

Bowater Building Products Limited

Report And Accounts

31 December 2005

Registered Number: 5088708



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Bowater Building Products Limited

DIRECTORS' REPORT

Results and Dividends

The Directors report an Operating Profit, for the year of £1,908,000 (2004: £2,857,000) after amortisation of goodwill of £381,000 (2004: £232,000) and expenditure in respect of reorganisation costs £629,000 (2004: £nil). After tax and interest, the net profit for the year amounted to £1,920,000 (2004: £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 year 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.

During the year the Company acquired the net assets of Newdawn and Sun Limited. Details of the assets acquired, the amounts paid and the resulting goodwill are shown in notes 9 and 10 to the accounts. The business acquired manufactures conservatory roofs, which expands the Company's product range within the market. During the year the Company also expanded its portfolio of products by investing in a composite door manufacturing facility.

Likely Future Developments

The Company will continue to serve its customers' needs in the public sector, private home improvement and new build markets.

Ultimate Parent Undertaking

The immediate and ultimate parent undertaking is Squarepink Limited

Directors

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

E Patterson
N J Richmond
K N Franklin
P W G Duguid

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.

Employee Involvement

The Directors attach great importance to the maintenance and development of good labour relations and employee involvement and training. The results are discussed at meetings held with senior management and the opportunity is taken to inform them of developments. Employees everywhere are encouraged to be aware of the performance of their business and of the Company as a whole. The diverse nature of the Company's activities places the responsibility for such matters with local management in a manner appropriate to the particular circumstances of each business.

Employee involvement in the Company's profitability is encouraged through locally based bonus and profit related pay schemes and executive bonus schemes.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing

Bowater Building Products Limited

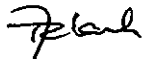
DIRECTORS' REPORT

employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Auditors

Ernst & Young LLP will be re-appointed as company auditor in accordance with an elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



T J Clark
Secretary

21 September 2006

Bowater Building Products 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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOWATER BUILDING PRODUCTS LIMITED

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP

Registered auditor

Birmingham

21 September 2006

Bowater Building Products Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2005

		Year ended 31 December 2005 £000	31 week period ended 31 December 2004 £000
	Notes		
TURNOVER	3	69,561	38,189
Operating charges	4	(66,643)	(35,100)
Operating profit before non-recurring items and amortisation of goodwill		2,918	3,089
Amortisation of goodwill		(381)	(232)
Reorganisation costs		(629)	-
OPERATING PROFIT		1,908	2,857
Interest payable	7	(11)	(16)
Bank interest receivable		93	140
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,990	2,981
Tax on profit on ordinary activities	8	(70)	(435)
NET PROFIT FOR THE YEAR	20	1,920	2,546

All activities in the year relate wholly to continuing activities.

Bowater Building Products Limited

BALANCE SHEET at 31 December 2005

	Notes	2005 £000	2004 £000
FIXED ASSETS			
Intangible assets	9	7,064	7,319
Tangible assets	11	12,534	11,349
		<u>19,598</u>	<u>18,668</u>
CURRENT ASSETS			
Stocks	12	7,180	6,538
Debtors	13	11,411	11,386
Cash at bank and in hand		9,543	8,016
		<u>28,134</u>	<u>25,940</u>
CREDITORS: amounts falling due within one year	14	(18,977)	(18,322)
NET CURRENT ASSETS		<u>9,157</u>	<u>7,618</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,755</u>	<u>26,286</u>
CREDITORS: amounts falling due after more than one year	14	-	(62)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(584)	(178)
Deferred tax	18	(205)	-
		<u>27,966</u>	<u>26,046</u>
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Reserves	20	27,966	26,046
EQUITY SHAREHOLDERS' FUNDS		<u>27,966</u>	<u>26,046</u>

Approved by the Board



K N Franklin
Director

21 September 2006

Bowater Building Products Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2005

	2005 £000	2004 £000
Profit for the year and total gains recognised	1,920	2,546

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
Opening shareholders' funds	26,046	-
Proceeds of shares issued – Share Premium	-	23,500
Profit for the year	1,920	2,546
Closing shareholders' funds	27,966	26,046

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2005

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

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, Unit L, Bourne End Business Park, Cores End Road, Bourne End, SL8 5AS.

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

4. OPERATING PROFIT

	2005	2004
	£000	£000
This is stated after charging/(crediting):		
Decrease in stocks of finished goods and work in progress	(50)	(87)
Raw materials	31,896	16,719
Employee costs (note 5)	14,883	8,294
Depreciation - owned assets	2,266	1,299
Depreciation - leased assets	78	46
Amortisation of goodwill	381	232
Reorganisation costs	629	-
Operating lease rentals - equipment	1,527	846
- land and buildings	1,578	754
Auditors' remuneration - audit services	56	34
- other UK services	-	15
Other operating charges	15,508	7,875
Other operating income	(1,099)	(695)
	<u>67,653</u>	<u>35,332</u>

5. EMPLOYEES

	2005	2004
	£000	£000
(a) Employee costs:		
Wages and salaries	13,139	7,338
Social security costs	1,266	631
Other pension costs	478	325
	<u>14,883</u>	<u>8,294</u>
	No.	No.
(b) Number of employees:		
Monthly average number of employees:		
Manufacturing and production	239	287
Selling and administration	238	214
	<u>477</u>	<u>501</u>

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2005

6. DIRECTORS' EMOLUMENTS

A significant proportion of the emoluments to three of the directors are recharged to a related company, Bowater Home Improvements Limited. The gross amounts in respect of those Directors are reflected above since it is not possible to identify specifically the amounts recharged by the Company. Prior year amounts reflect a 31 week period.

	2005 £000	2004 £000
Emoluments	933	626

Company contributions to money purchase pension schemes	73	41
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	2005 No.	2004 No.
Members of the money purchase pension schemes	3	3

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

	2005 £000	2004 £000
Emoluments	274	217
Company contributions paid to money purchase pension schemes	nil	nil

7. INTEREST PAYABLE

	2005 £000	2004 £000
Finance leases	11	16

8. TAXATION

	2005 £000	2004 £000
Charge for the year:		
Corporation tax at 30%	-	323
Adjustments in respect of prior years	(277)	-
	(277)	323
Deferred taxation - on capital allowances	326	104
- on other timing differences	21	8
	70	435

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2005

8. TAXATION (CONTD)

The tax assessed for the year ended 31 December 2005 is lower than the standard rate of corporation tax in the UK (30 %). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	1,990	2,981
Expected charge at UK average tax rate of 30%	597	894
Effects of:		
Expenses not deductible for tax purposes	174	93
Capital allowances in excess of depreciation	(311)	(104)
Net increase in general provisions since acquisition	(36)	(7)
Group relief received for nil payment	(424)	(553)
Actual charge	-	323

9. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost:	
At 1 January 2005	7,551
Addition during the year (see note 10)	126
At 31 December 2005	7,677
Amortisation:	
At 1 January 2005	232
Amortised during the year	381
At 31 December 2005	613
Net book value at 31 December 2005	7,064
Net book value at 31 December 2004	7,319

10. ACQUISITION OF NET ASSETS

	Book Value £000	Adjustment £000	Fair Value £000
Assets acquired from Newdawn and Sun Limited:			
Fixed Assets	57	(27)	30
Stocks	465	(29)	436
Debtors	800	(28)	772
Creditors	(860)	-	(860)
	462	(84)	378
Goodwill	-	126	126
Consideration and costs paid in cash	462	41	504

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2005

11. TANGIBLE FIXED ASSETS

	<i>Buildings</i> £000	<i>Plant, machinery and vehicles</i> £000	<i>Total</i> £000
Cost:			
Opening balance	1,377	11,317	12,694
Additions	-	3,547	3,547
Disposals	-	(50)	(50)
At 31 December 2005	1,377	14,814	16,191
Depreciation:			
Opening balance	57	1,288	1,345
Charge for year	99	2,245	2,344
Disposals	-	(32)	(32)
At 31 December 2005	156	3,501	3,657
Net book value At 31 December 2005	1,221	11,313	12,534
At 31 December 2004	1,320	10,029	11,349

Included above are assets held under finance leases with a cost of £785,000 and accumulated depreciation of £179,000.

The net book values of buildings comprise short leaseholds of £1,221,000.

12. STOCKS

	<i>2005</i> £000	<i>2004</i> £000
Raw materials	346	1,455
Work in progress and finished goods	6,834	5,083
	7,180	6,538

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

13. DEBTORS

	<i>2005</i> £000	<i>2004</i> £000
Trade debtors	9,871	9,798
Prepayments	1,540	1,446
Deferred tax (note 18)	-	142
Total debtors due within one year	11,411	11,386

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2005

14. CREDITORS

	2005	2004
	£000	£000
Amounts falling due within one year:		
Finance lease (note 16)	39	192
Trade creditors	11,771	10,328
Other taxes and social security costs	1,128	861
Amount due to parent undertaking	2,407	3,441
Amounts due to fellow group undertakings	401	148
Other creditors	1,916	2,047
Corporation tax	443	746
Fixed asset creditors	872	559
	<u>18,977</u>	<u>18,322</u>
	2005	2004
	£000	£000
Amounts falling due after one year:		
Wholly payable within five years		
Finance lease (note 16)	-	62
	<u>-</u>	<u>62</u>

15. OBLIGATIONS UNDER OPERATING LEASE CONTRACTS

Operating lease rentals payable in 2006 relate to commitments expiring:

	2005	2004
	£000	£000
Land and buildings:		
Within one year	-	-
Between two and five years	430	312
After five years	1,183	1,101
	<u>1,613</u>	<u>1,413</u>
Equipment:		
Within one year	32	40
Between two and five years	1,120	825
After five years	15	-
	<u>1,167</u>	<u>865</u>

16. OBLIGATIONS UNDER FINANCE LEASES

Finance lease instalments are payable as follows:

	2005	2004
	£000	£000
Equipment:		
Within one year	39	192
Between two and five years	-	62
	<u>39</u>	<u>254</u>

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2005

17. PROVISIONS FOR LIABILITIES AND CHARGES

Movements on the provisions during the year were as follows:

	<i>Property</i> <i>£000</i>	<i>Other</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Acquired balance	178	-	178
Utilised during the year	(9)	(111)	(120)
Charge for the year	219	307	526
Closing balance	<u>388</u>	<u>196</u>	<u>584</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 thirteen years. Provision has also been made in respect of costs to be incurred on a property which is surplus to requirements and where the lease expires at the end of 2006. The other provisions comprise mainly the cost of transferring production facilities between sites in order to reduce ongoing costs in the business.

18. DEFERRED TAX

The deferred tax liability/(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>
Opening balance	83	(225)	(142)
Charge for the year	326	21	347
At 31 December 2005	<u>409</u>	<u>(204)</u>	<u>205</u>

19. SHARE CAPITAL

	<i>2005</i> <i>£</i>	<i>2004</i> <i>£</i>
Ordinary shares of £1 each		
Authorised	4	4
Allotted, called up and fully paid		
Shares issued on incorporation	2	2
Shares issued on 29 May 2004 to Bowater Windows Limited	2	2
	<u>4</u>	<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 year ended 31 December 2005

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	23,500	2,546	26,046
Profit for the year	-	1,920	1,920
At 31 December 2005	23,500	4,466	27,966

21. CAPITAL EXPENDITURE COMMITMENTS

	<i>2005 £000</i>	<i>2004 £000</i>
Amounts contracted for but not provided	339	995

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 year 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 year end were £82,000 (2004: £83,000).