Company Registration No. 06059130

HAMSARD 3054 LIMITED

Report and Consolidated Financial Statements

Year ended 31 December 2008

HAMSARD 3054 LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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HAMSARD 3054 LIMITED

DIRECTORS' REPORT
Year ended 31 December 2008

The directors present their report and audited financial statements for the year ended 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Group is the manufacture of plastic pipe systems for the building and construction market.

The group's activities are funded by a combination of long-term borrowings and cash generated from trading. The Board has reviewed cash flow forecasts for the financial year ending 31 December 2009 and for the foreseeable future.

On 29 July 2009, the group headed by Hamsard 3054 Limited, completed a refinancing exercise comprising:

(i) the release of capitalised and accrued interest owing under the bridge facilities agreement and principal and interest due under the loan note instrument, as set out in note 16, in consideration of the issue of A ordinary preference shares, B ordinary preference shares, D ordinary shares and an E ordinary share to the Bank of Scotland plc; and

(ii) the satisfaction of principal monies and all other sums/liabilities owing under the bridge facility, as set out in note 16, in consideration of the issue of new junior secured subordinated loan notes to the Bank of Scotland plc, repayable 2015.

The group maintains facilities available for drawdown, but at the moment undrawn, of £17.5 million. These facilities, in addition to the significant cash position at the balance sheet date, and the recently completed refinancing are felt by the Board to be sufficient to meet the ongoing needs of the business.

On this basis, the directors have a reasonable and proper expectation that the group has and will continue to have adequate resources to continue to adopt the going concern basis in preparing these financial statements.

The profit and loss account for the year is set out on page 6. The group faced continuing increases in the cost of raw materials and energy used in the manufacture of its products during the year and declining sales volumes due to the downturn in the housing and construction markets. Profitability declined as a result.

In January 2008, the group sold its interest in Polypipe Sanitary Systems Limited for a net consideration of £9.0m.

In September 2008, the group sold its interest in Domus Ducting Spz O.O for a net cash consideration of £0.8m.

The directors are satisfied with the performance of the group for the year and with the future prospects.

PRINCIPAL RISKS AND UNCERTAINTIES

The group is dependant upon the levels of activity in the UK and Mainland Europe construction industry, which in turn are affected by economic factors which are beyond the group's ability to control. The group is however able to flex its cost base to a certain extent as volumes change.

Raw materials and energy used in the group's manufacturing processes are subject to price fluctuations which are beyond the group's control. The group is able to offset increases in these uncontrollable costs by efficiency gains and pass through to customers.

The group does not hedge the translation of its overseas profits, although it does mitigate its currency effect on its reported results by applying average exchange rates each year on reported results. Gains and losses arising on the translation of net overseas investments are not hedged. The group enters into forward currency contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates primarily in respect of Euro receipts.

FINANCIAL INSTRUMENTS

The group is funded by long-term borrowings (see note 16). The cash cost of servicing the group's net debt (interest only) from operating cash flow was £16.5m during the year.

KEY PERFORMANCE INDICATORS

The key performance indicators used by the board to assess performance of the group are set out in the table below:

KPI	Group Target	2008	2007
Revenue growth	> 5.0%	(2.9%)	12.5%
Operating profit* to sales	> 10.0%	8.0%	13.1%
Operating cashflow** to operating profit	> 85%	101%	111%

* before goodwill amortisation and exceptional items

** net cash inflow from operating activities less capital expenditure

HAMSARD 3054 LIMITED

DIRECTORS' REPORT
Year ended 31 December 2008

As a result of the downturn in the housing and construction markets during 2008, we did not meet our revenue growth and operating profit to sales targets. Cash conversion remained strong and our operating cashflow to operating profit target was exceeded despite the impact of the market downturn.

PROPOSED DIVIDEND

The directors do not recommend a dividend.

DIRECTORS

The directors who held office during the year were as follows:

D G Hall
P D Shepherd
P M Rice
A M Thomson was appointed a Director on 26 September 2008.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, there is no significant difference between the book value and the market value of the land and buildings.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company's current policy concerning the payment of trade creditors is as follows:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction
- Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contracted and other legal obligations

The payment policy applies, without exception, to all payments to creditors for revenue and capital supplies of goods.

The average creditor payment days as at 31 December 2008 were 67 days (2007 : 77 days).

EMPLOYEES

It is the group's policy that employees should be kept as fully informed as is practical about the performance and prospects of the group.

The group gives every consideration to applications for employment from disabled persons where the requirement of the job may be adequately covered by a handicapped or disabled person.

Where employees become disabled, the group endeavours to employ them provided there are duties which they can perform, bearing in mind their handicap or disability. As far as possible, training, career development and promotion are available to handicapped and disabled persons where this is in their own as well as the company's best interests.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political contributions during the year. Donations to UK charities amounted to £20,000 (2007 : £15,800).

HAMSARD 3054 LIMITED

DIRECTORS' REPORT
Year ended 31 December 2008

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

A resolution for the re-appointment of Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

P D Shepherd
Secretary
10 August 2009
Broomhouse Lane
Edlington
Doncaster
South Yorkshire
DN12 1ES

HAMSARD 3054 LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HAMSARD 3054 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMSARD 3054 LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Hamsard 3054 Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Movement in Equity Shareholders' Funds and the related notes 1 to 31. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 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 contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 group's and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's loss 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Leeds

27 August 2009

HAMSARD 3054 LIMITED

GROUP PROFIT AND LOSS ACCOUNT

Year ended 31 December 2008

		2008			2007		
		Continuing	Discontinued	Total	Continuing	Discontinued	Total
	Note	£m	£m	£m	£m	£m	£m
TURNOVER	2	288.8	4.7	293.5	111.7	14.0	125.7
(In addition, share of joint venture turnover: nil, 2007 £1.1million)							
Cost of sales		(193.2)	(3.1)	(196.3)	(71.1)	(12.2)	(83.3)
GROSS PROFIT		95.6	1.6	97.2	40.6	1.8	42.4
Net operating expenses	3	(91.3)	(1.4)	(92.7)	(30.5)	(1.9)	(32.4)
OPERATING PROFIT/(LOSS) before goodwill amortisation and operating exceptional items		22.6	0.2	22.8	15.2	(0.1)	15.1
Goodwill amortisation		(13.9)	-	(13.9)	(5.1)	-	(5.1)
Operating exceptional items		(4.4)	-	(4.4)	-	-	-
OPERATING PROFIT/(LOSS)	5	4.3	0.2	4.5	10.1	(0.1)	10.0
Share of operating profit in joint venture	11	-	-	-	-	0.1	0.1
Profit on disposal of tangible assets		1.3	-	1.3	0.4	0.1	0.5
(Loss)/profit on disposal of businesses	25	-	(3.5)	(3.5)	-	1.7	1.7
PROFIT/(LOSS) BEFORE NET FINANCE COSTS AND TAXATION		5.6	(3.3)	2.3	10.5	1.8	12.3
Net finance costs	4			(61.8)			(29.1)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	2			(59.5)			(16.8)
Taxation	7			2.4			1.8
LOSS WITHDRAWN FOR THE FINANCIAL YEAR/PERIOD	19			(57.1)			(15.0)

Comparative figures for 2007 cover the 49 week period from incorporation to 31 December 2007 and the trading period from 14 August 2007, when the Pipe Luxembourg S.a.r.l. group of companies was acquired, to 31 December 2007.

Discontinued Businesses comprise Pagette GmbH sold in 2007, and Polypipe Sanitary Systems Limited (note 25) and Domus Ducting Spz O.O. (note 25) which were sold during 2008.

HAMSARD 3054 LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2008

	Group 2008 £m	Group 2007 £m
Loss for the financial year/period	(57.1)	(15.0)
Actuarial gains and losses arising on pension scheme asset	-	0.6
Total recognised gains and losses in the year/period	(57.1)	(14.4)

GROUP RECONCILATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS
Year ended 31 December 2008

	Group 2008 £m
Equity Shareholders' deficit at 1 January 2008	(12.0)
Exchange adjustments	4.6
Total recognised gains and losses in the year	(57.1)
Equity Shareholders' deficit at 31 December 2008	(64.5)

HAMSARD 3054 LIMITED

GROUP BALANCE SHEET
31 December 2008

	Note	2008 £m	2008 £m	2007 £m	2007 £m
Fixed assets					
Intangible assets	8		257.4		268.0
Tangible assets	9		96.5		98.3
Investment in joint ventures					
Share of gross assets		-		0.9	
Share of gross liabilities		-		(0.3)	
	11		-		0.6
			353.9		366.9
Current assets					
Stocks	12		34.1		44.7
Debtors	13		39.5		63.1
Cash at bank and in hand			46.8		46.9
			120.4		154.7
Creditors - Amounts falling due within one year	14		(179.1)		(115.4)
Net current (liabilities) / assets			(58.7)		39.3
Total assets less current liabilities			295.2		406.2
Creditors - Amounts falling due after more than one year	15		(358.9)		(416.0)
Provisions for liabilities	17		(0.8)		(2.9)
Net liabilities excluding pension asset			(64.5)		(12.7)
Pension asset			-		0.7
Net liabilities including pension asset			(64.5)		(12.0)
Capital and reserves					
Called up share capital	18		0.8		0.8
Profit and loss account	19		(65.3)		(12.8)
Shareholders' deficit			(64.5)		(12.0)

These financial statements were approved by the Board on 10 August 2009.

P D Shepherd

Director

HAMSARD 3054 LIMITED

COMPANY BALANCE SHEET
31 December 2008

	Note	2008 £m	2007 £m
Fixed assets			
Investments	10	157.6	157.6
Current assets			
Debtors	13	31.5	24.7
Cash at bank		0.3	13.0
		31.8	37.7
Creditors - Amounts falling due within one year	14	(114.8)	(27.0)
Net current (liabilities)/assets		(83.0)	10.7
Total assets less current liabilities		74.6	168.3
Creditors - Amounts falling due after more than one year	15	(118.4)	(181.7)
Net liabilities		(43.8)	(13.4)
Capital and reserves			
Called up share capital	18	0.8	0.8
Profit and loss account	19	(44.6)	(14.2)
Shareholders'deficit		(43.8)	(13.4)

These financial statements were approved by the Board on 10 August 2009.

P D Shepherd

Director

HAMSARD 3054 LIMITED

GROUP CASH FLOW STATEMENT
Year ended 31 December 2008

	Note	2008 £m	£m	2007 £m	£m
Net cash inflow from operating activities	22		38.5		31.5
Returns on investments and servicing of finance					
Interest received		1.7		0.7	
Interest and financing charges paid		(20.4)		(9.6)	
			(18.7)		(8.9)
Taxation			(0.3)		(0.3)
Capital expenditure					
Payments to acquire tangible fixed assets		(15.8)		(8.2)	
Receipts from sales of tangible fixed assets		2.0		11.2	
			(13.8)		3.0
Acquisitions and disposals					
Purchase of subsidiary		(0.7)		(174.4)	
Cash acquired with subsidiary		-		1.5	
Sale of subsidiaries	25	9.8		3.1	
Cash disposed of with subsidiaries	25	(0.2)		(0.8)	
Repayment of purchase consideration received from Vendor		1.7		1.3	
			10.6		(169.3)
Cash inflow/(outflow) before management of liquid resources and financing			16.3		(144.0)
Management of liquid resources					
Reduction/(increase) in cash held on seven day deposit	23		27.8		(27.8)
Financing					
Repayment of employee loans		(12.6)		-	
Repayment of loans less than one year		(0.2)		-	
Ordinary shares issued		-		0.8	
Preference shares issued		-		24.2	
New bank loan		-		163.8	
Loan from employees		-		12.8	
Debt issuance costs		-		(11.5)	
Senior Secured PIK Notes acquired		(3.6)		-	
			(16.4)		190.1
Increase in cash in the year/period	23		27.7		18.3

Subsidiary undertakings sold in the year contributed £0.2m to the group's net operating cash flows and incurred no capital expenditure.

The purchase of subsidiary of £0.7m during 2008 relates to the settlement of the outstanding consideration due in connection with the acquisition of Polypipe Terrain Holdings Limited, a business which was acquired in 2007.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of preparation

The financial information is prepared in accordance with UK GAAP and under the historical cost convention. The accounting polices have been applied consistently in the current year and the prior year.

Basis of consolidation

The financial statements include the results of Hamsard 3054 Limited and its subsidiary undertakings and the group's share of the results of joint ventures. Intra group sales, profits and balances have been eliminated.

The accounts have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Directors Report.

The results of businesses sold or acquired during the year are included in the consolidated profit and loss account from the date control passes to the group or until the group ceases to have control.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of the acquisition are recorded at their fair values reflecting their condition at that date.

The gain or loss on disposal of a business is calculated as the difference between the sale consideration and the book value of the assets sold at the date of disposal together with the goodwill previously set off against reserves (if appropriate) in respect of the business.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

For acquisition of a business, goodwill is capitalised in the period in which it arises and amortised over its estimated useful life up to a maximum 20 years. Goodwill is 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.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for any impairment.

Depreciation is calculated on original cost, on a straight-line basis over the expected life of the asset so as to write down to its estimated residual value. The annual rates for depreciation adopted are:

Freehold land	- nil
Freehold buildings and long leasehold property	- Over expected economic life not exceeding 50 years
Short leasehold property	- Over the term of the lease
Plant and other equipment	- 10% to 25%

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

Investments

Fixed asset investments are shown at cost less provision for impairment.

Joint ventures are companies which are not subsidiary undertakings but in which the interest of the group is that of a partner in a joint venture. The financial information includes the appropriate share of these ventures' results and reserves.

Stocks

Stocks and work in progress are valued at the lower of the cost and net realisable value. Cost comprises materials, labour and appropriate overhead expenses. Provisions are made as necessary for slow moving and obsolete stock.

1. **ACCOUNTING POLICIES (continued)**

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognized 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 the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax 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 enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover, which excludes value added tax, sales taxes, sales between group companies and trade discounts, represents the value of goods and services provided. Turnover is recognised on despatch of goods.

Research and development expenditure

All expenditure is charged to the profit and loss account in the year in which it is incurred.

Pension costs

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

Foreign Currencies

Assets and liabilities of overseas subsidiaries are translated into sterling at rates of exchange ruling at the balance sheet date and their results and cash flows are translated at average rates of exchange applicable during the period. Exchange differences arising from the re-translation of opening assets and liabilities and of the profit and loss account to closing rate, in subsidiary companies, are taken to reserves.

Exchange gains and losses relating to trading transactions are included in the operating profit.

Leases

Fixed assets acquired under finance leasing contracts are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over the shorter of the lease term or useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the finance charge is charged to the profit and loss account over the primary lease period.

The costs of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Debt

All borrowings are stated at the fair value of consideration received after deduction of issue costs.

1. ACCOUNTING POLICIES (continued)

Forward contacts

The group enters into forward contracts for the purchase and/or sale of foreign currencies in order to manage its exposure to fluctuations in currency rates. Unrealised gains and losses on contracts are not accounted for until the maturing of the contract. Cashflows from forward currency contracts are classified in a manner consistent with the underlying nature of the hedged transaction.

Capitalisation of issue costs of finance

Issue costs of finance are netted against the loan finance to which they relate. These costs, together with the interest expense, are allocated to the profit and loss account over the term of the loan finance facility at a constant rate on the carrying amount.

HAMSARD 3054 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

2. SEGMENTAL ANALYSIS

a) Class of business:

The group has one class of business which is the manufacture of plastic pipe and fittings.

b) Geographical origin:

	Turnover 2008			Turnover 2007		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
UK	219.2	3.0	222.2	91.5	9.9	101.4
Mainland Europe	69.6	1.7	71.3	20.2	4.1	24.3
	288.8	4.7	293.5	111.7	14.0	125.7

	Profit/(loss) before tax 2008			Profit/(loss) before tax 2007		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
UK	(57.2)	(3.3)	(60.5)	(18.6)	-	(18.6)
Mainland Europe	1.0	-	1.0	-	1.8	1.8
	(56.2)	(3.3)	(59.5)	(18.6)	1.8	(16.8)

Profit before tax for continuing UK businesses is after charging goodwill amortisation of £13.9m (2007 : £5.1m) and net finance costs of £61.8m (2007 : £29.1m). The discontinued businesses' profit before taxation includes £3.5m in respect of loss on sale of businesses (2007 : £1.7m profit).

	Net assets/(liabilities) 2008			Net assets/(liabilities) 2007		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
UK	72.7	-	72.7	89.8	13.6	103.4
Mainland Europe	22.5	-	22.5	16.2	0.9	17.1
	95.2	-	95.2	106.0	14.5	120.5
Interest bearing items			(416.3)			(396.8)
Goodwill			257.4			268.0
Taxation			(0.8)			(3.7)
Net liabilities			(64.5)			(12.0)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

2. SEGMENTAL ANALYSIS (continued)

c) Turnover by geographical destination:

	Turnover 2008			Turnover 2007		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£m	£m	£m	£m	£m	£m
UK	196.5	2.4	198.9	87.8	7.7	95.5
Mainland Europe	81.1	2.2	83.3	23.9	5.5	29.4
Rest of world	11.2	0.1	11.3	-	0.8	0.8
	288.8	4.7	293.5	111.7	14.0	125.7

3. NET OPERATING EXPENSES

	2008 £m	2007 £m
Distribution costs	38.2	16.3
Administrative expenses including goodwill amortisation of £13.9m (2007 : £5.1m) and operating exceptional costs of £4.4m (2007 : £nil)	40.6	11.0
Goodwill amortisation	13.9	5.1
Net operating expenses	92.7	32.4

4. NET FINANCE COSTS

	2008 £m	2007 £m
Interest payable:		
Senior secured and unsecured notes	15.9	6.1
Bank interest	16.6	5.7
Senior secured PIK notes	7.9	3.2
Loan note interest	15.7	5.8
Accrued preference dividends	3.5	1.2
	59.6	22.0
Interest receivable:		
Bank interest	(1.7)	(0.5)
	57.9	21.5
Debt issuance cost amortisation	3.9	7.6
	61.8	29.1

Including goodwill amortisation of £13.9m (2007 : £5.1m) and operating exceptional costs of £4.4m (2007 : £Nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

5. OPERATING PROFIT/(LOSS)

		2008		2007	
		£m	**£m**	**£m**	**£m**
Operating profit/(loss) is stated after charging/(crediting):					
Depreciation			14.3		7.0
Goodwill amortisation			13.9		5.1
Staff costs (note 6)			57.8		31.0
Operating exceptionals	- Redundancy costs	2.0		-	
	- Surplus leasehold property costs	2.4		-	
			4.4		-
Operating lease rentals	- Plant and machinery		0.9		0.3
	- Other		1.5		0.4
Auditors' remuneration for audit services:					
Fees payable for the audit of the company's annual accounts			-		0.1
Fees payable to the company's auditors and their associates for other services to the group					
	- The audit of company's subsidiaries		0.2		0.2
Auditors' remuneration for non audit services:					
Taxation			0.1		0.1
Other services supplied pursuant to legislation			-		0.1

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

6. STAFF COSTS

Group	2008 £m	2007 £m
Staff costs comprised:		
Wages and salaries	49.2	26.5
Social security costs	7.6	3.7
Other pension costs	1.0	0.8
	57.8	31.0

The average number of employees (including directors) employed during the year was:

	2008 No.	2007 No.
Manufacturing	1,389	1,982
Sales and distribution	557	484
Administration	267	308
	2,213	2,774

Company

The company has no employees (2007 : Nil).

Directors' emoluments comprised:

	2008 £'000	2007 £'000
Emoluments	600	441
Company contributions to money purchase pension scheme	75	35
	675	476
Remuneration of the highest paid director:		
- Emoluments	257	186
- Company contributions to money purchase pension scheme	32	15
	289	201
	No.	No.
Number of directors who are members of the money purchase pension scheme	3	3

Directors' emoluments for 2007 were in respect of the period from appointment on 11 July 2007 to 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

7. TAXATION

	2008 £m	2007 £m
UK Corporation tax	-	-
Adjustment in respect of prior years	(0.3)	(1.1)
Overseas taxation	0.1	0.3
	(0.2)	(0.8)
Deferred taxation	(2.2)	(1.0)
	(2.4)	(1.8)

Reconciliation of current tax charge:	2008 £m	2007 £m
Loss on ordinary activities before tax	(59.5)	(16.8)
Tax at 28.5% (2007 : 30%)	(17.0)	(5.0)
Expenses not deductible for corporation tax/non taxable income	6.4	(1.9)
Movement on deferred tax	10.7	7.2
Adjustment in respect of prior years	(0.3)	(1.1)
Current tax credit	(0.2)	(0.8)

Deferred tax is shown in note 17.

8. INTANGIBLE ASSETS – GOODWILL

	Cost £m	Amortisation £m	Net Book Value £m
At 1 January 2008	273.1	(5.1)	268.0
Provision for earnout liability	5.0	-	5.0
Refund of purchase consideration net of costs	(1.7)	-	(1.7)
Amortisation for the year	-	(13.9)	(13.9)
At 31 December 2008	276.4	(19.0)	257.4

The refund of purchase consideration in the year was in relation to the acquisition of 100% of the issued share capital of Polypipe Building Products Limited, a company incorporated in the United Kingdom, on 2 September 2005.

The provision of £5.0m (included in other creditors less than one year – note 14) is in respect of the estimated earnout liability payable to the Vendors of Polypipe Building Products Limited and its subsidiaries. The Vendor has currently estimated this liability to be £23m.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost:			
At 1 January 2008	42.1	63.2	105.3
Currency adjustment	0.8	1.8	2.6
Businesses sold	-	(5.7)	(5.7)
Additions	0.6	15.7	16.3
Disposals	(0.5)	(1.2)	(1.7)
At 31 December 2008	43.0	73.8	116.8
Depreciation:			
At 1 January 2008	0.8	6.2	7.0
Currency adjustment	-	0.2	0.2
Businesses sold	-	(0.2)	(0.2)
Charge for the year	1.4	12.9	14.3
Disposals	(0.4)	(0.6)	(1.0)
At 31 December 2008	1.8	18.5	20.3
Net book value:			
At 31 December 2008	41.2	55.3	96.5
At 31 December 2007	41.3	57.0	98.3

Included in freehold land and buildings is non-depreciable land of £15.9m (2007 : £16.7 million).

10. COMPANY INVESTMENTS

	Shares in group undertakings £m
Cost and net book value	
At 1 January and 31 December 2008	157.6

The directors consider that to give full particulars of all the subsidiary undertakings would lead to a statement of excessive length. The principal companies in which the company's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Class of shares held	Percentage of shares held
Pipe Luxembourg S.a.r.l.	Luxembourg	Ordinary £1	100%
Pipe Holdings 1 Plc	England and Wales	Ordinary £1	100%*
Pipe Holdings 2 Limited	England and Wales	Ordinary £1	100%*
Pipe Holdings Plc	England and Wales	Ordinary £1	100%*
Polypipe Building Products Limited	England and Wales	Ordinary £1	100%*
Polypipe (Ulster) Limited	Northern Ireland	Ordinary £1	100%*
Polypipe Civils Limited	England and Wales	Ordinary £1	100%*
Polypipe TDI (UK) Limited	England and Wales	Ordinary £1	100%*
Polypipe Terrain Limited	England and Wales	Ordinary £1	100%*
Polypipe Ventilation Limited	England and Wales	Ordinary £1	100%*
Polypipe Janoplast SA	France	Ordinary 200 EUR	100%*
Polypipe MP SA	France	Ordinary FFr 100	100%*
Polypipe Italia SRL	Italy	0.52 EUR	100%*
Robimatic Limited	England and Wales	Ordinary £1	100%*

All the companies operate principally in their country of registration and in the same class of business as the group. The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.

11. INVESTMENT IN JOINT VENTURES

	Shares in joint venture £m	Group share of result £m	Total £m
At 1 January 2008	0.5	0.1	0.6
Disposal of investment	(0.5)	(0.1)	(0.6)
	-	-	-

The investment in joint ventures which related to a 50% share in Polypipe Seagull Bathroom and Kitchen Products (Guangzhou) Limited, a company incorporated in China, was sold in January 2008.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

12. STOCKS

	Group 2008 £m	Group 2007 £m
Raw materials	11.1	16.6
Work in progress	2.0	3.2
Finished goods	21.0	24.9
	34.1	44.7

13. DEBTORS

Amounts falling due within one year	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Trade debtors	30.5	-	54.0	-
Other debtors	2.7	0.6	1.6	-
Prepayments	6.3	-	7.5	-
Corporation tax	-	3.1	-	-
Amounts owed by Group undertakings	-	27.8	-	24.7
	39.5	31.5	63.1	24.7

14. CREDITORS

Amounts falling due within one year	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Bank loans and overdrafts (note 16)	106.5	105.9	0.8	-
Loans from employees	0.2	0.2	12.8	12.8
Trade creditors	37.2	-	51.4	-
Accruals and deferred income	24.3	6.6	42.6	14.2
Other taxes and social security costs	3.5	-	7.0	-
Corporation tax	-	-	0.8	-
Other creditors	7.4	-	-	-
Amounts due to subsidiary undertakings	-	2.1	-	-
	179.1	114.8	115.4	27.0

Other creditors include £5.0m in respect of the estimated earnout liability (see note 8).

15. CREDITORS

Amounts falling due after more than one year	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Loans (note 16)	356.6	118.4	416.0	181.7
Other creditors	2.3	-	-	-
	358.9	118.4	416.0	181.7

16. LOANS

	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Amounts falling due:				
In one year or less or on demand	106.5	105.9	0.8	-
In more than two years but not more than five years	188.2	-	86.5	86.3
In more than five years	180.8	122.8	345.6	101.7
	475.5	228.7	432.9	188.0
Less: debt issuance costs unamortised	(12.4)	(4.4)	(16.1)	(6.3)
	463.1	224.3	416.8	181.7
Less: included in creditors falling due within one year (note 14)	(106.5)	(105.9)	(0.8)	-
Loans falling due after more than one year (note 15)	356.6	118.4	416.0	181.7

Details of loans wholly repayable within one year or less or on demand are as follows:

	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Bridge loan	105.9	105.9	-	-
Other bank loans	0.6	-	-	-
	106.5	105.9	-	-

Details of loans wholly repayable within five years are as follows:

	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Senior secured notes	122.0	-	-	-
Senior unsecured notes	66.0	-	-	-
Bridge loan	-	-	86.3	86.3
Other bank loans	0.2	-	0.2	-
	188.2	-	86.5	86.3

Details of loans not wholly repayable within five years are as follows:

	Group 2008 £m	Company 2008 £m	Group 2007 £m	Company 2007 £m
Senior secured notes	-	-	122.0	-
Senior unsecured notes	-	-	66.0	-
Senior secured PIK notes	58.0	-	55.9	-
Loan notes	98.6	98.6	77.5	77.5
A preference shares	0.2	0.2	0.2	0.2
B preference shares	23.4	23.4	23.4	23.4
C preference shares	0.6	0.6	0.6	0.6
	180.8	122.8	345.6	101.7

Senior Secured Notes

The Senior Secured Notes have a nominal value of £122m. The rate of interest payable is 7.75% which is fixed and is payable on 1 May and 1 November each year. The Senior Secured Notes are due to be redeemed on 1 November 2011 but can be redeemed at an earlier date subject to Make-Whole provisions.

16. LOANS (continued)

Senior Unsecured Notes

The Senior Unsecured Notes have a nominal value of £66m. The rate of interest payable is 9.75% which is fixed and is payable on 1 May and 1 November each year. The Senior Unsecured Notes are due to be redeemed on 1 November 2013 but can be redeemed at an earlier date subject to Make-Whole provisions.

Senior Secured PIK Notes

The Senior Secured PIK Notes comprise an initial nominal value of £65m and £14.7m rolled interest at 31 December 2008. £17.6m of the Notes including rolled interest were held at 31 December 2008 by Pipe Holdings Plc and are therefore, classified as long term amounts owed to group undertakings in the company accounts. A further £4.1m of the Notes were held by the Company at 31 December 2008. The rate of interest is LIBOR + 10.25% which is payable quarterly in cash or additional Notes at the discretion of the Issuer.

The Senior Secured PIK Notes are due to be redeemed on 15 May 2016 but can be redeemed at an earlier date subject to Make-Whole provisions. The security is in the form of liens over substantially all of the assets of Pipe Holdings Plc and its subsidiaries and a charge over the shares of the company.

Loan Notes

The Loan notes are unsecured and comprise an initial nominal value of £77.5m and £21.1m of rolled interest at 31 December 2008. The rate of interest payable on the loan notes is LIBOR +12% per annum which can be either rolled or paid and they are due to be redeemed in August 2014.

Bridge Loan

The bridge loan and rolled interest of £105.9m is unsecured and repayable by May 2009. The rate of interest payable on the bridge loan is LIBOR +11.0% per annum which can be either rolled or paid.

There are three classes of Preference shares:

A Preference Shares

The A Preference shares of £0.2m were subscribed at par and carry the right, in priority to any Ordinary dividend, to a cumulative participating dividend of 10% of the Company's after tax profit.

B Preference Shares

The B Preference shares of £23.4m were subscribed at par and carry the right, in priority to any Ordinary dividend, to a cumulative participating dividend of 13.7%.

C Preference shares

The C Preference shares of £0.6m were subscribed at par and carry the right, in priority to any Ordinary dividend, to a cumulative participating dividend of 17.5%.

The company's authorised preference share capital has been fully issued.

Revolver Loan

The Revolver Loan has a facility of £17.5m of which £nil was drawn down at the year end. The loan is secured and accrues interest at a rate of LIBOR +2.25% per annum. The Revolver Loan facility expires in December 2010.

17. PROVISIONS FOR LIABILITIES

Deferred taxation liabilities provided:

	Group
	2008
	£m
At 1 January 2008	2.9
Foreign exchange movement	0.1
Current year movement	(2.2)
At 31 December 2008	0.8

Deferred taxation liabilities comprise:

	2008 £m	2007 £m
Capital allowances in excess of depreciation	0.1	3.3
Short term timing differences	0.7	(0.4)
	0.8	2.9

Deferred tax assets relating to surplus tax losses, accelerated capital allowances and short term timing differences of £11.8m (2007 : £4.8m) have not been recognised as their recovery is uncertain.

18. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
A ordinary shares of £0.01 each	392,993	392,993
B ordinary shares of £0.01 each	600,000	600,000
C ordinary shares of £0.01 each	7,007	7,007
	1,000,000	1,000,000
Allotted, called up and fully paid:		
A ordinary shares of £0.01 each	194,999	199,999
B ordinary shares of £0.01 each	574,999	569,999
C ordinary shares of £0.01 each	7,007	7,007
	777,005	777,005

19. RESERVES

Group	Profit and loss account £m
At 1 January 2008 - deficit	(12.8)
Exchange adjustments	4.6
Loss withdrawn for the financial year	(57.1)
At 31 December 2008 - deficit	(65.3)
Company	
At 1 January 2008 - deficit	(14.2)
Loss withdrawn for the financial year	(30.4)
At 31 December 2008 - deficit	(44.6)

20. PROFIT FOR THE FINANCIAL PERIOD

Hamsard 3054 Limited has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The Group profit for the financial period includes a loss after tax dealt with in the financial statements of the holding company of £30.4m (2007 : £14.2m).

21. CAPITAL COMMITMENTS

Capital expenditure for which contracts had been placed but for which no provision had been made at 31 December 2008 amounted to £1.5m (2007 : £5.2m).

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £m	2007 £m
Operating profit	4.5	10.0
Depreciation	14.3	7.0
Goodwill amortisation	13.9	5.1
Operating exceptional items – non cash movement	2.4	-
Decrease/(increase) in stocks	9.0	(4.5)
Decrease in debtors	19.3	8.7
(Decrease)/increase in creditors	(24.9)	5.2
Net cash inflow from operating activities	38.5	31.5

Included above are net cash outflows in relation to exceptional redundancy costs of £2.0m.

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 £m	2007 £m
Decrease in debt due within one year	0.2	-
Increase in cash in year/period	27.7	18.3
(Decrease)/increase in cash held on seven day deposit	(27.8)	27.8
Net cash acquired with subsidiary	-	(1.5)
	0.1	44.6
Net debt of businesses acquired	-	(232.0)
Bank loans issued	-	(163.8)
Preference shares issued	-	(24.2)
Change in net debt resulting from non cash movements	(46.5)	5.5
Total movement in net debt	(46.4)	(369.9)
Net debt at beginning of year/period	(369.9)	-
Net debt at end of year/period	(416.3)	(369.9)

24. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2008 £m	Cash flow £m	Non cash movements £m	31 December 2008 £m
Cash in hand, at bank	19.1	27.7	-	46.8
Cash on deposit	27.8	(27.8)	-	-
	46.9	(0.1)	-	46.8
Debt due within 1 year	(0.8)	0.2	-	(0.6)
Debt due after 1 year	(416.0)	-	(46.5)	(462.5)
Net debt	(369.9)	0.1	(46.5)	(416.3)

25. SALE OF SUBSIDIARY UNDERTAKINGS

Polypipe Sanitary Systems Limited ("P.S.S.")

The group sold 100% of its equity interest in P.S.S. together with the group's 50% investment in Polypipe Seagull Bathroom and Kitchen Products (Guangzhou) Limited in January 2008 for a net cash consideration of £9.0m. The operating profit of P.S.S. up to the date of disposal was £0.1m, and for its last financial year was an operating loss of £0.3m.

Net assets disposed of and the related sale proceeds were as follows:

	£m
Investment in joint venture	0.6
Fixed assets	5.4
Current assets	9.5
Creditors	(3.9)
Cash	0.1
Pension surplus	0.7
Net assets	12.4
Loss on sale	(3.4)
Cash sale proceeds net of costs	9.0
The net cash inflow in respect of the sale comprised:	
Cash consideration net of costs	9.0
Cash at bank and in hand with disposal	(0.1)
	8.9

Domus Ducting Spz O.O ("Domus Poland")

The group sold 100% of its equity interest in Domus Poland in September 2008 for a net cash consideration of £0.8m. The operating profit of Domus Poland up to the date of disposal was £0.1m, and for its last financial year was £0.2m.

Net assets disposed of and the related sale proceeds were as follows:

	£m
Fixed assets	0.1
Current assets	1.1
Creditors	(0.4)
Cash	0.1
Net assets	0.9
Loss on sale	(0.1)
Cash sale proceeds net of costs	0.8
The net cash inflow in respect of the sale comprised:	
Cash consideration	0.8
Cash at bank and in hand with disposal	(0.1)
	0.7

In aggregate the sale of businesses comprised:-

	Net sale proceeds £m	Net assets disposed £m	Loss on sale £m
P.S.S.	9.0	12.4	(3.4)
Domus Poland	0.8	0.9	(0.1)
	9.8	13.3	(3.5)

26. CONTINGENT LIABILITIES

The group has an outstanding guarantee of £250,000 in relation to the sponsoring employer's contributions to the Celmac Pension Plan (see note 28). This guarantee expires in January 2011.

The holding company has guaranteed the bank loans and overdrafts of certain subsidiaries in the United Kingdom. The total of contingent liabilities under these guarantees is £3.2m (2007 : 30.7m).

27. OPERATING LEASE COMMITMENTS

	2008		2007	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Commitment for next year under operating leases which expire:-				
Within 1 year	0.1	0.1	0.1	0.2
Within 2 and 5 years	0.3	0.7	1.3	0.7
After 5 years	1.1	-	0.6	-
	1.5	0.8	2.0	0.9

28. PENSIONS

The Polypipe group offers defined contribution pension benefits for its eligible employees.

The group had one defined benefit pension scheme in the U.K. (Celmac Pension Plan) at 31 December 2007. The sponsoring employer of the Celmac Pension Plan, Polypipe Sanitary Systems Limited, was sold by the group in January 2008 and consequently the group no longer has any defined benefit pension schemes.

29. RELATED PARTY TRANSACTIONS

Related party transactions with wholly owned group members are not disclosed as permitted by FRS 8, "Related Party Disclosures".

The company was owed £0.5m (2007 : £nil) by the Polypipe Employee Benefit Trust at 31 December 2008.

30. FINANCIAL INSTRUMENTS

a) Maturity profile of financial liabilities

The maturity profile of financial liabilities is shown in note 16.

b) Borrowing facilities

The Group had the following undrawn committed borrowing facilities:

	2008 £m	2007 £m
Expiry period:		
In more than one year but not more than two years	17.5	35.0

c) Fair values of financial assets and liabilities

	2008		2007	
	Book amount £m	Fair value £m	Book amount £m	Fair value £m
Cash in hand, at bank	46.8	46.8	19.1	19.1
Cash on deposits	-	-	27.8	27.8
Short term debt	(106.5)	(106.5)	(0.8)	(0.8)
Long term debt	(356.6)	(356.6)	(416.0)	(416.0)
Total net debt	(416.3)	(416.3)	(369.9)	(369.9)
Forward currency contracts	-	(1.0)	-	-
Total financial instruments	(416.3)	(417.3)	(369.9)	(369.9)

d) Hedging

The Group enters into forward contracts for the purchase and/or sale of foreign currencies in order to manage its exposure to fluctuations in currency rates.

At December 31 2008 the Group sold Euro 6.2m, forward for Sterling. The unrecognised loss on the contract amounted to £1.0m which will be recognised during the year ending 31 December 2009.

e) Currency exposure

The Group does not hedge the translation of its overseas profits, although it does mitigate currency effects by applying average exchange rates each year.

Gains and losses arising on net overseas investments are recognised in the statement of total recognised gains and losses.

f) The Group has no financial assets, excluding short term debtors, other than cash at bank and in hand.

As permitted by FRS 13, the short term debtors and creditors have been excluded from the disclosures, other than currency disclosures.

31. POST BALANCE SHEET EVENT

On 29 July 2009, the group headed by Hamsard 3054 Limited, completed a refinancing exercise comprising:

(i) the release of capitalised and accrued interest owing under the bridge facilities agreement and principal and interest due under the loan note instrument, as set out in note 16, in consideration of the issue of A ordinary preference shares, B ordinary preference shares, D ordinary shares and an E ordinary share to the Bank of Scotland plc; and

(ii) the satisfaction of principal monies and all other sums/liabilities owing under the bridge facility, as set out in note 16, in consideration of the issue of new junior secured subordinated loan notes to the Bank of Scotland plc, repayable 2015.