

Bowater Building Products Limited

Report And Financial Statements

31 December 2010

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DIRECTORS' REPORT

The Directors present their Report and Financial Statements for the year to 31 December 2010

Results and Dividends

The Directors report an Operating Loss of £1,298,000 for the year (2009 Operating Profit £910,000) after exceptional costs of £652,000 (2009 £1,201,000)

After tax and interest, the net loss for the year amounted to £1,258,000 (2009 profit £955,000), 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 used in the manufacture of replacement windows. The Company's products, sold under the WHS Halo banner are regarded as market-leading and are sold to a network of approximately 100 contracted window making organisations in the UK and Ireland under the System 10, Rustique, Eclipse and Esthetique product brands. The Company also manufactures composite doors, curtain walling and vertical sliding windows and has a contracting business that installs all types of predominantly windows and doors.

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

	2010 £000	2009 £000	Change %
Turnover	49,132	53,675	(8)%
Operating (loss)/profit before exceptional items	(646)	2,111	(113)%
Operating (loss)/profit	(1,298)	910	(168)%
(Loss)/profit before tax	(1,303)	955	(166)%
(Loss)/profit after tax	(1,258)	955	(161)%
Shareholders' funds	8,809	10,067	(12)%
Current assets as % of current liabilities	136%	135%	6%
Average number of employees	277	285	(3)%

The reduction in profitability compared to 2009 was mainly due to a combination of difficult market conditions together with increases in raw material prices to record levels. The Company responded by increasing selling prices during the last quarter of 2010 and recruiting a number of new customers. Cash generation was positive in the year which enabled the Company to continue to develop, invest in and launch new products which will be a key driver for future growth and profits. The Company invested £757,000 in new product tooling and composite door manufacturing equipment and £211,000 in customer tooling and launched a new curtain walling system, System 10 Aluminium and the 'Smart Sash'. All are leading edge energy efficient products and are opening up new markets to the Company and its customers.

The Directors have and will continue to implement cost cutting initiatives to improve efficiency. However, much of the re-organisation experienced during 2008 and 2009 came to an end in 2010. Consequently, there is a reduction in exceptional costs in the year.

Principal Risks and Uncertainties

The principal risk facing the Company is the macro economic outlook in the UK and the Republic of Ireland and the volatility of raw material costs which are predominately oil based. There is also the potential impact of cuts in Local Authority and Government funding on major refurbishment investments such as the Decent Homes Initiative.

However, the Company is now well invested and has substantially reduced its fixed costs. This together with its diversified customer base across a number of market sectors and the launch of a stream of new energy efficient building products into existing and new markets will assist in growing sales and underpinning profitability.

DIRECTORS' REPORT (CONTINUED)Likely Future Developments

The Company is expecting difficult trading conditions to continue in 2011 together with further increases in raw material costs. However, the Directors expect a return to profitability as sales benefit from the introduction of new products and the recruitment of new customers. A further increase in selling prices will be inevitable to mitigate the impact of raw material price increases.

The WHS Halo brands are market leaders supported by very high levels of customer service – for example, on-time delivery in full is consistently better than 99.7% and delivering a high quality core product to our customer base remains one of our highest priorities.

Post balance sheet event

On 6 June 2011 the entire issued share capital of the company was purchased by VEKA plc part of the international VEKA group. Following the acquisition both companies will work together to achieve synergy savings whilst retaining the highest level of customer service and product quality. The Directors believe that as part of the VEKA group the Company will have the financial security to operate successfully notwithstanding the current difficult trading conditions.

Ultimate Parent Undertaking

At 31 December 2010 the immediate and ultimate parent undertaking is Broomco (4207) Limited. From 6 June 2011 the immediate parent undertaking was VEKA plc and the ultimate parent undertaking was VEKA AG, a company incorporated in Germany.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in this Directors' Report.

Going forward the Company will participate in the VEKA plc treasury arrangements and working capital finance has been provided following the acquisition. The Company has received confirmation from the ultimate parent undertaking, VEKA AG, that financial support will be provided as necessary to enable the Company to meet its liabilities as they fall due.

The Directors believe that given the financing available the Company can meet its liabilities as they fall due. The financial statements have therefore been prepared on a going concern basis.

Directors

The Directors of the Company during the year and up to the date of this report were as follows:

C J Baranowski	(resigned 6 June 2011)
J M Holland	(resigned 6 June 2011)
D A Jones	(appointed 6 June 2011)
G Fitton	(appointed 6 June 2011)
C Torley	(appointed 6 June 2011)

During the year the company purchased and maintained directors' liability insurance as permitted by Section 233 of the Companies Act 2006.

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 Company'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.

DIRECTORS' REPORT (CONTINUED)

Employee Involvement

The Directors attach considerable 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 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 487 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)Statement of Directors responsibilities in respect of the Audit

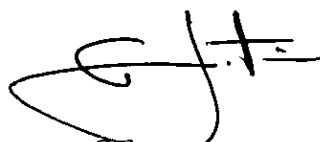
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates 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 financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that 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 2006. 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.

On behalf of the board



G Pitton
Director

22 September 2011

Registered office
Water Orton Lane
Minworth
Sutton Coldfield
West Midlands
B76 9BW

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOWATER BUILDING PRODUCTS LIMITED

We have audited the financial statements of Bowater Building Products Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOWATER BUILDING PRODUCTS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Steven Bagworth (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Birmingham
23 September 2011

Bowater Building Products Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
TURNOVER	3	49,132	53,675
Operating charges		(49,778)	(51,564)
Operating (loss)/profit before exceptional costs		(646)	2,111
Exceptional costs	4	(652)	(1,201)
Total operating costs	4	(50,430)	(52,765)
OPERATING (LOSS)/PROFIT		(1,298)	910
Interest receivable and similar income	7	-	64
Interest payable and similar charges	8	(5)	(19)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,303)	955
Taxation	9	45	-
NET (LOSS)/PROFIT FOR THE YEAR	18	(1,258)	955

The results set out above are in respect of continuing operations

There are no recognised gains or losses other than those reported above

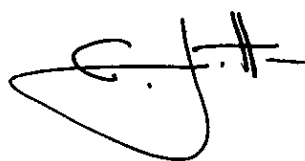
Bowater Building Products Limited

BALANCE SHEET

At 31 December 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Tangible assets	10	6,155	7,762
CURRENT ASSETS			
Stocks	11	3,981	3,611
Debtors	12	9,274	9,868
Cash at bank and in hand		1,682	321
		<u>14,937</u>	<u>13,800</u>
CREDITORS amounts falling due within one year	13	(10,966)	(10,221)
NET CURRENT ASSETS		<u>3,971</u>	<u>3,579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,126</u>	<u>11,341</u>
PROVISIONS FOR LIABILITIES	15	(1,317)	(1,274)
NET ASSETS		<u>8,809</u>	<u>10,067</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Share premium account	18	13,600	13,600
Profit and loss account	18	(4,791)	(3,533)
SHAREHOLDERS' FUNDS	18	<u>8,809</u>	<u>10,067</u>

Approved for issue by the Board and signed on its behalf by



G Fitton
Director

22 September 2011

Bowater Building Products Limited

CASH FLOW STATEMENT

For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
NET CASHFLOW FROM OPERATING ACTIVITIES	19(a)	2,078	1,810
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Net interest (paid)/received		(5)	45
TAXATION		45	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(757)	(1,432)
DIVIDENDS PAID		-	(9,900)
INCREASE/(DECREASE) IN CASH	19(b)	1,361	(9,477)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Increase/(decrease) in cash		1,361	(9,477)
MOVEMENT IN NET FUNDS		1,361	(9,477)
NET FUNDS AT START OF THE YEAR		321	9,798
NET FUNDS AT END OF THE YEAR	19(b)	1,682	321

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. ACCOUNTING POLICIES

Basis of preparation

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

Related Party Transactions

The Company has taken advantage of the exemption conferred by FRS8 in that transactions with other wholly own companies within the group headed by Broomco (4207) Limited are not disclosed

Turnover

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods

Fixed Assets and depreciation

Fixed assets are capitalised at cost

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 assets under construction

Tangible assets are depreciated at the following rates

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

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

Customer tooling

Where the company purchases tooling for use by customers this is included within prepayments and expensed to the profit and loss account over the length of the customer contract

Taxation

The charge or credit for taxation is based on the result for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

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, except that 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

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term

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

At 31 December 2010 the Company's immediate and ultimate parent undertaking was Broomco (4207) Limited. On 6 June 2011, the company was acquired by VEKA plc which became its immediate parent, and its ultimate parent became VEKA AG, a company registered in Germany

3. TURNOVER

All of the Company's turnover and loss before taxation arises from the manufacture, distribution and sale of extruded PVCu profile, door units, double-glazed windows, and related products and all of the Company's operating assets are used for this purpose. With the exception of £1,706,000 (2009 £2,052,000) of turnover to the Irish Republic, the destination of all turnover is the United Kingdom

4. OPERATING PROFIT

	2010	2009
	£000	£000
This is stated after charging/(crediting)		
Decrease/(increase) in overhead element of stocks of finished goods and work in progress	38	(130)
Raw materials	25,328	26,143
Staff costs (note 5)	8,845	9,104
Depreciation - owned assets	2,314	2,390
Operating lease rentals - equipment	1,207	1,315
- land and buildings	1,483	1,497
Auditors' remuneration - audit services	39	65
- taxation and other services	22	24
Other operating charges	11,692	12,932
Other operating income	(538)	(575)
	<u>50,430</u>	<u>52,765</u>

Other operating income includes rentals receivable of £280,000 (2009 £338,000)

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. OPERATING PROFIT (continued)

Exceptional items included in other operating charges are

	2010 £000	2009 £000
Business restructuring	63	962
Property closure and dilapidation provision	589	239
	<u>652</u>	<u>1,201</u>

Business restructuring during 2010 principally comprises the cost of achieving further efficiencies and reductions in overhead

Property closure and dilapidation provisions relate to an estimate of the company's obligations under ongoing lease commitments

5. EMPLOYEES

	2010 £000	2009 £000
(a) Staff costs		
Wages and salaries	7,646	8,020
Social security costs	858	783
Other pension costs	341	301
	<u>8,845</u>	<u>9,104</u>
	<i>No</i>	<i>No</i>
(b) Number of employees		
Monthly average number of employees		
Manufacturing and production	120	136
Selling and administration	157	149
	<u>277</u>	<u>285</u>

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

6. DIRECTORS' EMOLUMENTS

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Emoluments	462	516

Company contributions to money purchase pension schemes

74	23
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	<i>2010</i>	<i>2009</i>
	<i>No</i>	<i>No</i>

Members of the money purchase pension schemes

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

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Emoluments	311	339

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Exchange gains	-	64

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Bank interest	5	19

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

9. TAXATION

(a) Tax on (loss)/profit on ordinary activities

The tax credit is made up as follows

	2010 £000	2009 £000
Current tax		
Adjustment in respect of previous years	(45)	-
Total amount of tax (note 9(b))	(45)	-
Deferred tax	-	-
Tax on (loss)/profit on ordinary activities	(45)	-

(b) Factors affecting current tax

The tax assessed for the year ended 31 December 2010 varies from the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000
Profit/(loss) on ordinary activities before tax	(1,303)	955
Expected (credit)/charge at UK average tax rate of 28% (2009 28%)	(365)	267
Effects of		
Expenses not deductible for tax purposes	61	77
Capital allowances lower than depreciation	427	(189)
Other timing differences	(57)	(17)
Adjustment in respect of previous years	(45)	-
Utilisation of tax losses brought forward	(66)	(138)
Current tax credit	(45)	-

(c) Factors that may affect future tax charges

The 2011 budget statement revised the previously announced phased reduction in the main UK corporation tax rate The tax rate is now proposed to be reduced to 23% by 1 April 2014, with the first reduction to 26% taking effect from 1 April 2011

As these changes had not been enacted at the balance sheet date (the reductions to 26% and 25% were substantively enacted on 29 March 2011 and 5 July 2011 respectively whilst the further reductions to 23% have not yet been substantively enacted) they are not included in these financial statements

If the proposed reduction in the tax rate to 23% had been substantively enacted at the balance sheet date, the unprovided deferred tax asset would be stated at £1,465,000 would arise

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

10. TANGIBLE FIXED ASSETS

	<i>Short leasehold buildings £000</i>	<i>Plant, machinery and vehicles £000</i>	<i>Total £000</i>
Cost			
At 1 January 2010	1,599	19,076	20,675
Additions	-	707	707
Disposals	-	(8)	(8)
At 31 December 2010	1,599	19,775	21,374
Depreciation			
At 1 January 2010	735	12,178	12,913
Charge for year	143	2,171	2,314
Disposals	-	(8)	(8)
At 31 December 2010	878	14,341	15,219
Net book value At 31 December 2010	721	5,434	6,155
At 31 December 2009	864	6,898	7,762

11. STOCKS

	<i>2010 £000</i>	<i>2009 £000</i>
Raw materials	802	659
Work in progress and finished goods	3,179	2,952
	3,981	3,611

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

12. DEBTORS

	<i>2010 £000</i>	<i>2009 £000</i>
Trade debtors	7,768	8,384
Prepayments and accrued income	1,506	1,484
Total debtors due within one year	9,274	9,868

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. CREDITORS

	2010 £000	2009 £000
Amounts falling due within one year		
Trade creditors	9,269	7,836
Other taxes and social security costs	676	770
Amounts due to fellow group undertakings	48	336
Other creditors	923	1,179
Fixed asset creditors	50	100
	<u>10,966</u>	<u>10,221</u>

14. OBLIGATIONS UNDER OPERATING LEASE CONTRACTS

Operating lease rentals payable in 2010 relate to commitments expiring

	2010 £000	2009 £000
Land and buildings		
Within one year	-	39
Between two and five years	1,236	1,236
After five years	170	170
	<u>1,406</u>	<u>1,445</u>
Equipment		
Within one year	178	141
Between two and five years	398	785
	<u>576</u>	<u>926</u>

15. PROVISIONS FOR LIABILITIES

Movements on the provisions during the year were as follows

	Property Closure £000	Warranty £000	Restructuring £000	Total £000
Balance at 1 January 2010	1,073	51	150	1,274
Charge for the year	544	-	-	544
Utilised during the year	(327)	(34)	(140)	(501)
Balance at 31 December 2010	<u>1,290</u>	<u>17</u>	<u>10</u>	<u>1,317</u>

Property Closure

Provision has been made for anticipated costs likely to be incurred under the terms of the various leases, until such time as the leases expire or may be assigned. These costs are expected to be incurred over periods up to the next seven years.

Restructuring

Provision has been made for restructuring within the business. These costs are expected to be incurred primarily within one year.

Warranty

Some of the Group's manufactured products are sold with a performance warranty for up to ten years from the date of sale or installation. Provision is made for the estimated cost of this commitment based on historic claims experience.

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. DEFERRED TAX

The potential deferred tax asset not provided is

	2010 £000	2009 £000
Capital allowances	1,703	1,350
Short-term timing differences	17	53
Tax losses	-	15
	<u>1,720</u>	<u>1,418</u>

The deferred tax asset (which principally comprises decelerated capital allowances) has not been recognised, as this balance is not expected to crystallise, and thus benefit current tax charges, in the foreseeable future. This is due to the capital allowances (principally at the recently reduced rate of writing down allowance of 20%) not being expected to exceed the company's annual depreciation charges in the medium term.

17. SHARE CAPITAL

	2010 No	2009 No	2010 £	2009 £
Ordinary shares of £1 each				
Authorised, allotted, called up and fully paid	4	4	4	4

18. STATEMENT OF RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Premium £000	Profit and loss £000	Shareholders' Funds £000
At 1 January 2009	23,500	(4,488)	19,012
Capital reduction	(9,900)	-	(9,900)
Profit for the year	-	955	955
At 31 December 2009	13,600	(3,533)	10,067
Loss for the year	-	(1,258)	(1,258)
At 31 December 2010	13,600	(4,791)	8,809

On 25 November 2009 the company carried out a capital reduction whereby its share premium was reduced by £9.9m and cash of the same amount distributed to the holding company at the time, Squarepink Limited.

Bowater Building Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

19. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash flow from operating activities

	2010 £000	2009 £000
Operating (loss)/profit	(1,298)	910
Depreciation	2,314	2,390
(Increase)/decrease in stocks	(370)	437
Decrease in debtors	594	1,214
Increase/(decrease) in creditors	795	(2,210)
Increase/(decrease) in provisions	43	(931)
Net cash flow from operating activities	2,078	1,810

(b) Analysis of net funds

	At 1 January 2010 £000	Cash flow 31 December 2010 £000	At 2010 £000
Cash	321	1,361	1,682

20. CAPITAL EXPENDITURE COMMITMENTS

	2010 £000	2009 £000
Amounts contracted for but not provided	6	195

21. CONTINGENT LIABILITIES

As at 31 December 2010, the Company together with its parent undertaking at that date, was a party to cross guarantees under group banking arrangements with Barclays Bank PLC. These totalled £8,950,000 at the year-end (2009 £9,650,000). This Company left these group banking arrangements on 6 June 2011.

22. PENSIONS

The Company operates a money purchase pension scheme. Amounts due to the scheme at the year end were £36,000 (2009 £34,000).