


Ideal Stelrad Group Limited

Report and Financial Statements

31 December 2005

 ERNST & YOUNG



Registered No: 5419451

Directors

R A Connell (appointed 5 May 2005)
T T Harvey (appointed 5 May 2005)
G J Letham (appointed 5 May 2005)
M De Venecia (appointed 28 April 2005)
S Coates (appointed 28 April 2005)

Secretary

K Wills (appointed 30 June 2005)

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

HSBC Plc
110 Grey Street
Newcastle upon Tyne
NE1 6JG

Solicitors

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Registered Office

69 – 75 Side
Newcastle upon Tyne
NE1 3JE

Directors' report

The directors present their first report and the group financial statements for the period ended 31 December 2005.

Principal activities

The company was incorporated on 11 April 2005 as Bladeplace Limited, on 27 March 2006 the company changed its name to Ideal Stelrad Group Limited. On 30 June 2005, Bandwood Limited, a subsidiary company acquired 100% of the share capital of Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited. Further details are set out in note 11.

The principal activities of the group during the period were the manufacture and distribution of boilers and radiators. The principal activity of the company was that of a holding company.

Results and dividends

The group's loss for the period amounted to £536,000. The directors do not recommend the payment of a dividend.

Review of the business and future developments

The group is a major player in the UK and Western Europe boilers and radiators markets.

The boiler business, which is a UK based operation and trades under the Ideal brand, sells into a relatively stable and mature market, and is well placed to take advantage of the development trends within that market. The domestic boiler product portfolio is well placed in the growing replacement sector, and has a range of condensing boilers well able to meet the energy efficiency directives and initiatives promoted by the UK government. The business also occupies the number one position in the commercial boiler sector. It is expected that the business will grow in all sectors in which it operates.

The radiator business is a leading player in the UK, Continental Western Europe and Turkey. It continues to enjoy a very strong competitive position in the UK and Benelux and is a major supplier in many other European markets.

The radiator market is predicted to be relatively stable, in Western Europe, and consolidation within the industry is an opportunity for key players. Caradon, through its brands of Stelrad and Henrad are well positioned to take advantage of any consolidation. An additional production line was commissioned at Termo Teknik in late 2005 improving the group's overall competitive position.

The product portfolio has been extended by the addition of towel rails and decorative radiators. Relationships continue to be developed with major distributors and specifiers, which can only benefit the business.

The outlook for business is strong, with a focus on both customer service and cost control to increase market share and improve profitability.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where disabled persons can adequately fulfil the requirements of the job.

Where existing employees become disabled, it the group's policy wherever practicable to provide continuing employment under normal terms and conditions and provide training, career development and promotion wherever appropriate.

Directors' report

Treasury management policy

The objectives of the group treasury function is to manage the group's financial risk and to minimise the adverse effects of fluctuations in the financial markets on reported profitability and on the cash flows of the group. The main risks associated with the group's financial assets and liabilities are set out below, as are the policies agreed for their management.

The group finances its activities with a combination of bank loans, cumulative redeemable preference shares and cash and short-term deposits. Overdrafts are used to satisfy short-term cash flow requirements. The group also enters into derivative transactions, including principally interest rate hedges and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the group's operations and its sources of finance. The group only utilises interest rate hedges and forward currency contracts to manage identified exposures and does not trade in such instruments for speculative purposes.

Foreign currency risk

The group has invested in operations outside the United Kingdom and also buys and sells goods and services denominated in currencies other than sterling. As a result the value of group's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and in US Dollar and Euro exchange rates in particular.

The group seeks to mitigate the effect of its translational currency exposures by borrowing in the same functional currency as the foreign operation into which it invests. Approximately 97% of assets denominated in Euros are hedged by bank borrowings in Euros. Assets denominated in currencies other than Euros are not significant.

The group's transactional currency exposures arise from sales or purchases by an operating unit in currencies other than its functional currency. Transaction exposures for any given year are identified as part of the group's budget process and hedged in accordance with group treasury policy at between 25% and 100%. Transaction exposures are reviewed on a quarterly basis.

To date, the only financial instrument used to hedge identified foreign exchange exposures have been fixed forward contracts. At 31 December 2005, the value of unsettled foreign exchange forward contracts in all group companies was estimated at £16,650,000.

Interest rate risk

The group's policy is concerned with minimising the group's exposure to adverse changes in interest rates. This is managed by drawing all of the group's bank loans in the form of variable rate debt and utilising interest rate hedging products to convert a portion of this debt into fixed rate borrowing.

As at 31 December 2005, the group's interest hedges were as follows:

Currency	Borrowings	Hedged	Hedge %	Instrument
GBP	£120.6m	£90.0m	74.6%	5.00%/3.65% Collar
EUR	€66.0m	€40.0m	60.1%	2.442% Vanilla Swap

Directors' report

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services on deferred terms.

Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the group's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk. Some operating units purchase credit insurance where the cost is not excessive when compared to the risks covered.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash balances, payments and collections throughout the group, and by ensuring adequate credit facilities are available. Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposits that are capable of being liquidated without any loss of capital value within a period of six months. Short-term flexibility is achieved by overdraft facilities (£1m), short-term Money Market borrowings (£4m) and Revolving Credit Facility (£30m). As at 31 December 2005, none of these short-term facilities were being utilised.

Employee involvement

The group is committed to involving its employees in the decisions that affect them. Regular meetings take place between local management and employees to allow a free flow of information and ideas. In addition, where practicable, the group seeks to keep the employees informed through regular newsletters.

Directors and their interests

The directors who served during the period and to the date of signing these financial statements were as follows:

A Levy	(appointed 6 April 2005, resigned 28 April 2005)
D J Pudge	(appointed 6 April 2005, resigned 28 April 2005)
M De Venecia	(appointed 28 April 2005)
S Coates	(appointed 28 April 2005)
R A Connell	(appointed 5 May 2005)
T T Harvey	(appointed 5 May 2005)
G J Letham	(appointed 5 May 2005)

At 31 December 2005, R A Connell held 129,955 A Ordinary £0.01 shares, T T Harvey held 436,364 A Ordinary £0.01 shares and G J Letham held 174,068 A Ordinary £0.01 shares.

Research and development

Research and development costs of £1,067,000 have been incurred in the period. All such costs are written off as incurred.

Creditors payment policy and practice

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2005, the group had an average of 64 days purchases outstanding in trade creditors. The company has no trade creditors.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



G J Letham
Director

29 March 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable *United Kingdom Law* and *United Kingdom Generally Accepted Accounting Practice*.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state affairs of the company and of the group and of the profit and loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware and they have taken all the steps that they might reasonably be expected to have taken as directors in order to make themselves aware of relevant audit information and to establish that the group's auditors are aware of that information.

Independent auditors' report

to the members of Ideal Stelrad Group Limited

We have audited the group and parent company financial statements of Ideal Stelrad Group Limited for the period ended 31 December 2005 which comprise Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ERNST & YOUNG
Independent auditors' report
to the members of Ideal Stelrad Group Limited

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the company's affairs as at 31 December 2005 and of the group's loss for the period then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Newcastle upon Tyne

29 March 2006

Group profit and loss account

for the period ended 31 December 2005

	Notes	2005 £'000
Group Turnover	2	145,348
Cost of sales		(107,121)
Gross profit		38,227
Selling and distribution costs		(14,263)
Administrative expenses		(7,502)
Other operating income/(expenses) excluding goodwill amortisation		383
Goodwill amortisation		(3,645)
Other operating expenses		(3,262)
Group operating profit	3	13,200
Analysed as:		
Before goodwill amortisation		16,845
Goodwill amortisation		(3,645)
Interest receivable	6	311
Interest payable and similar charges	6	(12,023)
Profit on ordinary activities before taxation		1,488
Tax charge on profit on ordinary activities	7	(1,658)
Loss on ordinary activities after taxation		(170)
Minority interest – equity	26	(366)
Loss for the period	20	(536)

Group statement of total recognised gains and losses

for the period ended 31 December 2005

	2005 £'000
Loss for the period	(536)
Exchange difference on retranslation of net assets of foreign subsidiary undertakings	(588)
Exchange difference on result for the period of foreign subsidiary undertakings	25
Actuarial loss for the period recognised in the pension scheme	(828)
Deferred tax on actuarial loss for the period	248
Total recognised losses relating to the period	(1,679)

Group balance sheet

at 31 December 2005

	Notes	2005 £'000
Fixed assets		
Intangible assets	9	129,600
Tangible assets	10	60,786
		<hr/> 190,386
Current assets		
Stocks	12	36,824
Debtors	13	63,992
Cash at bank and in hand		22,324
		<hr/> 123,140
Creditors: amounts falling due within one year	14	(66,575)
		<hr/> 56,565
Net current assets		
		<hr/> 246,951
Total assets less current liabilities		
Creditors: amounts falling due after more than one year	15	(234,840)
Provisions for liabilities and charges	18	(2,630)
Pension liability	25	(5,475)
Minority interests		
Equity	26	(1,711)
		<hr/> 2,295
Net assets		
		<hr/>
Capital and reserves		
Called up share capital	19	40
Share premium account	20	3,934
Profit and loss account	20	(1,679)
		<hr/>
Shareholders' funds	20	2,295
		<hr/>

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G J Letham
Director

29 March 2006

Company balance sheet

at 31 December 2005

	Notes	2005 £'000
Fixed assets		
Investments	11	76,875
Current assets		
Debtors:		
amounts falling due after one year	13	163
amounts falling due within one year	13	125
Net current assets		288
Total assets		77,163
Creditors: amounts falling due after one year	15	(77,196)
Pension liability	25	(2,517)
		(2,550)
Capital and reserves		
Called up share capital	19	40
Share premium account	20	3,934
Profit and loss account	20	(6,524)
Equity shareholders' deficit	20	(2,550)

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G J Letham
Director

29 March 2006

Group statement of cash flows

for the period ended 31 December 2005

	Notes	2005 £'000
Net cash inflow from operating activities	21(a)	12,645
Returns on investments and servicing of finance		
Interest received		311
Interest paid		(3,806)
		(3,495)
Taxation		
Corporation tax paid		(148)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets		(4,307)
Receipts from sale of tangible fixed assets		63
		(4,244)
Acquisitions		
Purchase of subsidiary undertakings	11	(34,068)
Net cash acquired with subsidiary undertakings	11	5,215
		(28,853)
Net cash outflow before financing		(24,095)
Financing		
Proceeds from issue of ordinary shares		3,974
Proceeds from issue of preference shares	21(c)	73,120
Repayment of long term loans	21(c)	(191,214)
Receipt of long term loans	21(c)	160,392
Capital element of finance leases repaid	21(c)	(9)
		46,263
Increase in cash	21(c)	22,168

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

Fundamental accounting concept

The financial statements have been prepared on a going concern basis as the directors consider that this is appropriate on the basis of current trading and future expected cash flows.

Basis of consolidation

The group financial statements consolidate the financial statements of Ideal Stelrad Group Limited and all of its subsidiary undertakings drawn up to 31 December 2005. No profit and loss account is provided for the company as permitted by Section 230 of the Companies Act 1985.

All acquisitions are included in the group financial statements using the acquisition method of accounting.

Goodwill

Goodwill, being the excess of cost of acquisition over the fair value of assets and liabilities acquired, is capitalised and classified on the balance sheet as a fixed asset. It is amortised evenly over its estimated economic life of 20 years. Goodwill will be reviewed for impairment at the end of the first full financial year following the acquisition, and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Freehold buildings	- 10 to 50 years
Plant and machinery	- 2 to 10 years
Fixtures and fittings	- 2 to 10 years
Motor vehicles	- 3 to 5 years

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Investments

Investments are carried at cost less provision for impairment.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of manufactured goods and work in progress includes direct materials and an appropriate proportion of overhead expenses.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods. Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been substantively enacted by the balance sheet date. No discounting is applied to reflect the time value of money.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Research and development

Research and development costs are written off to the profit and loss account as incurred.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Group

The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. All profit and loss movements are translated at the average rate for the period, and the difference between translating the profit and loss account at an average rate and at the closing rate is recorded as a movement on reserves. The exchange difference arising on the re-translation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

The results, assets and liabilities of operations in hyper-inflationary economies are determined using an appropriate relatively stable currency as the functional currency. The exchange differences arising from this process are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company has adopted Financial Reporting Standard 17 "Retirement Benefits".

For the defined benefit scheme, the amount charged to the profit and loss account in respect of pension costs is the service cost of providing the benefits accrued in the period plus interest payable on pension scheme liabilities. The amount credited to the profit and loss account is the return on pension scheme assets.

Defined benefit schemes are funded with the assets of the scheme held in a separate trustee administered fund. The surplus or deficit on the defined benefit scheme is shown on the balance sheet as either an asset or liability respectively. The actuarial loss or gain is the movement of the surplus or deficit in the period (adjusted for the profit and loss account items) and is recognised in the statement of total recognised gains and losses.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Pensions (continued)

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Capital instruments

FRS 25 "Financial Instruments: Disclosure and Presentation" has been adopted during the period. This requires that when shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

Warranty

Included within the standard sales value of Boilers products supplied by the group is a 12 - 36 month warranty. Provision is made for the estimated costs expected to arise in respect of these warranty obligations. Included within this provision are estimates of further financial commitments to customers arising under product recall or other product performance commitments.

Revenue from the sale of extended warranties is deferred and released to profit over the period of the warranty. Costs incurred under extended warranty agreements are expensed as they arise.

The effect of the time value of money is not material and therefore the provisions are not discounted.

2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

The group's principal areas of activity during the period were the manufacture and distribution of boilers and radiators within Europe.

	<i>Turnover</i>	<i>Operating profit</i>	<i>Net assets/ (liabilities)</i>
	<i>2005</i>	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Boilers	57,831	7,306	107,708
Radiators	87,517	5,894	110,990
	<u>145,348</u>	<u>13,200</u>	<u>218,698</u>
Interest bearing net liabilities			<u>(216,403)</u>
			<u>2,295</u>

Notes to the financial statements

at 31 December 2005

2. Turnover and segmental analysis (continued)

	<i>Turnover by destination</i>	<i>Turnover by origin</i>	<i>Operating profit by origin</i>	<i>Net assets/ (liabilities) by origin</i>
	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK	95,359	95,028	8,611	214,990
Continental Europe	48,027	50,320	4,589	3,708
Other	1,962	-	-	-
	<u>145,348</u>	<u>145,348</u>	<u>13,200</u>	<u>218,698</u>
Interest bearing net liabilities				(216,403)
				<u>2,295</u>

Interest bearing net liabilities comprise cash, loan balances and preference shares.

3. Group operating profit

This is stated after charging/(crediting):

	<i>2005 £'000</i>
Auditors' remuneration - audit services - UK	76
- audit services - overseas	49
- non-audit services - UK	43
- non audit services - overseas	108
Depreciation of owned assets	3,649
Depreciation of assets held under finance leases and hire purchase contracts	10
Amortisation of goodwill	3,645
Operating lease rentals - plant and machinery	252
- other	584
Exchange gains in hyper inflationary economy	(332)
Other exchange losses	68
Loss on sale of fixed assets	5
Research and development costs	1,067

Non audit services primarily relate to tax consultancy and corporation tax compliance. Included within cost of investment is £750,000 of non audit fees incurred in relation to the acquisition of Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited.

Notes to the financial statements

at 31 December 2005

4. Staff costs

	2005 £'000
Wages and salaries	22,698
Social security costs	3,852
Other pension costs	1,684
	<u>28,234</u>

The average monthly number of employees during the period was made up as follows:

	2005 No.
Direct	1,152
Indirect	415
Administration	528
	<u>2,095</u>

5. Directors' emoluments

	2005 £'000
Emoluments	315
Company contributions paid to money purchase pension schemes	<u>21</u>
Company contributions paid to private pension scheme	<u>48</u>
Members of money purchase pension scheme	<u>1</u>

The amounts in respect of the highest paid director are as follows:

Emoluments	154
Company contributions paid to private pension schemes	48
	<u>202</u>

The directors' emoluments are paid by Caradon Plumbing Limited, a subsidiary company of Ideal Stelrad Group Limited, in respect of services to the group.

Notes to the financial statements

at 31 December 2005

6. Interest

<i>Interest receivable</i>	2005 £'000
Bank interest	311
<i>Interest payable and similar charges</i>	2005 £'000
Bank loans and overdrafts	7,385
Other interest	236
Finance charges payable under finance leases and hire purchase contracts	2
Other finance charges	20
Amortisation of loan issue costs	297
Debt component of preference shares	4,076
Net interest cost on pension scheme assets and liabilities (note 25)	7
	12,023

7. Tax on profit on ordinary activities

(a) Analysis of charge in period	2005 £'000
<i>Current tax:</i>	
UK Corporation tax	-
Foreign tax	308
Total current tax (note 7(b))	308
<i>Deferred tax:</i>	
Origination and reversal of timing differences (note 7(d))	1,420
Deferred tax credit on movement in FRS17 pension scheme liability	(70)
Total deferred tax	1,350
Tax charge on profit on ordinary activities	1,658

Notes to the financial statements

at 31 December 2005

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge for the period

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 30%.

The differences are reconciled below:

	2005 £'000
Profit on ordinary activities before tax	1,488
Profit on ordinary activities at standard rate of corporation tax in the UK of 30%	446
Effects of:	
Expenses not deductible for tax purposes (primarily goodwill and preference dividends)	2,579
Depreciation in excess of capital allowances	614
Short term timing differences	69
Foreign tax rate differences	(538)
Utilisation of tax losses	(2,862)
Current tax charge for the period (note 7a))	308

(c) Factors that may affect future tax charge

The group has carried forward tax losses of £35.0m (UK £4.9m, overseas £30.1m). In the event that these are available for offset against future taxable profits, it is expected that the future tax rate would be below the standard rate in the country where the profits are offset. However, if the overseas companies do not make suitable taxable profits it is not expected that these losses will be utilised in the foreseeable future. Overseas losses are not available for offset against the UK profits.

There is a significant interest burden in the UK holding companies. To the extent that there are insufficient suitable taxable profits in the other UK companies to utilise these losses, there will be an impact on the future tax rate. This may also result in losses being carried forward which remain unrelieved.

No provision has been made for deferred tax on the losses carried forward in the UK holding companies or some overseas companies. These losses will only be available for offset in the company that holds them, if that company makes suitable taxable profits in future periods. At present, it is not envisaged that any tax will become recoverable through the use of these losses in the foreseeable future.

Deferred tax is not recognised on the excess capital allowances or timing differences where no suitable taxable profits arise in the same company that holds them. The reversing deferred tax asset may be available for offset against suitable taxable profits of another company if that other company is in the UK however it is not envisaged at present.

Notes to the financial statements

at 31 December 2005

7. Tax on profit on ordinary activities (continued)

(d) Deferred tax

Amounts included with debtors:

	£'000
On acquisition	(2,871)
Deferred tax charge (note 7(a))	1,420
At 31 December 2005 (note 13)	(1,451)

The deferred tax asset included in the balance sheet is as follows:

	Provided 2005 £'000	Unprovided 2005 £'000
Accelerated capital allowances	(801)	(3,925)
Tax losses carried forward	(18)	(10,493)
Other timing differences	(632)	(599)
Provision for deferred tax asset (note 13)	(1,451)	(15,017)

8. Profit attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £5,944,000

9. Intangible fixed assets

Group

	Goodwill £'000
Cost:	
Acquired (note 11)	133,994
Exchange adjustment	(726)
At 31 December 2005	133,268
Amortisation:	
Charged during the period	3,645
Exchange adjustment	23
At 31 December 2005	3,668
Net book value:	
At 31 December 2005	129,600

Goodwill is being written off in equal annual instalments over its presumed estimated economic life of 20 years.

Notes to the financial statements

at 31 December 2005

10. Tangible fixed assets

<i>Group</i>	<i>Leasehold land and buildings £'000</i>	<i>Freehold land and buildings £'000</i>	<i>Assets in the course of construction £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Total £'000</i>
Cost:						
On incorporation	872	32,225	5,664	18,932	2,018	59,711
Additions	-	62	911	2,729	607	4,309
Transfers	-	1,206	(4,732)	3,508	18	-
Disposals	-	-	(6)	(2)	(60)	(68)
Exchange adjustment	-	316	28	931	46	1,321
At 31 December 2005	872	33,809	1,865	26,098	2,629	65,273
Depreciation:						
Depreciation in period	17	433	-	2,692	517	3,659
Exchange adjustment	-	74	-	738	16	828
At 31 December 2005	17	507	-	3,430	533	4,487
Net book value:						
At 31 December 2005	855	33,302	1,865	22,668	2,096	60,786

Included in land and buildings is land valued at £9,704,000 which is not depreciated.

The net book value of plant and machinery above includes an amount of £58,000 in respect of assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2005

11. Investments

Company

	2005 £'000
On incorporation	-
Share capital of subsidiary company	76,875
	76,875

On 28 April 2005 the company subscribed for 1 ordinary shares of £1 in a newly incorporated subsidiary company, Bladepark Limited. On 27 June 2005 the 1 ordinary share of £1 was subdivided into 100 ordinary shares of £0.01 each. On 30 June 2005 the company subscribed for an additional 76,199,999 ordinary shares of £0.01 each, paying £76,875,012.

Details of the investments in which the group or the company holds 20% or more of the nominal value of any class of share capital, excluding dormant companies, are as follows:

Subsidiary undertakings

<i>Name of company</i> <i>* held by subsidiary companies</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights held</i>	<i>Nature of business</i>
Bladepark Limited	United Kingdom	Ordinary	100%	Holding Company
*Corkgrove Limited	United Kingdom	Ordinary	100%	Holding Company
*Bandwood Limited	United Kingdom	Ordinary	100%	Holding Company
*Caradon Radiators Holdings Ltd	United Kingdom	Ordinary	100%	Holding Company
*Caradon Boilers Holdings Ltd	United Kingdom	Ordinary	100%	Holding Company
*Caradon Radiators Bidco 2 Ltd	United Kingdom	Ordinary	100%	Holding Company
*Caradon Boilers Bidco 3 Ltd	United Kingdom	Ordinary	100%	Holding Company
*Caradon Plumbing Ltd	United Kingdom	Ordinary	100%	Management and Services Supplier
*Caradon Ideal Ltd	United Kingdom	Ordinary	100%	Boilers
*Caradon Stelrad Ltd	United Kingdom	Ordinary	100%	Radiators
*Caradon Rymax Polska sp zoo	Poland	Ordinary	100%	Radiators
*Caradon Stelrad B.V.	Holland	Ordinary	100%	Radiators
*Hendrickx Radiatoren NV	Belgium	Ordinary	100%	Radiators
*Termo Teknik Ticaret ve Sanayi A.S.	Turkey	Ordinary	85%	Radiators
*Caradon Stelrad GmbH	Germany	Ordinary	100%	Radiators
*Henrad GmbH	Germany	Ordinary	100%	Radiators
*Caradon Stelrad Radiatoren Vertriebs GmbH	Austria	Ordinary	100%	Radiators
*Caradon Heating CZ sro	Czech Republic	Ordinary	100%	Radiators

Notes to the financial statements

at 31 December 2005

11. Investments (continued)

On 30 June 2005, the group acquired Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited for a consideration of £34,068,000. The net assets in Caradon Radiators Holdings Limited and Caradon Boilers Limited have been included in the group balance sheet at their fair value at the date of acquisition.

Analysis of the acquisition of Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited:

Net assets at date of acquisition:

	<i>Book value £'000</i>	<i>Revaluation £'000</i>		<i>Other £'000</i>	<i>Provisional fair value to group £'000</i>
Tangible fixed assets	45,680	14,033	(a)	-	59,713
Stock	43,594	(349)	(b)	-	43,245
Debtors	54,492	2,663	(c)	(334)	56,821
Cash	5,215	-		-	5,215
Creditors due within one year	(66,587)	(213)	(d)	-	(66,800)
Creditors due after one year	(188,196)	-		-	(188,196)
Provisions for liabilities and charges	(1,793)	(2,138)	(e)	-	(3,931)
Pension liability	(2,421)	-		(2,252)	(4,673)
Minority interest	(1,320)	-		-	(1,320)
Net assets	(111,336)	13,996		(2,586)	(99,926)
Goodwill arising on acquisition					133,994
					34,068
Discharged by:					
Cash					28,559
Costs associated with the acquisition					5,509
					34,068

Adjustments:

- (a) Increase in value of land and buildings to open market values.
- (b) Provision for obsolete stock.
- (c) Write-down of debtors by £208,000 following reassessment of bad debt provision; Recognition of a deferred tax asset of £2,871,000.
- (d) Recognition of unrecorded liabilities of £144,000 and an increase in the corporation tax creditor of £69,000.
- (e) Provision for warranties on specific products identified as requiring remodification.
- (f) Change in pension accounting policy from SSAP24 to FRS17.

Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited contributed £12,645,000 to the group's net operating cash flows, received £172,000 in respect of net returns on investments and servicing of finance, paid £148,000 in respect of taxation and utilised £4,244,000 for capital expenditure and financial investment.

Notes to the financial statements

at 31 December 2005

11. Investments (continued)

Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited earned a loss after tax of £764,000 in the year ended 31 December 2004. The summarised profit and loss account for the period from 1 January 2005 to the effective date of acquisition is as follows:

	£'000
Turnover	126,618
Operating profit	10,248
Net interest payable	(12,500)
Loss before tax	(2,252)
Taxation credit	890
Loss for the six months ended 30 June 2005	(1,362)

Other recognised gains and losses in the period 1 January 2005 to the effective date of acquisition, other than the loss above, are as follows:

	£'000
Exchange difference on retranslation of net assets of foreign subsidiary undertakings	(659)
Exchange difference on result for the period of foreign subsidiary undertakings	(29)
	(688)

Messers Connell, Harvey and Letham who are directors of the company are shareholders in Caradon Plumbing Holdings Limited, the company from which Caradon Radiators Holdings Limited and Caradon Boilers Holdings Limited were acquired.

12. Stocks

	Group 2005 £'000
Raw materials	12,080
Work in progress	2,056
Finished goods and goods for resale	15,868
Other consumables	6,820
	36,824

The replacement cost is not materially different to the purchase price or production cost of stocks.

Notes to the financial statements

at 31 December 2005

13. Debtors

	<i>Group</i>	<i>Company</i>
	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	59,458	-
Other debtors	1,772	94
Prepayments and accrued income	1,311	-
Amounts due from subsidiary undertakings	-	125
Corporation tax	-	69
Deferred tax asset	1,451	-
	<u>63,992</u>	<u>288</u>

Amounts falling due after more than one year included above are:

	<i>Group</i>	<i>Company</i>
	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Amounts due from fellow subsidiary undertakings	-	125

Included within other debtors is £34,575 which represented amounts due from G Letham, a director, in relation to unpaid share capital. After the period end this amount has been received by the company.

14. Creditors: amounts falling due within one year

	<i>Group</i>
	<i>2005</i>
	<i>£'000</i>
Current instalments due on loans (note 16)	3,828
Obligations under finance leases and hire purchase contracts (note 17)	59
Trade creditors	36,280
Corporation tax	925
Other taxes and social security costs	5,382
Other creditors and accruals	20,101
	<u>66,575</u>

Notes to the financial statements

at 31 December 2005

15. Creditors: amounts falling due after more than one year

	<i>Group</i>	<i>Company</i>
	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Loans (note 16)	157,623	-
Obligations under finance leases and hire purchase contracts (note 17)	21	-
Preference shares	77,196	77,196
	<u>234,840</u>	<u>77,196</u>

The preference shareholders have the right to receive a fixed cumulative dividend at a yearly rate of 11%, compounded every six months. The preference shares do not confer any further right of participation in the profits or assets of the company.

The preference shares are redeemable at par by the holder in the event of either a sale, or change in ownership of the company, if the preference dividend is not paid in full or in the event of the winding up of the company. The preference shares are redeemable by the company at any time.

16. Loans

<i>Group</i>	<i>2005</i>
	<i>£'000</i>
Amounts falling due (gross of finance costs):	
In one year or less (note 14)	3,828
In more than one year but not more than two years	4,747
In more than two years but not more than five years	20,671
In more than five years (including rolled up interest)	136,755
	<u>166,001</u>
Less: unamortised finance costs	(4,550)
	<u>161,451</u>
Less: amounts falling due within one year	(3,828)
	<u>157,623</u>
	<i>2005</i>
	<i>£'000</i>
Libor + 13% PIK loan facility arranged by Royal Bank of Scotland repayable on 5 November 2015 included rolled up interest	10,487
Libor + 10.5% mezzanine loan facility arranged by Intermediate Capital Group repayable on 30 June 2015 including rolled up interest	35,649
Loans with Royal Bank of Scotland *	119,865
	<u>166,001</u>

* The loans with Royal Bank of Scotland consist of three tranches:

Notes to the financial statements

at 31 December 2005

16. Loans (continued)

	<i>Loan £'000</i>	<i>Interest</i>	<i>Repayment terms</i>
Tranche A	47,111	Libor/Euribor + 2.25%	Half yearly instalments, commencing 15 December 2005, final payments on 30 June 2012.
Tranche B	36,377	Libor/Euribor + 2.75%	Payable on 30 June 2013
Tranche C	36,377	Libor/Euribor + 3.25%	Payable on 30 June 2014

The loans with Royal Bank of Scotland are secured under an agreement giving Royal Bank of Scotland prior claim over the assets of the company and those subsidiary undertakings in the events of default by the company or any subsidiary undertaking.

Royal Bank of Scotland and Intermediate Capital Group are facility agents on behalf of other lenders to whom the loans have been syndicated.

17. Obligations under leases and hire purchase contracts

<i>Group</i>	<i>2005 £'000</i>
The maturity of these amounts is as follows:	
Amounts payable:	
Within one year (note 14)	59
In two to five years (note 15)	21
	<u>80</u>

18. Provisions for liabilities and charges

<i>Group</i>	<i>Legal costs/ redundancy £'000</i>	<i>Warranty £'000</i>	<i>Onerous contracts £'000</i>	<i>Total £'000</i>
Acquired at 30 June 2005	831	3,087	13	3,931
Exchange adjustment	16	-	-	16
Arising during the period	223	1,275	-	1,498
Utilised	(21)	(2,394)	-	(2,415)
Released	(387)	-	(13)	(400)
At 31 December 2005	<u>662</u>	<u>1,968</u>	<u>-</u>	<u>2,630</u>

Legal costs/Redundancy

A provision is recognised for expected redundancy claims from past employees and associated legal costs.

Notes to the financial statements

at 31 December 2005

18. Provisions for liabilities and charges (continued)

Warranty

A provision is recognised for expected warranty claims on products sold during the period. It is expected that the majority of these costs will be incurred in the next financial year in line with typical warranty terms.

Included within the warranty provision at 31 December 2005 is a provision of £809,000, being the estimate of future obligations of technical modifications required to a range of boilers sold in the UK market, which were identified during 2004.

19. Share capital

	2005 No.	2005 £'000
Authorised:		
A Ordinary shares of £0.01 each	1,000,000	10,000
B Ordinary shares of £0.01 each	4,500,000	45,000
		<u>55,000</u>
	2005 No.	2005 £'000
Allotted, issued and fully paid:		
Ordinary 'A' shares of £0.01 each	894,188	9
Ordinary 'B' shares of £0.01 each	3,079,880	31
		<u>40</u>

There is no difference between the 'A' and 'B' shares in relation to dividends and voting rights.

The shares are treated as a single class in the event of a winding up.

20. Reconciliation of shareholders' funds and movements on reserves

Group	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' (deficit)/funds £'000
On incorporation	-	-	-	-
Shares issued	40	3,934	-	3,974
Loss for the period	-	-	(536)	(536)
Exchange difference on retranslation of net assets of foreign subsidiary undertakings	-	-	(588)	(588)
Exchange difference on result for the period of foreign subsidiary undertakings	-	-	25	25
Actuarial loss for the period (net of deferred tax)	-	-	(580)	(580)
At 31 December 2005	<u>40</u>	<u>3,934</u>	<u>(1,679)</u>	<u>2,295</u>

Notes to the financial statements

at 31 December 2005

20. Reconciliation of shareholders' funds and movements on reserves (continued)

<i>Company</i>	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total shareholders' funds £'000</i>
On incorporation	-	-	-	-
Shares issued	40	3,934	-	3,974
Loss for the period	-	-	(5,944)	(5,944)
Actuarial loss for the period (net of deferred tax)	-	-	(580)	(580)
At 31 December 2005	40	3,934	(6,524)	(2,550)

During the period the company issued 894,188 A Ordinary shares and 3,079,880 B Ordinary shares for £3,974,000.

21. Notes to the statement of cash flows

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

	<i>2005 £'000</i>
Operating profit	13,200
Depreciation	3,659
Amortisation of goodwill	3,645
Decrease in debtors	(9,557)
Increase in stocks	6,421
Increase in creditors	(4,728)
Loss on disposal of fixed assets	5
Net cash inflow from operating activities	12,645

(b) Analysis of net debt

	<i>At 11 April 2005 £'000</i>	<i>Cash flow £'000</i>	<i>Other non-cash movements £'000</i>	<i>At 31 December 2005 £'000</i>
Cash at bank and in hand	-	22,168	156	22,324
Loans	-	30,822	(192,273)	(161,451)
Preference shares	-	(73,120)	(4,076)	(77,196)
Finance leases	-	9	(89)	(80)
	-	(20,121)	(196,282)	(216,403)

Notes to the financial statements

at 31 December 2005

21. Notes to the statement of cash flows (continued)

(c) Reconciliation of net cash flow to movement in net debt

	2005 £'000
Increase in cash	22,168
Repayment of long term loans	191,214
Receipt of long term loans	(160,392)
Receipts from issue of preference shares	(73,120)
Capital repayment on finance leases	9
Change in net debt resulting from cash flows	(20,121)
Other non-cash movements	
- rolled interest	(1,136)
- preference dividends	(4,076)
- amortisation of finance costs - interest	(297)
- exchange rate movement	530
- new finance leases	(43)
- debt acquired with subsidiary	(191,260)
Movement in net debt	(216,403)
Net debt at 11 April 2005	-
Net debt at 31 December 2005	(216,403)

22. Related party transactions

The group has taken advantage of the exemption permitted by FRS 8 and has not disclosed transactions between its wholly owned subsidiaries, which are fully eliminated on consolidation.

The directors consider Warburg Pincus & Co., a general partnership established in the USA, to be the ultimate controlling party. Its subsidiary, Warburg Pincus Partners LLC, acts as general partner and controls the investment funds which control the group through the ownership, via investment funds, of the B Ordinary shares.

23. Commitments

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

	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>
	2005	2005	2005
	£'000	£'000	£'000
Operating leases which expire:			
Within one year	-	262	262
In two to five years	-	621	621
In more than five years	20	-	20
	20	883	903

b) Amounts contracted for but not provided in the financial statements amounted to £560,000 for the group. The company did not have any capital commitments at the period end.

Notes to the financial statements

at 31 December 2005

24. Contingent liabilities

There were no known material contingent liabilities at the period end for the group or the company.

Termo Teknik has issued letters of guarantee to Eregli Demir Celik Fabrikaler TAS amounting to \$7,460,375. Caradon Ideal Limited has issued letters of credit to Techwise Electronics Limited Hong Kong for \$988,508

The group enters into various forward currency contracts to manage the risk of foreign currency exposures on certain purchases and sales. The value of unsettled forward contracts as at 31 December 2005 is estimated to be £16,650,000

Under an unlimited multilateral guarantee, the company in common with certain fellow subsidiary undertakings has jointly and severally guaranteed the obligations falling due under one of the group's net overdraft facilities. No loss is expected to arise from their arrangement.

25. Pension commitments

The group operates two plans in the UK, each with a defined benefit and defined contribution scheme. A full actuarial valuation was carried out as at 5 April 2004 and updated to 31 December 2005 by a qualified independent actuary.

The employer contribution made to the plans in the accounting period was £823,000 in the Final Salary sections, and £277,000 in the Money Purchase sections.

In respect of the Main and Executive defined benefit plans, the group paid 13.8% and 20% of pensionable pay until 31 March 2005. From 1 April 2005, the company contributions increased to 14.5% and 20.9% respectively.

As the schemes are closed to new members, under the projected unit method, the current service cost will increase as the members of the schemes approach retirement.

There were no outstanding contributions due to the schemes at the balance sheet date.

The group is currently contributing to the UK money purchase section at a rate which is dependent on the age of the individual member as follows:

<i>Main plan</i>		<i>Executive plan</i>	
<i>Age</i>	<i>% of pensionable pay</i>	<i>Age</i>	<i>% of pensionable pay</i>
18 to 24	4	28 to 34	10
25 to 34	6	35 to 44	16
35 to 44	9	45 to 54	23
45 to 54	13	55 to 65	33
55 to 65	18		

Notes to the financial statements

at 31 December 2005

25. Pension commitments (continued)

The group also operates a closed defined benefit scheme in Austria.

The major assumptions used by the actuary were (in nominal terms):

	UK Scheme	Austrian Scheme
		At
		31 December
		2005
Rate of increase in salaries	4.40%	N/a
Rate of increase in pensions in payment	2.80%	2.00%
Discount rate	4.70%	4.25%
Inflation assumption	2.90%	N/a

The assets in the final salary section of the Plans and the expected rate of returns were:

	UK Scheme		Austrian Scheme		Total
	Long-term		Long-term		
	rate of return	Value at	rate of return	Value at	Value at
	expected at	31 December	expected at	31 December	31 December
	31 December	2005	31 December	2005	2005
	2005	£'000	2005	£'000	£'000
Equities	6.50%	7,295	-	-	7,295
Gilts	4.00%	1,125	-	-	1,125
Cash	4.50%	1,122	-	-	1,122
Corporate bonds	4.70%	666	-	-	666
Total market value of assets		10,208		-	10,208
Present value of schemes liabilities		(13,804)		(1,547)	(15,351)
Deficit in the scheme		(3,596)		(1,547)	(5,143)
Related deferred tax assets		1,079		-	1,079
Net pension liability		(2,517)		(1,547)	(4,064)

Analysis of the amount charged to the operating profit:

	UK Scheme	Austrian Scheme	Total
	2005	2005	2005
	£'000	£'000	£'000
Current service cost	1,323	-	1,323
Past service cost	-	(31)	(31)
	1,323	(31)	1,292

Notes to the financial statements

at 31 December 2005

25. Pension commitments (continued)

Analysis of the amount credited to other finance income:

	<i>UK Scheme</i>	<i>Austrian Scheme</i>
	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Expected return on pension scheme assets	264	-
Interest on pension scheme liabilities	(271)	-
	<u>(7)</u>	<u>-</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	<i>UK Scheme</i>	<i>Austrian Scheme</i>
	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Actual return less expected return on pension scheme assets	657	-
Experience gains and losses arising on the scheme liabilities	(231)	-
Changes in assumptions underlying the present value of the liabilities	(1,254)	-
	<u>(828)</u>	<u>-</u>

Actuarial losses

Movement in deficit during the period

	<i>UK Scheme</i>	<i>Austrian Scheme</i>
	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Deficit in Scheme at acquisition	(2,538)	(1,578)
Movement in period:		
Current Service Cost	(1,323)	-
Contributions	1,100	-
Past Service costs	-	31
Other finance income	(7)	-
Actuarial loss	(828)	-
	<u>(3,596)</u>	<u>(1,547)</u>

Notes to the financial statements

at 31 December 2005

25. Pension commitments (continued)

History of experience gains and losses:

	<i>UK Scheme value at 31 December 2005</i>
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	657
Percentage of scheme assets (%)	6
Experience gains and losses on scheme liabilities:	
Amount (£'000)	(231)
Percentage of the present value of the scheme liabilities (%)	(2)
Total amount recognised in the statement of total recognised gains and losses:	
Amount (£'000)	(1,254)
Percentage of the present value of the scheme liabilities (%)	(9)

At 31 December 2005, the total value of pension scheme liabilities is as follows:

	<i>2005 £'000</i>
Pension schemes valued under FRS17	(4,064)
Other retirement obligations	(1,411)
	<u>(5,475)</u>

Other retirement obligations are made up as follows:

In Turkey there is an obligation to provide lump sum termination payments to certain employees. A provision has been calculated by the directors with reference to specific individuals who are likely to be offered this arrangement. The value of this provision at 31 December 2005 was £1,292,000.

In certain European countries, retirement benefits are provided through an insurance scheme for senior managers. The value of this provision at 31 December 2005 was £119,000.

26. Minority interests

The equity minority interests relate to Termo Teknik Ticaret ve Sanayi.