURNOVER

Turnover represents total sales by the group to third parties, excluding sales-related taxes.

DEPRECIATION

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	6.66% to 50% per annum. Some older fixed plant is depreciated at 2.5% per annum.

LEASED ASSETS

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

STOCKS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads incurred in the normal course of business in bringing products to their locations and condition at the balance sheet date.

ACCOUNTING POLICIES (continued)

TAXATION

The charge for taxation is based on the result for the period and takes into account deferred tax. Deferred tax is recognised 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 FRS19.

POST-RETIREMENT BENEFITS

The group operates a defined contribution scheme. The charge to the profit and loss account is the amount of contributions payable to the pension scheme in respect of the financial year.

The group also operates a pension scheme providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the group in independently administered funds Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the market-related method. This scheme is closed to new members.

DESIGN AND DEVELOPMENT

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

NOTES TO THE ACCOUNTS

1. TURNOVER

Turnover is analysed by geographical destination as follows:

	2005 £'000	2004 £'000
United Kingdom	9,081	10,388
Italy	803	865
Germany	495	667
Rest of Europe	1,709	2,159
Rest of world	729	355
	12,817	14,434

2. EMPLOYEES AND DIRECTORS

The average number of employees, including directors, during the period was as follows:	2005 NO.	2004 NO.
Management and administration	20	19
Production and sales	188	211
	208	230

The aggregate payroll costs were:	£'000	£'000
Wages and salaries	4,153	4,822
Social security costs	348	401
Pension costs	364	431
	4,865	5,654

Included in the above are directors' emoluments as follows:

Remuneration	49	-

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
On bank loans and overdrafts	9	54
Finance costs	6	12
Discount on unsecured loan notes 2011	390	392
	405	458

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is after charging/(crediting):	2005 £'000	2004 £'000
Profit on disposal of tangible fixed assets	(30)	-
Design and development	177	127
Hire of plant and machinery under operating leases	15	17
Rentals payable under other operating leases	491	559
Auditor's remuneration for audit services (Company:£5,000, 2004:£5,000)	30	45
Fees paid to the auditor and its associates for non-audit services	9	14
Release of accrual for asbestos removal no longer deemed necessary	-	(305)

5. TAXATION

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
UK Corporation tax credit at 30% (2004:30%)	-		-	
Total current tax		-		-
Deferred tax (note 14)				
Timing differences	(149)		(147)	
Adjustments in respect of previous periods	(24)		43	
		(173)		(104)
Tax on loss on ordinary activities		(173)		(104)

The current tax credit for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation	(708)	(111)
Current tax on profit at 30%	(212)	(33)
Effects of:		
Expenses not deductible for tax purposes	(95)	(106)
Depreciation for the period in excess of capital allowances	146	140
Other timing differences	3	(1)
Losses for which deferred tax is not provided	158	-
Total current tax credit	-	-

6. INTANGIBLE FIXED ASSETS

GROUP	NEGATIVE GOODWILL £'000
COST	
At 1st September 2004 and 31st August 2005	(4,921)
AMORTISATION	
At 1st September 2004	(2,426)
Credited during the year	(329)
At 31st August 2005	(2,755)
NET BOOK VALUE	
At 31st August 2005	(2,166)
At 31st August 2004	(2,495)

Negative goodwill is being released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale. It is anticipated that the closing balance relating to non-monetary assets totalling £3,051,000 will be released over the next 28 years.

7. TANGIBLE FIXED ASSETS

GROUP	PLANT AND MACHINERY £'000
COST	
At 1st September 2004	10,682
Additions	156
Disposals	(326)
At 31st August 2005	10,512
DEPRECIATION	
At 1st September 2004	6,818
Charged in year	512
Disposals	(326)
At 31st August 2005	7,004
NET BOOK VALUE	
At 31st August 2005	3,508
At 31st August 2004	3,864

The gross book value of fixed assets includes £36,000 (2004:£50,000) in respect of assets in the course of construction or installation which have not been depreciated.

NOTES TO THE ACCOUNTS (continued)

8. FIXED ASSET INVESTMENTS

COMPANY

	SHARES IN SUBSIDIARY UNDERTAKINGS		
	COST	PROVISION	TOTAL
	£'000	£'000	£'000
At 1st September 2004	13,450	(544)	12,906
Provision	-	(390)	(390)
At 31st August 2005	13,450	(934)	12,516

Details of subsidiary undertakings are shown in note 22.

9. STOCKS

GROUP

	2005	2004
	£'000	£'000
Raw materials and consumables	506	535
Work in progress	583	457
Finished goods and goods for resale	669	678
	1,758	1,670

10. DEBTORS

	2005		2004	
	GROUP	COMPANY	GROUP	COMPANY
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Other debtors	-	-	43	-
Amounts falling due within one year:				
Trade debtors	2,115	-	2,706	-
Other debtors	49	14	88	11
Prepayments and accrued income	106	1	153	3
	2,270	15	2,947	14
	2,270	15	2,990	14

11. CASH AND SHORT TERM DEPOSITS

	2005		2004	
	GROUP	COMPANY	GROUP	COMPANY
	£'000	£'000	£'000	£'000
Cash at bank and in hand	481	34	262	29
Short term deposits:				
Bank	33	-	96	-
	514	34	358	29

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005		2004	
	GROUP	COMPANY	GROUP	COMPANY
	£'000	£'000	£'000	£'000
Trade creditors	1,027	-	1,161	-
Amounts owed to subsidiary undertakings	-	15,663	-	15,619
Other taxes and social security	124	-	121	-
Other creditors	387	66	374	51
Accruals and deferred income	309	-	376	-
	1,847	15,729	2,032	15,670

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005		2004	
	GROUP	COMPANY	GROUP	COMPANY
	£'000	£'000	£'000	£'000
Non-bank loans - unsecured loan notes 2011 (note 17)	4,662	-	4,272	-

14. DEFERRED TAXATION

GROUP

	2005
Movements in the year were as follows:	£'000
At 1st September 2004	343
Transfer to profit and loss account	(173)
At 31st August 2005	170

	2005	2004
Deferred taxation comprises:	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	188	358
Other timing differences	(18)	(15)
	170	343

Factors that may affect future tax charges

The company has tax losses to carry forward of £1,176,000 (2004:£650,000) which will be available to offset against future trading profits. There is therefore a potential deferred tax asset of £353,000 (2004:£195,000). This asset has not been recognised in the accounts as it is not considered that there is sufficient certainty that it will be utilised in the foreseeable future.

15. SHARE CAPITAL

AUTHORISED

NO.		2005 £'000	2004 £'000
1,500,000	Ordinary shares of 10p each	150	150

ISSUED		PAID UP AMOUNT £'000
1,041,680	At 1st September 2004 and 31st August 2005	104

16. RESERVES

GROUP

	PROFIT AND LOSS ACCOUNT £'000
At 1st September 2004	(364)
Retained loss for the year	(535)
At 31st August 2005	(899)

COMPANY

	PROFIT AND LOSS ACCOUNT £'000
At 1st September 2004	(2,825)
Retained loss for the year	(443)
At 31st August 2005	(3,268)

17. LOANS

GROUP

Amounts repayable under the terms of the loans at 31st August were:

	2005		2004	
	GROUP £'000	COMPANY £'000	GROUP £'000	COMPANY £'000
Non-bank loans				
Discounted unsecured loan notes 2011	4,662	-	4,272	-

Repayment of loans is as follows:	NON-BANK 2005 £'000
Repayable after more than five years	4,662

The unsecured loan notes 2011 bear discount at 12% per annum. All discount incurred in the period has been added to the principal amount outstanding.

18. NOTES TO THE CASH FLOW STATEMENT

(i) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2005 £'000	2004 £'000
Operating (loss)/profit	(324)	321
Profit on sale of assets	(30)	-
Depreciation and amortisation	183	185
(Increase)/decrease in stocks	(88)	109
Decrease in debtors	720	732
Decrease in creditors	(185)	(491)
Net cash inflow from operating activities	276	856

(ii) ANALYSIS OF CASH FLOW IN RESPECT OF FINANCING

	2005 £'000	2004 £'000
Loans due within one year:		
Repayment of loans	-	(1,780)
Net cash outflow from financing	-	(1,780)

(iii) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £'000	2004 £'000
Increase/(decrease) in cash in the period	156	(939)
Cash outflow from decrease in loans	-	1,780
Change in net debt resulting from cash flows	156	841
Rolled-up interest	(390)	(392)
Movement in net debt in the period	(234)	449
Net debt at 1st September 2004	(3,914)	(4,363)
Net debt at 31st August 2005	(4,148)	(3,914)

18. NOTES TO THE CASH FLOW STATEMENT continued

(iv) ANALYSIS OF NET DEBT

	AT 01.09.04 £'000	OTHER NON-CASH CHANGES £'000	CASH FLOW £'000	AT 31.08.05 £'000
Cash	358	-	156	514
	358	-	156	514
Loans due after one year	(4,272)	(390)	-	(4,662)
Net debt	(3,914)	(390)	156	(4,148)

19. LEASE COMMITMENTS

GROUP

Annual commitments under operating leases at 31st August were:	2005 LAND AND BUILDINGS £'000	2005 OTHER £'000	2004 LAND AND BUILDINGS £'000	2004 OTHER £'000
Expiring within one year	-	10	-	16
Expiring in second to fifth years	-	153	-	150
Expiring in more than 5 years	400	-	400	-
	400	163	400	166

20. CAPITAL COMMITMENTS

GROUP

Capital commitments at 31st August for which no provision has been made were:	2005 £'000	2004 £'000
Contracted for	-	1
Authorised but not contracted for	48	59

21. PENSIONS

The group operates a defined contribution scheme. The charge against profit is the amount of contributions payable to the pension scheme during the year. The pension charge for the year was £55,000.

The group also operates a defined benefit scheme which is closed to new members. The assets of the scheme are held in independent trustee adminstered funds.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of providing pensions over the employees' working lives with the group. Rates of contributions are determined by the trustee in accordance with the recommendation of independent actuaries using the market-related method. Actuarial valuations are prepared every three years. The most recent completed actuarial valuation was carried out at 31st March 2005, in respect of which the assumptions which have the most significant effect on the results of the completed valuations are those relating to the rate of return on investments and the rate of increase in earnings. It was assumed that the average return would be 6.9% per annum before retirement and 5.4% thereafter, that earnings would increase at 2.9% per annum and that pensions in payment in excess of the guaranteed minimum pension would generally increase at 3.25% per annum.

At the date of the latest completed actuarial valuation, the market value of the assets of the scheme was £59.761 million. The actuarial valuation of the assets was sufficient to cover 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the group amounted to £306,000.

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated on a FRS 17 basis at 31 August 2005 by a qualified independent actuary.

The major assumptions used by the actuary in this valuation were:

	2005	2004	2003
Rate of increase in salaries	3.20%	3.40%	3.20%
Rate of increase in pensions in payment	3.20%	3.25%	3.25%
Discount rate applied to scheme liabilities	5.10%	6.11%	5.95%
Inflation assumption	2.70%	2.90%	2.70%

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.

21. PENSIONS (continued)

Scheme assets

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

	Long term rate of return 2005	Value at 2005 £'000	Long term rate of return 2004	Value at 2004 £'000	Long term rate of return 2003	Value at 2003 £'000
Equities	7.50%	43,067	7.83%	36,600	7.76%	36,594
Bonds	5.10%	8,285	6.11%	7,378	5.95%	7,583
Gilts	4.20%	12,677	4.83%	11,583	4.76%	10,770
Total market value of assets		64,029		55,561		54,947
Actuarial value of liability		(71,567)		(60,647)		(60,266)
Deficit in the scheme		(7,538)		(5,086)		(5,319)
Related deferred tax asset		-		-		-
Net pension liability		(7,538)		(5,086)		(5,319)

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

Movement in deficit during the year	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(5,086)	(5,319)
Current service cost	(394)	(432)
Contributions paid	306	338
Other finance income	153	202
Actuarial (loss)/gain	(2,517)	125
Deficit in the scheme at end of year	(7,538)	(5,086)

It has been agreed with the trustee that contributions will be paid at the rate of £200,000 per annum, payable on a monthly basis within 19 days of the end of each month, for a five year period commencing April 2006. Member contributions are payable in addition.

21. PENSIONS (continued)

If FRS 17 had been fully adopted in these financial statements the pension costs for the defined benefit scheme would have been:

Analysis of other pension costs charged in arriving at operating profit

	2005 £'000	2004 £'000
Current service cost	394	432
	394	432

Analysis of amounts included in other finance income/costs

	2005 £'000	2004 £'000
Expected return on pension scheme assets	3,780	3,711
Interest on pension scheme liabilities	(3,627)	(3,509)
	153	202

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

	2005 £'000	2004 £'000
Actual return less expected return on scheme assets	7,638	(418)
Percentage of year end scheme assets	12%	-1%
Experience gains and losses arising on scheme liabilities	(383)	(326)
Percentage of present value of year end scheme liabilities	-1%	-1%
Changes in assumptions underlying the present value of scheme liabilities	(9,772)	869
Actuarial (loss)/ gain recognised in statement of total recognised gains and losses	(2,517)	125
Percentage of present value of year end scheme liabilities	-4%	0%

22. SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the company at 31st August 2005 are set out below. Unless otherwise stated the 100% interest in each undertaking is represented by equity capital. All undertakings are incorporated in Great Britain and all undertakings have been included in the consolidated accounts.

	PRINCIPAL ACTIVITY
Bernard Wardle Group Limited	Investment in subsidiary undertakings
# Storeys Industrial Products Limited	Specialised polymer foils

In addition to the ordinary shares, 100% of the cumulative preference shares of this subsidiary undertaking are held by the company.

The information given above relates only to undertakings whose results or financial position significantly affected the figures in these accounts.

23. RELATED PARTY TRANSACTIONS

At 31st August 2005, £3,256,000 (2004:£3,256,000) of unsecured loan notes 2011 and £1,406,000 (2004:£1,016,000) of discount was owed to the Alchemy Investment Plan, a collection of limited partnerships managed by Alchemy Partners (Guernsey) Limited.

During the year the group supplied goods to and received goods and services from wholly owned subsidiaries of Wardle Storeys (Group) Limited, a company of which John Severn is a director. The value and nature of of transactions up to 10 June, the period of common directorship, are set out below.

	Transactions during year	
	2005	**2004**
	£'000	**£'000**
Sale of goods	216	340
Property rental	324	400
Equipment rental	-	18
Purchase of raw materials	137	428
Management charges	72	-

24. ULTIMATE CONTROLLING PARTY

100% of the issued share capital of the company is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited.