

16980 S9

GLYNWED PIPE SYSTEMS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2006



Glynwed Pipe Systems Limited
2006 Financial Statements

CONTENTS

	Page
Company details	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	8
Report of the independent auditors to the members of Glynwed Pipe Systems Limited	9
Income statement	10
Balance sheet	11
Cash flow statement	12
Statement of changes in equity	13
Notes to the financial statements	14

COMPANY DETAILS

Company registration number	1698059
Registered office	Walsall Road Norton Canes Cannock Staffordshire WS11 9NS
Auditor	KPMG Audit Plc Crawley

DIRECTORS' REPORT

The directors present the financial statements for the year ended 31 December 2006. They are reported for the first time in accordance with International Financial Reporting Standards (IFRS). In previous years, the company's financial statements were prepared in accordance with UK GAAP. All the 2005 figures presented for comparative purposes in the financial statements have been restated in accordance with IFRS 1 and full reconciliations explaining the impact of the transition from UK GAAP to IFRS are included in note 30 (Transition to IFRS) in the financial statements.

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 now focused on delivering these financial objectives through organic growth both in home markets and export markets.

Return on capital employed – in 2006 the company achieved a return on capital employed of 33.98% (2005 22.7%).

Return on sales – this was 9% in 2006. We have set ourselves the target to drive the return on sales to 15% over the next five years.

2006 was a further year in which our well established development plans for the company saw us make progress organically. The company currently produces strategic plans annually covering five years' future trading expectations.

Revenue from continuing operations of £81 million (2005 £66 million) was up 22.2% on 2005, whilst operating profits from continuing operations of £6.9 million were up from a loss of £0.3 million in 2005. Profit before taxation from continuing operations was up to £31.0 million (2005 loss before taxation of £0.4 million), the 2006 profit included dividend income of £14.0 million and a gain on disposal of a subsidiary, Material de Aireacion SA, of £10.1 million.

The company continues to derive the majority of its turnover from the UK market and this represents 74.9% (2005 71.5%) of the total. Europe represents 17.7% (2005 18.2%) and North America 1.7% (2005 3.0%) of the balance.

The tax charge was £1.7 million in the period and represented 5.5% of the pre-tax profits. The tax charge reflects the origination and reversal of temporary timing differences and the net cash tax paid was £0.2 million (2005 £0.6 million). The company is part of a UK-wide tax group and the tax rate is expected to rise this year as a result of lower gearing of the UK group.

Cash flow

Operating cash flow performance in the year was better than the previous year at £5.8 million compared to £2.8 million in 2005. Cash and cash equivalents were £8.5 million (2005 £2.7 million) at the year end.

Net capital expenditure in the year was £2.1 million (2005 £2.0 million) on capital equipment which compares to depreciation of £2.2 million (2005 £3.0 million). Our investment programme continues to help underpin future growth and product development.

The net cash inflow from operating activities was £7.6 million (2005 £2.3 million).

Tax cash paid in the year decreased to £0.2 million (2005 £0.6 million).

Dividends received of £14.0 million and net cash received from the disposal of an operating subsidiary of £14.9 million more than offset the dividends paid during the year of £25.0 million (2005 £nil).

The company ended the year with net debt of £8.5 million (2005 £17.9 million).

Glynwed Pipe Systems Limited
2006 Financial Statements

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 Watson Wyatt Worldwide, the scheme actuary, was prepared as at 31 March 2004. Using the actuarial assumptions set out in the last valuation, the actuarial deficit was £3.5 million at 31 December 2006 and £5.9 million at 31 December 2005. The scheme liabilities of £42.4 million (2005: £40.6 million) are offset by scheme assets that increased from £33.0 million at the end of 2005 to £39.1 million at the end of 2006. Contributions in the year, made by both employees and employers, movements in bond yields and actual experience being better than model expectations accounted for the improvements. The cash contribution for current employees was £4.9 million (2005: £3.4 million). This includes an additional £2.4 million contribution towards making good the actuarial deficit. The company expects to contribute approximately £2.2 million to the defined benefit pension plan in 2007.

Risks and uncertainties

This section highlights some of the particular risks which affect the company but it is not intended to be 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 74.9% 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.

Glynwed Pipe Systems Limited
2006 Financial Statements

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 utility and building sectors in the UK and 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 proprietary 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 is significant as detailed in note 18 to the financial statements. The funding position of this 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.

Scheme assets are defensively invested with the current 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 water utilities, national building product distribution chains and national building contractors. 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.

Glynwed Pipe Systems Limited
2006 Financial Statements

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 Team.

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. Company management spends significant amounts of time with its lenders keeping them informed of the company's development plan when appropriate to do so.

Foreign exchange risk

The company operates predominantly in the UK, Europe and North America and as such the exposure to movements in exchange rates is mainly against the Euro and US Dollar. As the units have been growing internationally there has been an increased level of foreign currency transactions. We have also actively encouraged the trade between these geographic areas and subsequently a greater level of natural offset on currency denominated cash flows is achieved.

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 and developing our presence in new markets. Each business 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. Each business 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 is committed to maintaining employment policies that both encourage and reward the skills and commitment of its employees. Its policy of non-discrimination is designed to give full and fair consideration to all on an equal basis. This undertaking extends to the employment of disabled persons and to the support of those who become disabled during their service with the company.

Measures have been developed over many years to encourage employee involvement. These extend from quality investment programmes to health and safety disciplines and matters of environmental concern.

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.

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 teams

Our central procurement team works with each operating business worldwide to enable us to negotiate contracts to ensure we benefit from the synergies available from company buying, 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 have established a procurement team based in China who will aim to achieve significant savings for some of our bought in components.

Glynwed Pipe Systems Limited
2006 Financial Statements

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 business review and other sections of this annual report contain certain forward-looking statements which are made by the directors in good faith 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 or period of appointment are as follows:

R P Smith
S M Dix
Y Noiret
G Valle
C Mazzacano
A Catanzano (resigned on 5 March 2007)

The directors and secretary who held office at 31 December 2006 had no disclosable interests in the shares of the company or group companies.

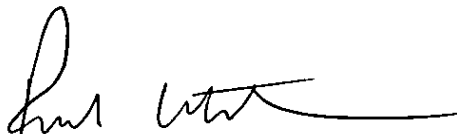
Disclosure of information to the auditors

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

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditor to the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



P Whitehouse
Secretary

21 September 2007

GLYNWED PIPE SYSTEMS LIMITED
2006 Financial Statements

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.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a 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.

REPORT OF THE INDEPENDENT AUDITORS 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 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 8.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

DMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

21 September 2007

Glynwed Pipe Systems Limited
2006 Financial Statements

INCOME STATEMENT
For the year ended 31 December 2006

(£ '000s)

Continuing operations	Notes	2006	2005
Revenue		81,247	66,465
Cost of sales		(63,427)	(56,214)
Gross profit		17,820	10,251
Commercial expenses		(5,194)	(4,567)
Administrative expenses		(4,517)	(3,919)
R&D expenses		(1,271)	(1,006)
Other operating income / (expenses)	6	99	(1,126)
Operating income	6	6,937	(367)
Interest expense, net	8	22	(117)
Other finance income / (expenses)	9	24,028	116
Profit before income taxes		30,987	(368)
Income taxes	10	(1,714)	604
Profit of the year		29,273	236

Glynwed Pipe Systems Limited
2006 Financial Statements

BALANCE SHEET

(£'000s)

As at 31 December	Notes	2006	2005
Non current assets		29,892	35,183
Intangible assets	11	9	17
Property, plant & equipment	12	15,735	16,433
Investments in subsidiary undertakings	13	12,923	16,725
Deferred tax assets	19	1,225	2,008
Current assets		31,440	23,949
Inventories	14	14,058	12,744
Amounts receivable	15	8,834	8,465
Cash & cash equivalents	16	8,548	2,740
TOTAL ASSETS		61,332	59,132
Equity attributable to equity holders of the company		20,413	16,140
Share capital	17	11,189	11,189
Share premium		1,690	1,690
Retained earnings		7,534	3,261
Total equity		20,413	16,140
Non-current liabilities		22,184	28,164
Employee benefits	18	3,523	5,892
Deferred tax liabilities	19	1,569	1,600
Other amounts payable	20	17,092	20,672
Current liabilities		18,735	14,828
Provisions	21	566	756
Amounts payable	22	18,169	14,072
Total liabilities		40,919	42,992
TOTAL EQUITY & LIABILITIES		61,332	59,132

These financial statements were approved by the board of directors on 21 September 2007 and were signed on its behalf by

Susan M. Dix

S M Dix
Director

Glynwed Pipe Systems Limited
2006 Financial Statements

CASH FLOW STATEMENT
For the year ended 31 December 2006

(£ '000s)	Notes	2006	2005
OPERATING ACTIVITIES			
Profit before income tax		30,987	(368)
Depreciation	12	2,226	2,944
Amortisation of intangible fixed assets	11	9	13
Impairment losses (other than goodwill)	12	-	46
Derivatives instruments - fair value adjustment through income statement		11	(3)
Net interest (income) / expense		(22)	117
Dividend income	9	(14,000)	-
Profit on sale of tangible fixed assets	6	(1,003)	(81)
Net gain on disposal of subsidiaries	9	(10,572)	(114)
Loss on loan to subsidiary forgiven	9	514	-
Other - miscellaneous		-	14
Cash flow from operating activities before changes in working capital and provisions		8,150	2,568
Increase in inventories		(1,314)	(867)
(Increase) / decrease in amounts receivable		(1,003)	253
Increase in amounts payable		2,912	1,143
Decrease in provisions		(2,558)	(1,031)
Cash flow generated from operations		6,187	2,066
Income tax paid		160	599
Cash flow from operating activities		6,347	2,665
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,529	2,314
Repayment of loans granted		-	1,561
Sale of a business, net of cash disposed of		14,524	641
Acquisition of property, plant and equipment	12	(2,055)	(1,997)
Dividends received		14,000	-
Interest received		85	237
Cash flow from investing activities		28,083	2,756
FINANCING ACTIVITIES			
Repayment of borrowings	20	(3,580)	(2,312)
Dividends paid		(25,000)	-
Interest paid		(42)	(280)
Cash flow from financing activities		(28,622)	(2,592)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,808	2,829
Cash and cash equivalents at the beginning of the period	16	2,740	(89)
Cash and cash equivalents at the end of the period	16	8,548	2,740

Glynwed Pipe Systems Limited
2006 Financial Statements

STATEMENT OF CHANGES IN EQUITY

(£ '000s)

Notes

As at 31 December 2004

Result of the year

As at 31 December 2005

Result of the year

Dividends to shareholders

As at 31 December 2006

17

ATTRIBUTABLE TO EQUITY HOLDERS OF GLYNWED PIPE SYSTEMS LIMITED			
Share capital	Share premium	Retained earnings	Total
11,189	1,690	3,025	15,904
-	-	236	236
11,189	1,690	3,261	16,140
-	-	29,273	29,273
-	-	(25,000)	(25,000)
11,189	1,690	7,534	20,413

NOTES TO THE FINANCIAL STATEMENTS

	Page
1 Company information	15
2 Basis of preparation	15
3 Significant accounting policies	15
4 Disposals of subsidiaries	23
5 Operating income	23
6 Other operating income and expenses	23
7 Additional information on operating expenses	23
8 Interest income and expenses	24
9 Other finance income and expenses	24
10 Income taxes	24
11 Intangible assets	25
12 Property, plant and equipment	26
13 Investment in subsidiary undertakings	26
14 Inventories	27
15 Amounts receivable	27
16 Cash and cash equivalents	27
17 Equity	27
18 Employee benefits	28
19 Deferred tax assets and liabilities	30
20 Other amounts payable	30
21 Provisions	31
22 Amounts payable	31
23 Financial instruments	31
24 Operating lease commitments	32
25 Capital commitments	32
26 Contingencies	32
27 Related parties	33
28 Subsidiary companies	33
29 Transition to IFRS	34
30 Ultimate parent undertaking and parent undertaking of a larger group of which the company is a member	35

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 2006 comprise solely those of the company. The company is exempt under s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group on the grounds that it is included within the consolidated accounts of Aliaxis SA, a company incorporated in Belgium.

The financial statements were approved by the Board of Directors on 21 September 2007.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared 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 2006.

These are the company's first financial statements prepared under IFRSs, and IFRS1 has been applied. An explanation on how the transition to IFRS has affected the reported financial position and financial performance of the company is provided in note 30. The company has not elected for early application of any standards or interpretations which were not effective on the reporting date.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(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 the following note:

- Note 12 - 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, and in preparing an opening IFRS balance sheet at 1 January 2005 for the purpose of the transition to IFRS.

The financial statements are prepared as of and for the year ended 31 December 2006.

(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. Foreign currency differences arising on retranslation are recognised in the income statement.

(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 income statement 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 the company 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 income statement 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 the income statement when incurred.

Amortisation

Amortisation is recognised in the income statement 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.

Glynwed Pipe Systems Limited
2006 Financial Statements

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 income statement as incurred.

Depreciation

Depreciation is recognised in the income statement 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 balance sheet.

(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 income statement. Any cumulative loss of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

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 income statement. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. 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 inventories (see note 3(f)) and deferred tax assets (see note 3(q)), 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(e)).

(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 income statement when they are due.

• Defined benefit plans

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 triannually 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 income statement 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 income statement.

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 income statement 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.

• Short-term benefits

Short-term employee benefit obligations such as bonuses 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 cash bonus or profit-sharing plans 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.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognised when the company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with the contract.

(l) Amounts payable

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

(m) Derivative financial instruments

The company holds derivative financial instruments to hedge its exposure to foreign currency risks arising from operational 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.

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

(n) Revenue

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.

(o) Finance income

Finance income comprises interest income on funds invested, dividend income, 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 income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the company's right to receive payment is established.

(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 income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Operating lease payments

Payments made under operating leases are recognised in the income statement 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.

Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement 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 consolidated 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 consolidated financial statements but are disclosed, when material, if the inflow of economic benefits is probable.

(s) 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 consolidated financial statements. Events after the reporting date which are non-adjusting events are disclosed in the notes to the consolidated financial statements, when material.

(t) 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 2006, and have not been applied in preparing these consolidated financial statements. None are expected to be applicable to the company.

Glynwed Pipe Systems Limited
2006 Financial Statements

4 Disposals of subsidiaries

On 30 June 2006, certain direct dormant subsidiaries were transferred at book value to another direct dormant subsidiary to facilitate the strike off of unwanted legal entities. The proceeds and profit on disposal amounted to £514,000.

On 7 December 2006, the company disposed of its total investment in Matenal de Aireacion SA to a fellow group undertaking at a market value of €20,721,000 (sterling equivalent of £14,010,000). The profit on disposal amounted to £10,058,000.

The proceeds of all disposals were adjusted through the non-current loan with the immediate parent company.

The net gain on disposal of subsidiaries is shown in note 9.

5 Operating income

(£ '000s)	2006	2005
This is stated after charging		
Profit on sale of tangible fixed assets (note 6)	1,003	81
Depreciation of tangible fixed assets (notes 7 and 12)	2,226	2,944
Impairment of tangible fixed assets (note 12)	-	46
Operating lease rentals		
Hire of plant, equipment and vehicles	317	375
Land and buildings	-	202
Statutory auditor fees for audit-related services	68	67

6 Other operating income and expenses

(£ '000s)	2006	2005
Profit on sale of tangible fixed assets	1,003	81
Restructuring costs	(331)	(549)
Insurance recovery	-	1
Other	(573)	(659)
Other operating income / (expenses)	99	(1,126)

7 Additional information on operating expenses

(£ '000s)	2006	2005
Wages & salaries	11,851	11,830
Social security contributions	958	968
Net change in restructuring provisions	(123)	261
Expenses for defined benefit plans	2,248	2,057
Contributions to defined contribution plans	81	95
Other personnel expenses	15	3
Personnel expenses	15,030	15,214

The total average number of personnel was as follows:

(in units)	2006	2005
Production	310	351
Sales and marketing	78	77
R&D and administration	54	61
Total workforce	442	489

Glynwed Pipe Systems Limited
2006 Financial Statements

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

(€ '000s)	Personnel expenses	Depreciation and impairment of property and plant & equipment	Amortisation and impairment of intangible fixed assets	Total depreciation, amortisation and impairment
Cost of sales	9,731	2,097	-	2,097
Commercial charges	3,078	3	-	3
Administrative charges	1,877	102	9	111
R&D expenses	307	24	-	24
Other operating income / (expenses)	38	-	-	-
Total	15,031	2,226	9	2,235

Directors' emoluments, including pension contributions, amounted to £nil (2005 £nil)

8 Interest income and expenses

(£ '000s)	2006	2005
Interest income from cash and cash equivalents	65	161
Interest expenses on financial borrowings	(43)	(278)
Interest income / (expenses)	22	(117)

9 Other finance income and expenses

(£ '000s)	2006	2005
Dividend income	14,000	-
Revaluation (losses) / gains on financial instruments	(11)	3
Foreign exchange losses, net	(15)	(1)
Bank fees	(4)	-
Net gain on disposal of subsidiaries	10,572	114
Loss on loan to subsidiary forgiven	(514)	-
Other finance income	24,028	116

10 Income taxes

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

(£ '000s)	2006	2005
Current taxes for the year	(1,068)	172
Adjustments to current taxes in respect of prior periods	106	781
Total current tax expense	(962)	953
Origination and reversal of temporary differences	(800)	48
Adjustment to deferred taxes in respect of prior periods	48	(397)
Total deferred tax income/(expense)	(752)	(349)
Income tax expense in the income statement	(1,714)	604

Glynwed Pipe Systems Limited
2006 Financial Statements

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

(£ '000s)	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Profit before taxes	30,987		(368)	
Tax at UK corporation tax rate	(9,133)	30.0%	110	30.0%
Tax effect of				
Non-deductible expenses	(78)	0.3%	26	7.1%
Non-taxable dividend income	4,200	-13.6%	-	-
Utilisation of tax losses not previously recognised	289	-0.9%	-	-
Current tax adjustments in respect of prior periods	106	-0.3%	781	212.2%
Other	(155)	0.5%	84	22.8%
Income tax expense	(1,714)	5.5%	604	164.1%

11 Intangible assets

(£ '000s)	<u>2006</u>	<u>2005</u>
	<u>Intangible</u>	<u>Intangible</u>
	<u>assets</u>	<u>assets</u>
	<u>(finite life)</u>	<u>(finite life)</u>
Cost		
As at 1 January	327	248
Movements during the year		
Transfers	-	79
As at 31 December	327	327
Amortisation and impairment losses		
As at 1 January	(310)	(231)
Movements during the year		
Charge for the year	(9)	(13)
Transfers	1	(66)
As at 31 December	(318)	(310)
Carrying amount at 31 December	9	17

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

Glynwed Pipe Systems Limited
2006 Financial Statements

12 Property, plant and equipment

(£ '000s)	2006				2005	
	Land & buildings	Plant, machinery & equipment	Other	Under construction & advance payments	Total	Total
Cost or deemed cost						
As at 1 January	7,179	38,896	766	981	47,822	53,864
Movements during the year						
Acquisitions	-	971	14	1,068	2,054	1,997
Disposals & retirements	(420)	(1,395)	(8)	-	(1,823)	(8,039)
Transfers	-	674	(47)	(627)	-	-
As at 31 December	6,759	39,146	725	1,422	48,053	47,822
Depreciation and impairment losses						
As at 1 January	(840)	(29,924)	(625)	-	(31,389)	(33,969)
Movements during the year						
Charge for the year	(68)	(2,104)	(54)	-	(2,226)	(2,990)
- Ordinary depreciation	(68)	(2,104)	(54)	-	(2,226)	(2,944)
- Impairment recognised	-	-	-	-	-	(46)
Disposals & retirements	114	1,175	8	-	1,297	5,570
Transfers	-	(41)	41	-	-	-
As at 31 December	(794)	(30,894)	(630)	-	(32,318)	(31,389)
Carrying amount at 31 December	5,965	8,252	95	1,422	15,735	16,433

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

13 Investments in subsidiary undertakings

(£ '000s)	Cost	Provision	Net
At 1 January 2006	24,431	(7,706)	16,725
Disposals	(9,012)	5,210	(3,802)
At 31 December 2006	15,419	(2,496)	12,923

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

Details of the company's subsidiaries are listed below and represent holdings of 100% of ordinary shares

* Indicates subsidiaries held directly

	Country of incorporation
* Britpipe Limited	UK
* Glynwed CEH Limited	UK
* Crestover	UK
* Dairy Pipe Lines Limited	UK
* Glynwed Properties Limited	UK
* EMG Investment Management Limited	UK
* Wask - RMF Limited	UK
Glynwed Foundry Products Limited	UK
Glynwed V Limited	UK

Glynwed Pipe Systems Limited
2006 Financial Statements

14 Inventories

(£ '000s)

As at 31 December

	2006	2005
Raw materials, packaging materials and consumables	534	574
Components	1,134	1,410
Work in progress	360	452
Finished goods	11,018	9,358
Goods purchased for resale	1,012	950
Inventories	14,058	12,744

The amount of write downs recognised on inventories during the period amounted to £3,074,000 (2005 £2,963,000)

15 Amounts receivable

(£ '000s)

As at 31 December

	2006	2005
Trade receivables - gross	8,140	7,095
Allowance for doubtful debtors	(718)	(428)
Trade receivables	7,422	6,667
Income taxes recoverable	467	1,080
Other taxes recoverable	500	293
Other	445	425
Other amounts receivable	1,412	1,798
Amounts receivable	8,834	8,465

16 Cash and cash equivalents

(£ '000s)

As at 31 December

	2006	2005
Bank current accounts	8,545	2,734
Cash	3	6
Cash & cash equivalents in the cash flow statement	8,548	2,740

17 Equity

Share capital and share premium

The authorised share capital and share premium of the company as at 31 December 2006 amounts to £15,500,000 (2005 £15,500,000), represented by 62,200,000 fully paid ordinary shares of 25p each (2005 62,000,000)

The issued share capital and share premium of the company as at 31 December 2006 amounts to £12,879,000 (2005 £12,879,000), represented by 44,757,845 fully paid ordinary shares of 25p each (2005 44,757,845)

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

On 4 December 2006 a dividend of £25,000,000 (a gross dividend of 55.9 pence per share) was declared and paid by the company

No final dividend will be proposed for the current year by the directors at the forthcoming Annual General Meeting

18 Employee benefits

Aliaxis maintains in several countries in which the Group operates benefit plans such as retirement and medical care plans, termination plans and other long-term benefit plans

(a) Defined contribution plans

The company made contributions to defined contribution schemes in the year to 31 December 2006 amounting to £81,000 (2005 £95,000). Once the contributions have been paid, the Group companies have no further payment obligation. The regular contribution expenses constitute an expense for the year in which they are due.

(b) Defined benefit plans

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 a Defined Contribution scheme, the Aliaxis Defined Contribution Pension Scheme.

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

(£ '000s)	2006	2005
Present value of funded obligations	42,415	40,598
Fair value of plan assets	(39,141)	(33,030)
Present value of net funded obligations	3,274	7,568
Unrecognised actuarial gains / (losses)	249	(1,676)
Total defined benefit liabilities	3,523	5,892
Liabilities	3,523	5,892
Assets	-	-
Net liability at 31 December	3,523	5,892

The movements in the net liability for defined benefit obligations recognised in the balance sheet at 31 December are as follows

(£ '000s)	2006	2005
Net liability in the balance sheet at 1 January	5,892	6,938
Employer contributions	(4,617)	(3,103)
Pension expense recognised in the income statement	2,248	2,057
Net liability at 31 December	3,523	5,892

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

(£ '000s)	2006	2005
Defined benefit obligation at 1 January	40,598	31,399
Service cost	2,954	2,933
Interest cost	1,997	1,737
Actuarial (gains) / losses	(2,568)	5,305
(Gains) / losses on curtailment	-	(448)
Benefits paid	(566)	(328)
Defined benefit obligation at 31 December	42,415	40,598

Glynwed Pipe Systems Limited
2006 Financial Statements

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

(£ '000s)	2006	2005
Fair value of plan assets at 1 January	(33,030)	(24,460)
Expected return	(2,461)	(1,906)
Actuarial (gains) / losses	642	(3,610)
Contributions by employer and employee	(4,858)	(3,382)
Benefits paid	566	328
Fair value of plan assets at 31 December	(39,141)	(33,030)

The actual return on plan assets in 2006 and 2005 was £1,837,000 and £5,538,000 respectively

The total contributions amount to £4,858,000 (2005 £3,382,000) of which £4,617,000 was contributed by the employer (2005 £3,103,000) and £241,000 was contributed by the employee (2005 £279,000)

During 2006 both the defined benefit obligation and the fair value of plan assets have increased. For the defined benefit obligation this is partly due to plans being one year older and partly due to an increase in the discount rate. The funded position, i.e. the ratio of assets to the defined benefit obligation, has increased from around 81% to around 92%.

The net defined benefit liability has substantially decreased during the year from £5,892,000 to £3,523,000. This decrease is principally due to the special contributions in December 2006 of £2,398,000.

The total employer contributions are £2,368,000 higher than the pension expense of £2,248,000 (2005 £2,057,000).

The company expects to contribute approximately £2.2 million to its defined benefit plans in 2007.

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

(£ '000s) At 31 December	2006	2005
Present value of defined benefit obligations	42,415	40,598
Fair value of plan assets	(39,141)	(33,030)
Unrecognised actuarial gains/(losses)	249	(1,676)
Change in the actuarial gains/(losses) during the year of which:	1,926	(1,696)
* due to experience adjustments	(409)	3,864
* due to assumption adjustments	2,335	(5,560)

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

(£ '000s)	2006	2005
Current service cost	2,712	2,654
Interest cost	1,997	1,737
Expected return on plan assets	(2,461)	(1,906)
(Gains) / losses on curtailments & settlements	-	(429)
Total	2,248	2,056

The employee benefit expense is included in the following line items of the income statement:

(£ '000s)	2006	2005
Cost of sales	1,322	1,330
Commercial charges	377	483
Administrative charges	502	272
R&D expenses	47	63
Other operating income / (expenses)	-	(92)
Total	2,248	2,056

Glynwed Pipe Systems Limited
2006 Financial Statements

The principal actuarial assumptions can be summarised as follows

	2006	2005
Discount rate at 31 December	5.10%	4.75%
Expected return on assets at 31 December	7.30%	7.20%
Rate of salary increases	4.50%	4.30%
Pension increase rate	3.00%	3.00%

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

	2006	2005
Government bonds	16%	17%
Corporate bonds	11%	12%
Equity instruments	67%	71%
Cash	6%	-
	100%	100%

19 Deferred tax assets and liabilities

The change in deferred tax assets and liabilities is as follows

(£'000s)	Assets 2006	2005	Liabilities 2006	2005	Net 2006	2005
As at 1 January	2,008	2,751	(1,600)	(1,994)	408	757
Recognised in the income statement	(783)	(743)	31	394	(752)	(349)
As at 31 December	1,225	2,008	(1,569)	(1,600)	(344)	408

Deferred tax assets and liabilities are attributable to the following items

(£'000s)	Assets 2006	2005	Liabilities 2006	2005	Net 2006	2005
Property, plant and equipment	-	-	(1,565)	(1,597)	(1,565)	(1,597)
Inventories	31	31	-	-	31	31
Post employment benefit	1,057	1,767	-	-	1,057	1,767
Provisions	23	156	-	-	23	156
Other assets and liabilities	114	54	(4)	(3)	110	51
Tax assets / liabilities	1,225	2,008	(1,569)	(1,600)	(344)	408

Tax losses carried forward on which no deferred tax asset is recognised amount to £14,000 (2005 £14,000) and these tax losses do not have an expiration date. Deferred tax assets have not been recognised on these items because it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

20 Other amounts payable
(£ '000s)

	2006	2005
Loans from group undertakings	17,092	20,672
Other amounts payable	17,092	20,672

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

Glynwed Pipe Systems Limited
2006 Financial Statements

21 Provisions

<u>Current provisions</u> (£ '000s)	<u>Product liability</u>	<u>Restructur- ing</u>	<u>TOTAL</u>
As at 1 January 2006	409	347	756
<i>Movements during the year</i>			
Provisions created	99	104	203
Provisions used	1	(374)	(373)
Provisions reversed	(20)	-	(20)
As at 31 December 2006	489	77	566

22 Amounts payable

(£ '000s) <u>As at 31 December</u>	<u>2006</u>	<u>2005</u>
Trade payables	13,816	10,340
Payroll and social security payable	1,176	1,091
Income taxes payable	1,052	542
Other taxes payable	652	389
Derivative financial instruments with negative fair values	11	-
Interest payable	10	10
Other payables	1,452	1,700
Amounts payable	18,169	14,072

23 Financial instruments

Risks relating to credit worthiness, interest rates, exchange rates, commodity prices 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.

Foreign currency risk

Transaction exposure

The company is exposed to foreign currency risk on transactions such as sales and purchases 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.

The change in the fair value of forward exchange contracts outstanding at 31 December 2006, amounting to £11,000, is accounted for as an expense in the income statement (2005 income of £3,000 in the income statement).

Glynwed Pipe Systems Limited
2006 Financial Statements

Credit risk

Credit risk relates to all forms of counterparty exposure where counterparties may default their obligations to the company in relation to financial activities

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The company does not require collateral in respect of financial assets.

The company's main sales distribution channels are industrial supply companies and wholesale distributors. The diversity of the company's product range helps it to maintain a wide customer portfolio and to avoid major exposure to any individual customer.

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

Commodity risk

The raw materials used to manufacture the company's products mainly consist of plastic resins such as polyvinylchloride (PVC), polyethylene (PE) and polypropylene (PP), which are a significant element of the cost of the company's products. The prices of these raw materials are volatile and tend to be cyclical, and the company is able to benefit from the Aliaxis group's centralised approach to the procurement of major raw materials.

In addition, the company is exposed to energy prices and is also able to benefit from the Aliaxis Group's centralised buying policy.

Interest rate risk

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

24 Operating lease commitments

(£ '000s)

As at 31 December

Plant, vehicles and equipment

Committed to

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

2006

2005

310

5

969

79

185

-

Total committed

1,464

84

25 Capital Commitments

The company had no capital commitments at the end of the year (2005: none)

26 Contingencies

Contingencies relate to the cross guarantees given in respect of fellow UK group subsidiaries' bank accounts. This is detailed in note 27.

Glynwed Pipe Systems Limited
2006 Financial Statements

27 Related Parties

(£'000s) **2006** **2005**

Transactions with subsidiaries

Dividend received from Glynwed Properties Limited 14,000 -

Sales to fellow subsidiaries are shown below: **2006** **2005**

Philmac Pty Ltd	Australia	344	313
Zhongshan Universal Enterprises Ltd	China	110	152
Akatherm - FIP GmbH	Germany	304	218
Glynwed SAS	France	715	814
FIP Srl	Italy	1,699	1,533
Ipex USA LLC	USA	1,257	1,609
GPS Iberica SA	Spain	190	252
Innoge PEI SA	France	726	583
Akatherm International BV	The Netherlands	1,286	1,142
GPS Asia Pte Ltd	Singapore	92	306
Other fellow subsidiaries		590	555

Total inter-group sales **7,313** **7,477**

Management fees incurred from fellow Group companies **2006** **2005**

Aliaxis Services S A (France) 462 463

Transactions with Aliaxis Holdings UK Limited, immediate parent company.

	2006	2005
Non-current inter-company loan payable at 1 January	(13,643)	(14,820)
Settlement of Glynwed Properties Limited dividend	14,000	-
Payment of dividend to parent company	(25,000)	-
Disposal proceeds from sale of subsidiaries	14,010	(3,152)
Disposal proceeds from sale of property	1,521	-
Settlement of additional pension fund contributions	(2,398)	3,047
Clear down of external bank accounts	1,614	475
VAT group settlements	-	406
Corporation tax settlements	(22)	(599)
Settlement of current account payables/receivables	4	1,000

Non-current inter-company loan payable at 31 December **(9,914)** **(13,643)**

The balance is unsecured with no fixed date for repayment

Contingent Liabilities

The company has guaranteed the following borrowings of fellow group undertakings

	2006	2005
Aliaxis Holdings UK Limited	7,633	1,917

Total guarantees **7,633** **1,917**

The guarantees relate to current account cross guarantees with Fortis Bank plc

28 Subsidiary Companies

Included within the investments in subsidiary undertakings note, note 13

29 Transition to IFRS

As stated in note 2(a), these are the company's first consolidated financial statements prepared in accordance with IFRS

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2006, the comparative information presented in these financial statements for the year ended 31 December 2005 and in the preparation of an opening IFRS balance sheet at 1 January 2005 (the company's date of transition)

In preparing its opening IFRS balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the company's financial position and financial performance is set out in the following tables and notes

EQUITY RECONCILIATION

(£ '000s)

	Notes	Effect of transition to IFRS			Effect of transition to IFRS		
		UK GAAP	IFRS	IFRS	UK GAAP	IFRS	IFRS
		1 January 2005			31 December 2005		
Non current assets		34,416	2,752	37,168	33,176	2,007	35,183
Intangible assets	f)	-	17	17	-	17	17
Property, plant & equipment	f)	17,691	(16)	17,675	16,451	(18)	16,433
Investments in subsidiaries		16,725	-	16,725	16,725	-	16,725
Deferred tax assets	c)	-	2,751	2,751	-	2,008	2,008
Current assets		24,739	(562)	24,177	24,908	(959)	23,949
Inventories	g)	12,806	(315)	12,491	12,872	(128)	12,744
Amounts receivable	g)	9,705	(247)	9,458	9,296	(831)	8,465
Cash & cash equivalents		8	-	8	2,740	-	2,740
Non current assets held for sale		2,220	-	2,220	-	-	-
TOTAL ASSETS		59,155	2,190	61,345	58,084	1,048	59,132
Equity attributable to equity holders of the company		22,152	(6,248)	15,904	20,888	(4,748)	16,140
Share capital		11,189	-	11,189	11,189	-	11,189
Share premium		1,690	-	1,690	1,690	-	1,690
Retained earnings and reserves	d)	9,273	(6,248)	3,025	8,009	(4,748)	3,261
Total equity		22,152	(6,248)	15,904	20,888	(4,748)	16,140
Non-current liabilities		22,119	9,811	31,930	22,814	5,350	28,164
Employee benefits	a)	-	6,938	6,938	-	5,892	5,892
Deferred tax liabilities	c)	1,049	945	1,994	1,386	214	1,600
Provisions	b)	740	(725)	15	756	(756)	-
Other amounts payable	e)	20,330	2,653	22,983	20,672	-	20,672
Current liabilities		14,884	(1,373)	13,511	14,382	446	14,828
Bank overdrafts		524	-	524	-	-	-
Provisions	b)	-	725	725	-	756	756
Amounts payable	e)	14,360	(2,098)	12,262	14,382	(310)	14,072
Total liabilities		37,003	8,438	45,441	37,196	5,796	42,992
TOTAL EQUITY & LIABILITIES		59,155	2,190	61,345	58,084	1,048	59,132

a) The company has applied the transition rules of IAS19 in restating its opening balance sheet at 1 January 2005

b) The provisions have been restated to current liabilities from non-current liabilities on transition to IFRS

c) Both deferred tax assets and deferred tax liabilities increased as a result of

- deferred tax assets and liabilities being presented net under UK GAAP while being presented separately under IFRS, and
- the tax impact on the IFRS adjustments described in note a) above

Glynwed Pipe Systems Limited
2006 Financial Statements

d) The adjustment to Equity attributable to the equity holders of Glynwed Pipe Systems Limited can be summarised as follows

(£ '000s)	1 January 2005	31 December 2005
Equity attributable to the equity holders of Glynwed Pipe Systems Limited under UK GAAP	22,152	20,888
Pension defined benefit obligation	(6,938)	(5,892)
Deferred tax relating to the above	2,081	1,768
Impairment to the carrying value of inventories	(221)	-
Other, net of tax	(1,170)	(624)
Equity attributable to the equity holders of Glynwed Pipe Systems Limited under IFRSs	15,904	16,140

This mainly relates to the net benefit defined pension obligation arising on the company's defined benefit pension scheme which has been recognised under IAS19

e) The decrease in 'Amounts payable' as at 1 January 2005 is due to a reclassification from 'Other amounts payable' The £2,047,000 reduction in the loan receivable relates to additional pension contributions reflected as an intercompany loan transaction

f) Certain IT systems costs have been reclassified from tangible fixed assets to intangible fixed assets

g) Inventories and amounts receivable have been remeasured using the revised accounting policies Inventories provisions have been restated Doubtful debt provisions included within amounts receivable have also been reviewed and restated

Reconciliation of profit for 2005

The loss after taxation for the year amounts to £1,260,000 under UK GAAP compared to a profit of £236,000 under IFRS

(£ '000s)	2005
Loss for the year under UK GAAP	(1,260)
Adjustment to inventories valuation included within cost of sales	381
Adjustment to trade receivables included within turnover	10
IAS19 pension charge compared to FRS17 pension contributions included across various captions in the income statement	1,045
Taxation	58
Adjustment to other payables included within cost of sales	2
Profit for the year under IFRSs	236

30 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 England

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