

Bowater Building Products Limited

(Formerly Squareblack Limited)

Report And Accounts

For The Period 30 March 2004 To 31 December 2004

Registered Number: 5088708



Bowater Building Products Limited (formerly Squareblack Limited)

DIRECTORS' REPORT

The Company was incorporated on 30 March 2004. The Directors present their first report and accounts for the period 30 March 2004 to 31 December 2004.

Results and Dividends

The Directors are pleased to report an Operating Profit, for the period since trading commenced, of £2,857,000 after amortisation of goodwill of £232,000. After tax and interest, the net profit for the period amounted to £2,546,000, which will be transferred to reserves. The Directors do not recommend payment of a dividend.

Principal Activity and Review of the Business

The principal activity of the Company during the period was the extrusion, distribution and sale of PVCu profiles and the manufacture, distribution, installation and sale of double-glazed windows, door units and related products. On 29 May 2004, the Company commenced to trade following its acquisition of the Commercial businesses of Bowater Windows Limited.

Likely Future Developments

The Company will continue the principal activity.

Incorporation/Ultimate Parent Undertaking

The Company was incorporated on 30 March 2004 with the name Squareblack Limited. The name of the Company was changed on 26 May 2004 to Bowater Building Products Limited.

On 29 May 2004 the Company was acquired by Bowater Windows Limited and on the same day the trade and assets of the Commercial Division of Bowater Windows Limited were acquired by the Company for £23,500,000, which was settled by the issue of shares to Bowater Windows Limited.

Later on 29 May 2004 the ultimate parent undertaking at that time, Squareblack Limited (formerly Bowater Building Products Limited) was acquired by Squarebeige Limited, which became the ultimate parent undertaking. On 30 May 2004 Squarebeige Limited sold Squareblack Limited (formerly Bowater Building Products Limited) to Squarepink Limited.

On 30 May 2004, all shares in the Company were sold by Bowater Windows Limited to Squarepink Limited, which became and remains the ultimate parent undertaking.

Directors

The Directors of the Company during the period were as follows:

Ingleby Holdings Limited (appointed 30 March 2004, resigned 29 May 2004)

E Patterson (appointed 29 May 2004)

NJ Richmond (appointed 29 May 2004)

KN Franklin (appointed 29 May 2004)

PWG Duguid (appointed 29 May 2004)

All Directors were also directors of Squarepink Limited at the year end, and their interests in its share capital are disclosed in the financial statements of that company.

Bowater Building Products Limited (formerly Squareblack Limited)

DIRECTORS' REPORT

Auditors

The Directors appointed Ernst & Young LLP as the first auditors of the Company to hold office until the conclusion of the first general meeting of the Company. Elective resolutions pursuant to s379A of the Companies Act 1985 to dispense with the requirements to lay accounts before the Company in general meetings, to hold annual general meetings and to appoint auditors annually were passed on 20 September 2004.

Share Capital

The original authorised and issued share capital was £2, made up of 2 ordinary shares of £1 each issued at par. On 29 May 2004 a further 2 ordinary shares of £1 each were issued to Bowater Windows Limited for £23,500,000.

By order of the Board



T J Clark
Secretary

27 April 2005

Bowater Building Products Limited (formerly Squareblack Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those 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;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue to do 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. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOWATER BUILDING PRODUCTS LIMITED (formerly Squareblack Limited)

We have audited the Bowater Building Products Limited Financial Statements for the period ended 31 December 2004, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 24. These Financial Statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the 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 of the state of affairs of the Company as at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP

Registered Auditor

Birmingham

27 April 2005

Bowater Building Products Limited (formerly Squareblack Limited)

PROFIT AND LOSS ACCOUNT for the period ended 31 December 2004

		<i>31 week period ended 31 December 2004 £000</i>
	<i>Notes</i>	
TURNOVER	3	38,189
Operating charges	4	(35,332)
OPERATING PROFIT		<u>2,857</u>
 Interest payable	7	(16)
Bank interest receivable		140
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,981</u>
Tax on profit on ordinary activities	8	(435)
NET PROFIT FOR THE PERIOD	20	<u><u>2,546</u></u>

All activities in the period relate wholly to continuing activities.

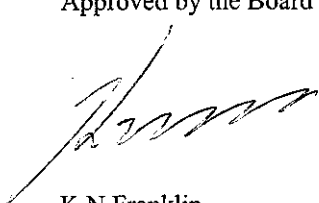
Bowater Building Products Limited (formerly Squareblack Limited)

BALANCE SHEET

at 31 December 2004

	<i>Notes</i>	<i>2004</i> <i>£000</i>
FIXED ASSETS		
Intangible assets	9	7,319
Tangible assets	11	11,349
		18,668
CURRENT ASSETS		
Stocks	12	6,538
Debtors	13	11,386
Cash at bank and in hand		8,016
		25,940
CREDITORS: amounts falling due within one year	14	(18,322)
NET CURRENT ASSETS		7,618
TOTAL ASSETS LESS CURRENT LIABILITIES		26,286
CREDITORS: amounts falling due after more than one year	14	(62)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(178)
		26,046
CAPITAL AND RESERVES		
Called up share capital	19	-
Reserves	20	26,046
EQUITY SHAREHOLDERS' FUNDS		26,046

Approved by the Board



K. N. Franklin
Director

27 April 2005

Bowater Building Products Limited (formerly Squareblack Limited)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 December 2004

	<i>2004</i>
	<i>£000</i>
Profit for the period and total gains recognised	2,546

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2004</i>
	<i>£000</i>
Proceeds of shares issued – Share Premium	23,500
Profit for the period	2,546
Closing shareholders' funds	26,046

Bowater Building Products Limited (formerly Squareblack Limited)

NOTES TO THE ACCOUNTS

for the period ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention, in accordance with applicable accounting standards.

Cash Flow Statement

The Company has taken advantage of the exemption under FRS1 not to prepare a cashflow statement as its ultimate parent undertaking, Squarepink Limited, has prepared in its report and accounts a consolidated cash flow statement in accordance with FRS1.

Goodwill

Positive goodwill arising on acquisitions, representing the excess of the fair value of the consideration over the fair values attributed to the Company's share of identifiable net assets acquired, is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful economic life of 20 years. It 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.

Turnover

Turnover is defined as the net amount receivable (excluding VAT) for goods supplied and services provided and includes sales to fellow subsidiary undertakings.

Depreciation

Depreciation is calculated to write-off the book value of tangible assets over their expected lives by equal annual instalments, except that depreciation is not provided on freehold land or assets under construction.

Tangible assets are depreciated at the following rates:

Freehold buildings	-	2%
Long leasehold property	-	2%
Short leasehold property	-	life of lease
Plant, machinery and vehicles	-	10% to 50%

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale: purchase cost on a first-in, first-out basis

Work in progress and finished goods: cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to completion and disposal.

Bowater Building Products Limited (formerly Squareblack Limited)

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing

Assets held under finance leases are leases where substantially all the risks and rewards of ownership of the asset have passed to the group. Assets are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the period of the lease, and represent a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged in the profit and loss account as incurred.

Pensions

The Company operates a money purchase pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent undertaking is Squarepink Limited, a company incorporated in England and registered in England and Wales. The results of Bowater Building Products Limited have been included in the group accounts, copies of which can be obtained from Squarepink Limited, 4 Hockley Court, 2401 Stratford Road, Hockley Heath, Solihull, West Midlands, B94 6NW.

3. TURNOVER

All of the Company's turnover and profit before taxation arises from the manufacture, distribution and sale of double-glazed windows, conservatories, extruded PVCu profile, door units and related products and all of the Company's operating assets are used for this purpose. All turnover arises from UK operations and is sold into the United Kingdom and Ireland.

Bowater Building Products Limited (formerly Squareblack Limited)

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

4. OPERATING PROFIT

	2004
	£000
This is stated after charging/(crediting):	
Decrease in stocks of finished goods and work in progress	(87)
Raw materials	16,719
Employee costs (note 5)	8,294
Depreciation - owned assets	1,299
Depreciation - leased assets	46
Amortisation of goodwill	232
Operating lease rentals - equipment	846
- land and buildings	754
Auditors' remuneration - audit services	34
- other UK services	15
Other operating charges	7,875
Other operating income	(695)
	35,332

5. EMPLOYEES

	2004
	£000
(a) Employee costs:	
Wages and salaries	7,338
Social security costs	631
Other pension costs	325
	8,294
	No.
(b) Number of employees:	
Monthly average number of employees:	
Manufacturing and production	287
Selling and administration	214
	501

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

6. DIRECTORS' EMOLUMENTS

	<i>2004</i> <i>£000</i>
Emoluments	626
Company contributions to money purchase pension schemes	41
Members of the money purchase pension schemes	3
The amounts in respect of the highest paid director are as follows:	
	<i>2004</i> <i>£000</i>
Emoluments	217
Company contributions paid to money purchase pension schemes	nil

7. INTEREST PAYABLE

	<i>2004</i> <i>£000</i>
Finance leases	16

8. TAXATION

	<i>2004</i> <i>£000</i>
Charge for the period: Corporation tax at 30%	323
	323
Deferred taxation - on capital allowances	104
- on other timing differences	8
	435

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

8. TAXATION (CONTD)

The tax assessed for the period ended 31 December 2004 is lower than the standard rate of corporation tax in the UK (30 %). The differences are explained below:

	2004
	£000
Profit on ordinary activities before tax	2,981
Expected charge at UK average tax rate of 30%	894
Effects of:	
Expenses not deductible for tax purposes	93
Capital allowances in excess of depreciation	(104)
Net (increase) in general provisions since acquisition	(7)
Group relief received for nil payment	(553)
Actual charge	323

9. INTANGIBLE FIXED ASSETS

	Goodwill
	£000
Cost:	
Excess of consideration paid over net book value of assets acquired (see note 10)	7,551
Amortised during the period	(232)
At 31 December 2004	7,319

10. ACQUISITION OF NET ASSETS

	£000
Assets acquired from Bowater Windows Limited:	
Fixed Assets	11,699
Stocks	5,092
Debtors	14,210
Creditors	(14,406)
Provisions	(218)
Bank and Cash Balances	(428)
	15,949
Goodwill	7,551
Consideration satisfied by the issue of 2 fully paid shares at a premium	23,500

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

11. TANGIBLE FIXED ASSETS

	<i>Buildings</i> £000	<i>Plant, machinery and vehicles</i> £000	<i>Total</i> £000
Cost:			
Acquired balance	1,377	10,322	11,699
Additions	-	995	995
At 31 December 2004	1,377	11,317	12,694
Depreciation:			
Charge for period	57	1,288	1,345
At 31 December 2004	57	1,288	1,345
Net book value			
At 31 December 2004	1,320	10,029	11,349

Included above are assets held under finance leases with a cost of £731,000 and accumulated depreciation of £46,000.

The net book values of buildings comprise short leaseholds of £1,320,000.

12. STOCKS

	<i>2004</i> £000
Raw materials	1,455
Work in progress and finished goods	5,083
	6,538

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13. DEBTORS

	<i>2004</i> £000
Trade debtors	9,798
Prepayments	1,446
Deferred tax (note 18)	142
Total debtors due within one year	11,386

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

14. CREDITORS

	2004 £000
Amounts falling due within one year:	
Finance lease (note 16)	192
Trade creditors	10,328
Other taxes and social security costs	861
Amount due to parent undertaking	3,441
Amounts due to fellow group undertakings	148
Other creditors	2,047
Corporation tax	746
Fixed asset creditors	559
	18,322
	2004 £000
Amounts falling due after one year:	
Wholly payable within five years	
Finance lease (note 16)	62

15. OBLIGATIONS UNDER OPERATING LEASE CONTRACTS

Operating lease rentals payable in 2005 relate to commitments expiring:

	2004 £000
Land and buildings:	
Within one year	-
Between two and five years	312
After five years	1,101
	1,413
Equipment:	
Within one year	40
Between two and five years	825
After five years	-
	865

16. OBLIGATIONS UNDER FINANCE LEASES

Finance lease instalments are payable as follows:

	2004 £000
Equipment:	
Within one year	192
Between two and five years	62
	254

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

17. PROVISIONS FOR LIABILITIES AND CHARGES

Movements on the provisions during the period were as follows:

	<i>Property</i> <i>£000</i>
Acquired balance	218
Utilised during the period	(58)
Charge for the period	18
Closing balance	<u>178</u>

Property Closure

Provision has been made for onerous rent costs, defined as the excess payable over a normal market rent for the property in question. These costs are expected to be incurred over the next fourteen years.

18. DEFERRED TAX

The deferred tax asset is as follows:

	<i>Capital</i> <i>Allowances</i> <i>£000</i>	<i>Timing</i> <i>Differences</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Balance Acquired	(21)	(233)	(254)
Charge for the period	104	8	112
At 31 December 2004	<u>83</u>	<u>(225)</u>	<u>(142)</u>

The deferred tax asset has been included as it is anticipated that there will be sufficient taxable profits arising in the future to utilise tax losses and offset the reversal of other timing differences.

19. SHARE CAPITAL

	<i>2004</i> <i>£</i>
Ordinary shares of £1 each Authorised	4
Allotted, called up and fully paid	<u>4</u>
Shares issued on incorporation	2
Shares issued on 29 May 2004 to Bowater Windows Limited	2
	<u>4</u>

The shares issued on incorporation were issued at par. The shares issued to Bowater Windows Limited were issued at a premium of £11,749,999 per share.

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the period ended 31 December 2004

20. RESERVES

	<i>Share Premium £000</i>	<i>Profit and loss £000</i>	<i>Total £000</i>
On issue of shares	23,500	-	23,500
Profit for the period	-	2,546	2,546
At 31 December 2004	<u>23,500</u>	<u>2,546</u>	<u>26,046</u>

21. CAPITAL EXPENDITURE COMMITMENTS

	<i>2004 £000</i>
Amounts contracted for but not provided	<u>995</u>

22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred to by FRS8 in that transactions with other group companies are not disclosed. Transactions undertaken with the Squarebeige Group, which has common share ownership, are disclosed in the group accounts prepared by Squarepink Limited.

23. CONTINGENT LIABILITIES

As a member of the Bowater Windows Limited Group for VAT purposes, the Company has joint and several liability for amounts due to Customs and Excise under this arrangement.

Together with its parent undertaking, Squarepink Limited, the Company was a party at the period end, together with Bowater Windows Limited and Squareblack Limited (previously Bowater Building Products Limited) to cross guarantees under group banking arrangements with Barclays Bank PLC.

24. PENSIONS

The Company operates a money purchase pension scheme. Amounts due to the scheme at the period end were £83,000.