

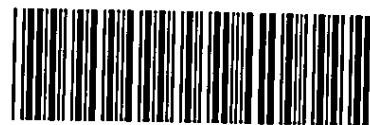
Bowater Building Products Limited

Report And Accounts

31 December 2006

Registered Number 5088708

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Bowater Building Products Limited

DIRECTORS' REPORT

The Directors present their report and Financial Statements for the year to 31 December 2006

Results and Dividends

The Directors report an improved Operating Profit of £2 043 000 for the year (2005 £1,908 000) after amortisation of goodwill of £500 000 (2005 £381,000) and no expenditure in respect of reorganisation costs (2005 £629 000). This result was achieved despite a significant increase in costs for PVC resin during the year.

After tax and interest the net profit for the year amounted to £3 212 000 (2005 £1 920 000) 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, conservatory roofs and related products.

The key figures used by the Directors to manage the business are as follows:

	2006	2005	Change
	£000	£000	%
Turnover	68 450	69 561	-2%
Operating profit	2 043	1 908	+7%
Profit before tax	2 101	1 990	+6%
Profit after tax	3 212	1 920	+67%
Shareholders' funds	31 178	27 966	+11%
Current assets as % of current liabilities	184%	148%	+24%
Average number of employees	484	477	+1%

This year the Company experienced growth in its core extrusion operations in terms of sales and profits but a slight decline in its overall turnover, being mainly due to reduced provision of fabricated products. As a consequence, a decision has been taken since the year end to restructure the factory which serviced this market; a redundancy programme is to be implemented to reduce headcount. A return to sales growth is expected in 2007 despite these issues.

A reassessment of acquired goodwill resulted in an accelerated amortisation amounting to £116 000.

There was a tax credit in 2006 following the finalisation of prior year liabilities and as a consequence of disclaiming capital allowances in the year.

There was strong cash generation in 2006; over 100% of the pre-tax profit for the year was converted into cash.

Bowater Building Products Limited

DIRECTORS' REPORT

Principal Risks and Uncertainties

The cost of restructuring the operations is expected to reduce 2007 operating profits to a level below 2006, but the underlying profitability should continue to improve. As the Company is diversified across a number of sectors in the market, an adverse development in any one is not expected to threaten the overall result significantly.

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.

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Bowater Building Products Limited

DIRECTORS' REPORT

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 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

5 June 2007

Bowater Building Products Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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 judgement and estimate that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare the accounts 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. 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 2006 which comprise Profit and Loss Account, Balance Sheet, Statement of Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 23. 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP

Registered auditor

Birmingham

7 June 2007

Bowater Building Products Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

		2006	2005
	Notes	£000	£000
TURNOVER	3	68 450	69 561
Operating charges	4	(65,907)	(66 643)
Operating profit before non-recurring items and amortisation of goodwill		2 543	2 918
Amortisation of goodwill	4	(500)	(381)
Reorganisation costs	4	-	(629)
OPERATING PROFIT		2 043	1 908
Interest payable	7	(1)	(11)
Bank interest receivable		59	93
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2 101	1 990
Tax on profit on ordinary activities	8	1 111	(70)
NET PROFIT FOR THE YEAR	19	3,212	1 920

All activities in the year relate wholly to continuing activities

Bowater Building Products Limited

BALANCE SHEET at 31 December 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Intangible assets	9	6 564	7 064
Tangible assets	10	11 229	12 534
		<u>17 793</u>	<u>19 598</u>
CURRENT ASSETS			
Stocks	11	6 309	7 180
Debtors	12	10,477	11 411
Cash at bank and in hand		12 209	9 543
		<u>28 995</u>	<u>28 134</u>
CREDITORS amounts falling due within one year	13	(15 705)	(18 977)
NET CURRENT ASSETS		<u>13 290</u>	<u>9 157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>31 083</u>	<u>28,755</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	(248)	(584)
Deferred tax	17	343	(205)
		<u>31 178</u>	<u>27 966</u>
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Share premium account	19	23 500	23 500
Profit and loss account	19	7 678	4 466
EQUITY SHAREHOLDERS' FUNDS		<u>31 178</u>	<u>27 966</u>

Approved by the Board



K N Franklin
Director

5 June 2007

Bowater Building Products Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2006

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Profit for the year and total gains recognised	3 212	1 920

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Opening shareholders funds	27 966	26 046
Profit for the year	3 212	1 920
Closing shareholders funds	31 178	27 966

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

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 2006

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 to 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 to the profit and loss account as incurred

Pensions

The Company operates a money purchase pension scheme. Contributions are charged to 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. With the exception of £2,623,000 (2005: £2,187,000) of turnover to the Irish Republic, the destination of all turnover is the United Kingdom.

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

4. OPERATING PROFIT

	2006	2005
	£000	£000
This is stated after charging/(crediting)		
Decrease in overhead element of stocks of finished goods and work in progress	(3)	(50)
Raw materials	32,789	31,896
Employee costs (note 5)	13,989	14,883
Depreciation - owned assets	2,496	2,266
Depreciation - leased assets	-	78
Amortisation of goodwill	500	381
Reorganisation costs	-	629
Operating lease rentals - equipment	1,701	1,527
- land and buildings	1,830	1,578
Auditors' remuneration - audit services	49	56
- taxation services	28	-
Other operating charges	14,203	15,508
Other operating income	(1,175)	(1,099)
	<u>66,407</u>	<u>67,653</u>

5. EMPLOYEES

	2006	2005
	£000	£000
(a) Employee costs		
Wages and salaries	12,233	13,139
Social security costs	1,199	1,266
Other pension costs	557	478
	<u>13,989</u>	<u>14,883</u>
	<u><u>13,989</u></u>	<u><u>14,883</u></u>
	No	No
(b) Number of employees		
Monthly average number of employees		
Manufacturing and production	253	239
Selling and administration	231	238
	<u>484</u>	<u>477</u>
	<u><u>484</u></u>	<u><u>477</u></u>

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

6. DIRECTORS' EMOLUMENTS

A total of £452 000 of the emoluments to three of the directors are recharged to a related company Bowater Home Improvements Limited, a related party in the Squarebeige Limited group of companies

	2006 £000	2005 £000
Emoluments	1 038	933

Company contributions to money purchase pension schemes	82	73
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	2006 No	2005 No
Members of the money purchase pension schemes	3	3

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

	2006 £000	2005 £000
Emoluments	348	274
Company contributions paid to money purchase pension schemes	nil	nil

7 INTEREST PAYABLE

	2006 £000	2005 £000
Finance leases	1	11

8. TAXATION

	2006 £000	2005 £000
(Credit)/charge for the year	-	-
Corporation tax at 30%	-	-
Adjustments in respect of prior years	(563)	(277)
	(563)	(277)
Deferred taxation - on capital allowances	(608)	326
- on other timing differences	60	21
	(1 111)	70

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

8 TAXATION (CONTD)

The tax assessed for the year ended 31 December 2006 is lower than the standard rate of corporation tax in the UK (30 %) The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	2 101	1 990
Expected charge at UK average tax rate of 30%	630	597
Effects of		
Expenses not deductible for tax purposes	243	174
Capital allowances lower than/(in excess) of depreciation	24	(311)
Net increase in general provisions	(1)	(36)
Group relief received for nil payment	(896)	(424)
Prior period adjustments	(563)	(277)
Actual credit	(563)	(277)

9 INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At 1 January and 31 December 2006	7 677
Amortisation	
At 1 January 2006	613
Amortised during the year	
Normal amortisation	384
Impairment write-down	116
At 31 December 2006	1 113
Net book value at 31 December 2006	6 564
Net book value at 31 December 2005	7 064

Bowater Building Products Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 2006

10. TANGIBLE FIXED ASSETS

	<i>Buildings</i> <i>£000</i>	<i>Plant, machinery and vehicles</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost			
Opening balance	1 377	14 814	16 191
Additions	200	1 045	1 245
Disposals	-	(86)	(86)
At 31 December 2006	1 577	15 773	17 350
Depreciation			
Opening balance	156	3 501	3,657
Charge for year	120	2 376	2 496
Disposals	-	(32)	(32)
At 31 December 2006	276	5,845	6 121
Net book value			
At 31 December 2006	1 301	9 928	11 229
At 31 December 2005	1,221	11 313	12 534

Included above are assets held under finance leases with a cost of nil (2005 £785 000) and accumulated depreciation of nil (2005 £179 000)

The net book values of buildings comprise short leaseholds of £1 301 000 (2005 £1 221 000)

11 STOCKS

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Raw materials	1 163	346
Work in progress and finished goods	5,146	6 834
	6 309	7,180

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

12 DEBTORS

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Trade debtors	8 756	9 871
Amount due from parent undertaking	57	-
Prepayments	1,664	1 540
Total debtors due within one year	10 477	11 411

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

13 CREDITORS

	2006	2005
	£000	£000
Amounts falling due within one year		
Finance lease (note 15)	-	39
Trade creditors	11 182	11 771
Other taxes and social security costs	1 309	1 128
Amount due to parent undertaking	-	2 407
Amounts due to fellow group undertakings	514	401
Other creditors	2 232	1 916
Corporation tax	100	443
Fixed asset creditors	368	872
	<u>15 705</u>	<u>18 977</u>

14 OBLIGATIONS UNDER OPERATING LEASE CONTRACTS

Operating lease rentals payable in 2007 relate to commitments expiring

	2006	2005
	£000	£000
Land and buildings		
Within one year	50	-
Between two and five years	377	430
After five years	1 184	1 183
	<u>1 611</u>	<u>1 613</u>
Equipment		
Within one year	130	32
Between two and five years	1 451	1 120
After five years	-	15
	<u>1 581</u>	<u>1 167</u>

15 OBLIGATIONS UNDER FINANCE LEASES

Finance lease instalments are payable as follows

	2006	2005
	£000	£000
Equipment		
Within one year	-	39
Between two and five years	-	-
	<u>-</u>	<u>39</u>

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

16. PROVISIONS FOR LIABILITIES AND CHARGES

Movements on the provisions during the year were as follows

	<i>Property</i> £000	<i>Other</i> £000	<i>Total</i> £000
Balance at 1 January 2006	388	196	584
Utilised during the year	(231)	(184)	(415)
Charge/(credit) for the year	88	(9)	79
Balance at 31 December 2006	245	3	248

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 eleven years.

17. DEFERRED TAX

The deferred tax asset/(liability) is as follows

	<i>Capital Allowances</i> £000	<i>Timing Differences</i> £000	<i>Total</i> £000
Opening balance	(409)	204	(205)
Profit and loss account credit/(charge) for the year	608	(60)	548
At 31 December 2006	199	144	343

18. SHARE CAPITAL

	2006 £	2005 £
Ordinary shares of £1 each		
Authorised allotted called up and fully paid	4	4

19. RESERVES

	<i>Share Premium</i> £000	<i>Profit and loss</i> £000	<i>Total</i> £000
At 1 January 2005	23,500	2,546	26,046
Profit for the year	-	1,920	1,920
At 31 December 2005	23,500	4,466	27,966
Profit for the year	-	3,212	3,212
At 31 December 2006	23,500	7,678	31,178

Bowater Building Products Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

20 CAPITAL EXPENDITURE COMMITMENTS

	2006	2005
	£000	£000
Amounts contracted for but not provided	1 510	339

21. 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.

22. CONTINGENT LIABILITIES

As a member of the Bowater Building Products 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 Bourne End One Limited and Squareblack Limited to cross guarantees under group banking arrangements with Barclays Bank PLC.

23. PENSIONS

The Company operates a money purchase pension scheme. Amounts due to the scheme at the year end were £86 000 (2005 £82 000).