

Heywood Williams Group PLC
Interim Report 2005



HIGHLIGHTS

RESULTS FROM CONTINUING OPERATIONS

- Turnover up 2% to £123.7 million (2004: £121.4 million)
- Profit before tax and non operating exceptional items up 17% to £4.8 million (2004: £4.1 million)
- LaSalle Bristol increased sales by 10% to £79.3 million, operating profit to £2.7 million
- Hardware Division sales £44.4 million, with operating profit of £2.1 million
- Diluted earnings per share before non operating exceptional items up 10% to 4.5p (2004: 4.1p)

DISCONTINUED OPERATIONS

- £3.1 million trading loss from Plastic Systems, £18.3 million asset write down

RECENT DEVELOPMENTS

- Group now focused on the design, development, marketing and distribution of branded building products
- Two year restructuring process complete – all remaining businesses profitable
- Successful disposal of Plastic Systems finalised rapidly – £3.0 million cash consideration, £17 million balance sheet provisions released
- Additional volume of Manufactured Housing and Recreational Vehicles resulting from Hurricane Katrina still being determined by US recovery agencies

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INTERIM REPORT FROM THE CHAIRMAN

BACKGROUND

Management took decisive action to restructure Heywood Williams in the first half of 2005. The Group is now focused on the design, development, marketing and distribution of branded building products. The future focus for the Group is to continue the development of its market leading businesses, LaSalle Bristol in North America and the Hardware Division in the UK and Europe, while seeking further selective growth opportunities that complement the Group's strategic focus.

Following the completion of an in depth strategic review of the Plastic Systems Division, this business was rapidly sold, with the sale completed on 13 September. The successful sale of Plastic Systems (and the associated removal of certain product rectification liabilities and obligations) completes the overall restructuring of Heywood Williams. All of the Group's continuing businesses are profitable.

2005 INTERIM RESULTS

The 2005 Interim Results and the 2004 comparisons are presented in this report under the new IFRS accounting standards. Plastic Systems is reported as a discontinued business.

Group profit from continuing operations, before taxation and non operating exceptionals, increased by 17.1 % to £4.8 million (H1 2004: £4.1 million) on turnover of £123.7 million (H1 2004: £121.4 million). Exceptional items increased profit before taxation from continuing operations to £5.6 million (2004: £4.1 million).

Discontinued operations incurred a loss of £22.6 million (H1 2004: £0.7 million), which included an exceptional charge of £18.3 million associated with the write down of Plastic Systems assets and £3.1 million of trading losses from Plastic Systems and related businesses.

Diluted earnings per share from continuing operations, before non operating exceptionals, were up 9.8% at 4.5 pence (2004: 4.1 pence) and diluted earnings per share, before goodwill impairment and exceptional items were 0.1 pence (2004: 2.6 pence).

The increase in net borrowings in the first half of 2005 was £9.4 million, of which £8.5 million related to discontinued operations. Working capital levels in the continuing operations increased by £7.0 million linked to increased activity levels in LaSalle Bristol and normal seasonal activity increases.

The disposal of the Plastic Systems Division significantly enhances the quality of earnings of the continuing Group and improves its cash flow on an ongoing basis. At completion, the net cash proceeds arising from the Disposal are expected to be £1.2 million (after estimated expenses of £1.8 million), which will be used primarily to fund a one-off contribution to the Group's defined benefit pension scheme of £1.0 million. The Disposal is not expected to result in any tax liabilities.

Following the disposal of the Plastic Systems businesses, the Group will continue to be responsible for several leased properties which were previously used in the Plastic Systems businesses. An exercise is currently under way to assess the additional provisions required in respect of these surplus properties. Whilst these properties and related charges relate to the discontinued operations, IFRS accounting rules require such provisions to be included as operating charges against the continuing operations in the second half of 2005.

INTERIM REPORT FROM THE CHAIRMAN CONT...

2005 INTERIM RESULTS CONT...

In the 2005 Group Report and Accounts, a columnar disclosure approach will be used to illustrate that such costs are linked to the decision to dispose of the Plastic Systems operations.

In common with many other UK companies, the Group has a deficit in its defined benefit pension schemes which under IAS19 is currently £29.2 million. Currently, an additional annual contribution of £1.65 million has been paid into the fund since 2003. This position is kept under review by the Board.

The Board has not declared an interim dividend (2004: nil). The Board recognises the importance of dividends to shareholders and will seek to re-establish a dividend once it is satisfied that dividend payments can be prudently covered from the underlying operating cash flow of the Group. The Board is examining ways to restructure the balance sheet of the Group to ensure sufficient distributable reserves are available to enable future dividends to be paid, when the Board deems it appropriate.

2005 INTERIM REVIEW OF OPERATIONS

During the first half of 2005, the Board decided that, going forward, the Group will be focused on the design, development, marketing and supply of branded building product solutions for its customers. Heywood Williams has market leading positions with high market shares in the North American manufactured housing, recreational vehicle (motor homes/caravans) and modular housing markets and in the supply of hardware and door panels for the UK and European window, door and conservatory fabrication markets.

The key achievements in the continuing businesses during the first half of 2005 are summarised below:

LaSalle Bristol: North America

In North America, LaSalle Bristol is a leading supplier of building products, especially floor coverings, plumbing products and air flow systems, to the manufactured housing, recreational vehicle and modular housing markets. LaSalle Bristol has industry wide sales penetration and comprehensive distribution facilities across North America. It is the North American market leader in its markets.

- In North America, the manufactured housing market, which accounts for approximately 65% of LaSalle Bristol's sales, increased by 3% compared to the first half of 2004. The recreational vehicle market in North America, which accounts for approximately 25% of LaSalle Bristol's sales, was flat for the period.
- LaSalle Bristol increased sales by 10% to £79.3 million by increasing its penetration of all three markets.
- Operating profits increased to £2.7 million due, in part, to selective pre-buying of products ahead of price increases.
- During the period, LaSalle Bristol successfully launched a new range of plumbing products and also increased its global product sourcing.
- The scope and implications of the Hurricane Katrina disaster are still emerging both in relation to the housing of displaced people and the overall impact on the American economy. Manufactured housing and recreational vehicles provide fast, effective disaster housing solutions. The extent of additional production and its timing are currently being determined by the appropriate disaster recovery agencies in the US.

The five year outlook for LaSalle Bristol's core markets is encouraging. Industry commentators expect the manufactured housing market in North America to grow from its current level of 130,000 units per annum to over 160,000 units per annum by 2010. It is expected that this growth will be driven by the combination of wider recognition by consumers and developers that manufactured housing offers an attractive entry level housing solution for consumers and reduced repossessions.

Long term trends in recreational vehicle sales are closely correlated to the growth in the 45–74 year old consumer group and increasing disposable income per capita. Total recreational vehicle output hit a new recent record of 371,000 units in 2004. Industry analysts predict that the average annual growth rate over the next five years will be 3–4%, but that there could be a short term reduction in demand from the 2004 peak in the second half of 2005.

Hardware Division: UK/Europe

The Group's Hardware Division in UK/Europe supplies hardware and door panels primarily for PVC windows, doors and conservatories. The Hardware Division has strong market leading positions in the UK, Ireland, Denmark and the Baltic States.

→ The UK PVC window, door and conservatory market was adversely affected by reduced consumer spending during the first six months of 2005 and this trend continues. There are no authoritative industry statistics on the whole sector, but the industry view is that the market is down approximately 15% compared to 2004.

- Overall sales in the Division reduced 10% to £44.4 million due to the decline in the UK market combined with the loss of the Coldseal volume, partially offset by positive sales growth in Europe.
- Excluding the Coldseal impact, Mila (UK), Door Panels and Window Ware all increased market share in the first half.
- Sales in Europe increased by 19% to £17.7 million and now account for 40% of Divisional sales.
- Despite further cost reductions, operating profits declined by 22% to £2.1 million due primarily to the reduction in sales.
- Closure of the Daventry hardware manufacturing facility and other cost reductions were completed as planned.

The long term outlook for the markets in which the Hardware Division operates is encouraging.

It is anticipated that the UK market will remain significant for the Group and that from a hardware perspective, potential market saturation in replacement PVC windows and doors will be offset by growth in conservatories and some replacement of older first generation PVC windows and doors.

The market available to the Division in Scandinavia will increase as the Garant™ range of hardware for timber and timber/aluminium windows is rolled out across the region. Further growth is also anticipated in the Baltics due to both local demand for improved housing stock and from the Baltics becoming an export centre for PVC windows and doors for the Scandinavian markets.

2005 INTERIM REVIEW OF OPERATIONS CONT...

Plastic systems sale completes restructuring of the Group

Plastic Systems was successfully and rapidly sold for a cash consideration of £3 million and an assumption by the purchaser of certain product rectification liabilities and obligations. This means that the balance sheet provisions of approximately £17 million, which reflect the possibility of future cash outflows, are now no longer required. This is an excellent outcome for the Group as it eliminates potential future operating losses and also removes the significant future potential cash outflows associated with product rectification. It is also a very satisfactory outcome for the employees of Plastic Systems, as continuity of employment has been maintained.

GROUP NOW FOCUSED ON ITS CORE SPECIALIST DISTRIBUTION BUSINESSES

The overriding objective for the Board over the last two years has been to successfully restructure the Group following the very serious difficulties encountered in 2003. During the first half of 2005, the Board concluded that the Plastic Systems Division was not core to the future development of the Group. The Board believes that the successful and rapid disposal of Plastic Systems completes the restructuring of the Group and that the Group now has the capability and expertise to grow by both developing the existing businesses and also seeking further related growth opportunities.

The restructuring programme has delivered considerable results over the last two years. Key highlights include:

- The market strengths and business development opportunities associated with LaSalle Bristol and the Hardware Division were recognised and the Group was

refocused around these building product solution businesses.

- Following the disposal of Plastic Systems, all the businesses in the Group will be profitable. This compares to eight loss making businesses in the first half of 2003 which ran up combined losses of £7.7 million during that period.
- The disposal of Plastic Systems also removes a business which consumed over £15 million of net cash over the last four years.
- Average borrowings in the first half of 2005 were £5 million compared to £59 million in the first half of 2003.
- Overall headcount across the Group has been reduced by over 60% in the two years by selective business disposals and cost reduction initiatives.
- Total Group Head Office costs have been reduced by over 50% since 2003 to £1.6 million in the first half of 2005.

GOING FORWARD

The Group's main businesses, namely LaSalle Bristol in North America and the Hardware distribution businesses in the UK and Europe, are very similar both in the type of bespoke solutions they provide for their customers and how they operate in their markets. Both businesses are market leaders, they source globally, offer branded building product solutions to their customers and distribute a full range of building products both nationally and internationally. Both businesses have earned a reputation for innovation and successfully developing new ranges of products for their customers.

The Group has sound future development opportunities. The core development themes across the Group will be to:

- Grow sales by using our market leading positions as core markets start to grow (e.g. manufactured housing in North America) and by continuing successfully to introduce new products.
- Reduce costs and improve service further by expanding global sourcing and increasing the speed at which new products come to market.
- Further develop late stage production operations with higher margins which provide customers with products which, by their nature, need to be manufactured or finished close to the customer's facilities.
- Use the Group's capability and expertise to grow by making selective acquisitions either to directly expand its existing businesses, or to add other branded building product solutions to the Group.

OUTLOOK

The UK market for PVC windows, doors and conservatories is expected to remain subdued for the remainder of 2005 and into 2006. In North America, the manufactured housing market is expected to grow modestly in 2005, whilst the recreational vehicle market may be slightly below the record high of 2004. Excluding the impact of Hurricane Katrina, modest underlying growth is anticipated for both markets in 2006. The additional volume of manufactured housing and recreational vehicles expected to be required in response to the Hurricane Katrina disaster in 2005 and 2006 is still being determined by the Government agencies charged with recovery.

The Group is now focused on the design, development, marketing and supply of branded building product solutions with strong and experienced management teams in place. The objectives for the remainder of 2005 are to continue to reduce costs and grow market share in the UK while driving new product introductions at LaSalle Bristol and in the Hardware Division and also progressing future growth opportunities for the Group. The Group continues to trade in line with its plans.



ROGER BOYES
Chairman
15 September 2005

CONSOLIDATED INCOME STATEMENT

Six months ended 3 July 2005

	Note	Half year 2005 £m	Half year 2004 Restated £m	Full year 2004 Restated £m
Continuing operations				
Turnover	2	123.7	121.4	249.5
Costs and overheads excluding exceptionals		(118.9)	(117.1)	(240.9)
Income from associates		0.3	0.4	0.7
Operating profit before exceptional items	2	5.1	4.7	9.3
Operating exceptional items	4	—	—	(2.1)
Operating profit	2	5.1	4.7	7.2
Non-operating exceptional items	4	0.8	—	—
Interest payable		(0.6)	(1.7)	(2.8)
Interest receivable		0.3	1.1	1.9
Profit on ordinary activities before taxation		5.6	4.1	6.3
Taxation	5	(1.2)	(0.9)	(1.8)
Profit attributable to members of the parent company				
Continuing		4.4	3.2	4.5
Discontinued	3	(22.6)	(0.7)	(18.3)
(Deficit)/profit for the period		(18.2)	2.5	(13.8)
Earnings per ordinary share – continuing operations				
Basic	6	5.7p	4.1p	5.8p
Diluted	6	5.6p	4.1p	5.8p
Diluted, excluding exceptional items	6	4.5p	4.1p	8.5p
(Loss)/earnings per ordinary share – all operations				
Basic	6	(23.2p)	3.1p	(17.5p)
Diluted	6	(22.7p)	3.1p	(17.4p)
Diluted, excluding goodwill impairment and exceptional items	6	0.1p	2.6p	4.4p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Six months ended 3 July 2005

	Half year 2005 £m	Half year 2004 Restated £m	Full year 2004 Restated £m
Currency translation differences on foreign investments	3.4	(2.2)	(4.8)
Currency translation differences on foreign currency hedges	(3.4)	1.8	4.2
Pension (loss)/gain	(1.4)	2.8	(3.2)
Deferred tax on pension (gain)/loss	0.4	—	—
Net (expense)/income recognised directly in equity	(1.0)	2.4	(3.8)
(Loss)/profit for the period	(18.2)	2.5	(13.8)
Total recognised income and expense in the period	(19.2)	4.9	(17.6)

CONSOLIDATED BALANCE SHEET

At 3 July 2005

	Note	Half year 2005 £m	Half year 2004 Restated £m	Full year 2004 Restated £m
Assets				
Non current assets				
Property, plant and equipment		11.2	42.4	36.8
Goodwill and intangible assets		0.2	19.2	0.3
Investment properties		—	2.4	—
Other investments		0.3	1.1	0.3
Interests in associates		2.5	3.1	3.2
Deferred income tax asset		4.7	7.3	4.1
Financial fixed assets	7	99.8	91.5	93.5
		118.7	167.0	138.2
Current assets				
Inventories		40.2	50.1	45.3
Trade and other receivables		29.0	57.2	40.3
Held for sale	3	26.5	—	—
Cash and cash equivalents		4.7	9.2	7.6
		100.4	116.5	93.2
Total assets		219.1	283.5	231.4
Equity and liabilities				
Equity attributable to equity holders of the parent company				
Called up share capital		19.6	19.6	19.6
Share premium account		7.2	7.2	7.2
Other reserves		7.9	8.1	7.9
Retained earnings		(24.7)	16.4	(5.8)
Own shares		(0.1)	(0.1)	(0.1)
		9.9	51.2	28.8
Non current liabilities				
Retirement benefit obligations	7	129.0	115.0	122.0
Provisions		3.2	30.1	26.3
Deferred income tax liabilities		1.8	3.9	1.8
Held for sale	3	20.3	—	—
		154.3	149.0	150.1
Current liabilities				
Borrowings		9.9	15.6	3.4
Trade and other payable		34.0	67.7	49.1
Held for sale	3	11.0	—	—
		54.9	83.3	52.5
Total equity and liabilities		219.1	283.5	231.4

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 3 July 2005

	Half year 2005 £m	Half year 2004 Restated £m	Full year 2004 Restated £m
Cash flows from operating activities			
Cash generated by operations	(11.8)	11.8	9.0
Net corporation tax received/(paid)	1.0	—	(2.9)
Net cash (outflow)/inflow from operating activities	(10.8)	11.8	6.1
Investing activities			
Interest paid	(0.6)	(1.8)	(2.1)
Interest received	0.3	0.9	0.9
Purchase of intangible fixed assets	(0.1)	—	(0.1)
Purchase of tangible fixed assets	(2.0)	(2.2)	(3.9)
Sale of tangible fixed assets	0.9	0.1	0.1
Other investments	—	—	0.6
Disposal of subsidiary undertakings and businesses	2.6	2.4	20.0
Net cash flow from investing activities	1.1	(0.6)	15.5
Financing activities			
Forward exchange contract hedging	0.2	1.0	1.2
Additional loans	6.5	—	2.0
Repayment of loans	—	(21.6)	(36.1)
Net cash flow from financing activities	6.7	(20.6)	(32.9)
Net movement in cash and cash equivalents	(3.0)	(9.4)	(11.3)
Net movement in debt	(6.5)	21.6	34.1
Movement in net debt resulting from cash flows			
Exchange fluctuations	0.1	(0.2)	(0.2)
Movement in net debt	(9.4)	12.0	22.6
Opening net funds/(debt)	4.2	(18.4)	(18.4)
Closing net (debt)/funds	(5.2)	(6.4)	4.2

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND GENERAL INFORMATION

The Group previously prepared its primary financial statements under UK GAAP. From 2005 the Group is required to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union. For the purpose of this document the term IFRS includes International Accounting Standards.

The Group is required to apply all relevant standards in force at the reporting date, for this Group 31 December 2005, as a consequence these results have been prepared on the basis that all IFRS and IFRIC interpretations, in particular the recently amended versions of IAS 19 “Employee benefits” and IAS 39 “Financial instruments: recognition and measurement” will be adopted by the European Commission. The failure of the European Commission to adopt these amended standards in time for the full financial reporting in 2005, the issue of further interpretations by IFRIC in advance of the reporting date, or the development of other accepted practice, could result in the need to change certain financial information from that presented in this document.

The Group issued an announcement on 5 May 2005 entitled “IFRS Update”. This document can be viewed on the Group’s website, www.heywoodwilliams.com.

The IFRS Update includes a description of the significant accounting policies to be adopted under IFRS. These interim financial statements have been prepared using those accounting policies and methods of computation.

The reconciliations of equity at 1 January 2004, the date of transition to IFRS, 30 June 2004 and 31 December 2004 along with restated Income Statements and Cash Flows Statements for the period to 30 June 2004 and the year ended 31 December 2004, are included in the IFRS Update announcement.

From 1 January 2005 the Group applies IAS 32 and IAS 39 in relation to financial instruments. As permitted under IFRS 1, management has elected not to restate comparative information under IAS 32 and IAS 39. No restatement of the opening balance sheet of 1 January 2005 has been recorded as the impact of applying the standard on that date is negligible.

The comparative information in these interim statements for the half year ended 30 June 2004 and the full year ended 31 December 2004 have been restated from that included in the IFRS Update to reflect the current split of operations between continuing and discontinued.

The information for the year ended 31 December 2004 and the interim financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts (reported under UK GAAP) for the year ended 31 December 2004 has been filed with the Registrar of Companies and the auditors’ report on those accounts was unqualified.

2. SEGMENTAL ANALYSIS

For management purposes, the Group is currently organised into two continuing operating Divisions – Hardware and LaSalle Bristol. These Divisions are the basis upon which the Group reports its ongoing primary segment information.

Principal activities are as follows:

Hardware

The Hardware Division is a leading supplier of hardware and door panels primarily for PVC doors, windows and conservatories, in the UK, Ireland, the Netherlands, Denmark, Scandinavia and the Baltic States.

LaSalle Bristol

LaSalle Bristol is a leading supplier of building products to the manufactured housing, recreational vehicle and modular housing markets in North America.

Discontinued operations comprise the Bristolpipe (US) and Fabrication (UK) segments, which were disposed of in 2004, and Clayton Glass (UK Hardware), which was disposed of in early 2005.

The Plastic Systems segment, along with Spectus Poland and Spectus Slovakia from the Hardware segment, are classified as discontinued following the decision to dispose of these businesses, which was announced on 1 July 2005.

Segment information on these primary segments is presented below:

Continuing operations

	Half year 2005	Half year 2004 Restated	Full year 2004 Restated
	£m	£m	£m
Turnover			
LaSalle Bristol	79.3	72.3	150.4
Hardware	44.4	49.1	99.1
Continuing external turnover	123.7	121.4	249.5
Operating profit			
LaSalle Bristol	2.7	1.6	4.4
Hardware	2.1	2.7	4.2
	4.8	4.3	8.6
Income from associates	0.3	0.4	0.7
Operating profit before exceptional items	5.1	4.7	9.3
Operating exceptional items – Hardware	—	—	(2.1)
Operating profit	5.1	4.7	7.2

2. SEGMENTAL ANALYSIS CONT...

Discontinued operations

	Half year 2005	Half year 2004 Restated	Full year 2004 Restated
	£m	£m	£m
Turnover			
Plastic Systems	28.5	32.4	63.5
Clayton Glass, Spectus Poland and Slovakia*	3.4	4.3	9.8
Bristolpipe	—	35.9	42.6
Fabrication	—	1.7	1.7
Inter-segment turnover	(1.7)	(1.5)	(3.8)
Discontinued external turnover	30.2	72.8	113.8
Operating profit			
Plastic Systems	(2.8)	(1.5)	(4.1)
Clayton Glass, Spectus Poland and Slovakia*	(0.3)	(0.1)	0.2
Bristolpipe	—	1.8	2.5
Fabrication	—	(0.5)	(0.5)
Operating profit before exceptional items	(3.1)	(0.3)	(1.9)
Goodwill impairment	—	—	(14.4)
Operating exceptional items	(18.3)	—	0.7
Operating loss	(21.4)	(0.3)	(15.6)

*All formerly part of the Hardware Division.

Note 3 contains detailed information on the discontinued operations.

Inter-segment turnover is transacted at prevailing market prices.

3. DISCONTINUED OPERATIONS

The discontinued operations comprise Plastic Systems, Spectus Poland and Spectus Slovakia (Hardware), Clayton Glass (Hardware), the Fabrication (UK) segment businesses and Bristolpipe (US). At 3 July 2005, Plastic Systems, Spectus Poland and Spectus Slovakia have been classified as a disposal group held for sale and therefore have also been included within the Group's discontinued operations.

NOTES ON THE FINANCIAL STATEMENTS CONT...

3. DISCONTINUED OPERATIONS CONT...

The results of the discontinued operations are set out in the table below:

	Half year 2005	Half year 2004 Restated	Full year 2004 Restated
	£m	£m	£m
Discontinued operations			
Turnover	30.2	72.8	113.8
Costs and overheads excluding goodwill and exceptional items	(33.3)	(73.1)	(115.7)
Operating loss excluding goodwill and exceptional items	(3.1)	(0.3)	(1.9)
Goodwill impairment	—	—	(14.4)
Operating exceptional items	(18.3)	—	0.7
Operating loss	(21.4)	(0.3)	(15.6)
Non-operating exceptional items	(0.8)	0.3	(0.8)
Interest – discounting on provisions	(0.4)	—	(0.4)
Loss on ordinary activities before taxation	(22.6)	—	(16.8)
Taxation	—	(0.7)	(1.5)
Loss attributable to members of the parent company	(22.6)	(0.7)	(18.3)

4. EXCEPTIONAL ITEMS AND GOODWILL IMPAIRMENT

There are no operating exceptional items relating to the continuing operations in 2005. The £2.1 million full year 2004 operating exceptional charge related to debt and unique stock write-offs due to the failure of Coldseal, a major customer, and related cost mitigation plans, which were primarily headcount reductions and the closure of the hardware manufacturing facility at Daventry.

The 2005 operating exceptional charge of £18.3 million relates to the discontinued operations and comprises an impairment charge of £11.9 million and further write down to fair value less cost to sell of the assets held for sale in the Plastic Systems disposal group of £6.4 million, with both write downs being against tangible fixed assets. The 2004 full year credit of £0.7 million comprises a release of £2.4 million from the warranty provision relating to the legacy product rectification issue and resulted primarily from reduced future obligations in respect of potential claims which had previously been specifically provided for, less charges of £1.7 million relating to the debt, unique stock and cost mitigation plans following the failure of Coldseal.

The 2005 continuing non-operating exceptional profit of £0.8 million relates to the disposal of part of an interest in an associated undertaking.

The 2005 discontinued non-operating exceptional charge of £0.8 million relates primarily to losses on the sale of Clayton Glass. The 2004 discontinued non-operating exceptional items relate to profits and losses on the second half disposal of Bristolpipe and the first half disposals of the remaining two Fabrication operations, Coastal and Cestrum Conservatories.

In 2004, the goodwill impairment charge of £14.4 million related to the Plastic Systems business. The impairment resulted from a detailed reassessment of the future prospects of the business following the failure of Coldseal.

5. TAX

The taxation charge has been calculated at the current estimated tax rate for the year.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Half year 2005 £m	Half year 2004 Restated £m	Full year 2004 Restated £m
Earnings – continuing operations			
Earnings attributable to members of parent company	4.4	3.2	4.5
Adjusted for exceptional items	(0.8)	—	2.1
Adjusted earnings	3.6	3.2	6.6
Earnings – all operations			
Earnings attributable to members of parent company	(18.2)	2.5	(13.8)
Adjusted for exceptional items and goodwill impairment	18.3	(0.3)	16.6
Adjusted earnings	0.1	2.2	2.8
	Number '000	Number '000	Number '000
Number of shares			
Weighted average number of ordinary shares – basic	78,350	78,316	78,326
Effect of dilutive potential ordinary shares	1,897	—	419
Weighted average number of ordinary shares – diluted	80,247	78,316	78,745

7. PENSIONS

The pensions deficit comprises:

	Half year 2005 £m	Half year 2004 Restated £m	Full year 2004 Restated £m
Financial fixed assets	99.8	91.5	93.5
Retirement benefit obligations	(129.0)	(115.0)	(122.0)
Pension liability before deferred tax	(29.2)	(23.5)	(28.5)
Related deferred tax asset	1.4	1.0	1.0
Net pension liability	(27.8)	(22.5)	(27.5)

8. INTERIM REPORT

A copy of the Interim Report will be despatched to shareholders on Wednesday 21 September 2005 and details will also be available on the Company's website, www.heywoodwilliams.com. Copies of the Interim Report will also be available to the public at Waverley, Edgerton Road, Huddersfield, West Yorkshire HD3 3AR, the registered office of the Company.

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