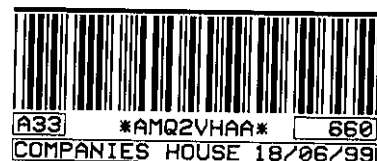


Registered no: 1811296

Kömmerling International Limited
Abbreviated financial statements
for the year ended 31 December 1998



Kömmerling International Limited

Abbreviated financial statements for the year ended 31 December 1998

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Kömmerling International Limited

1

Directors and advisers

Executive directors

Chairman

Otto Schmid

Managing Director

Peter Schmid - Kömmerling

Secretary and registered office

Peter Schmid - Kömmerling
6 The Courtyard
80 High Street
Staines
TW18 4DR

Registered auditors

PricewaterhouseCoopers
Harman House
1 George Street
Uxbridge
UB8 1QQ

Bankers

Midland Bank plc

**Report of the directors
for the year ended 31 December 1998**

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The profit and loss account for the year is set out on page 6.

The company continues to market PVC profiles and other components for the production of windows.

Review of business and future developments

The company expects to continue operating profitably during 1999.

Directors

The directors of the company at 31 December 1998, both of whom have been directors for the whole of the year then ended, were:

O Schmid
Peter Schmid-Kömmerling

Interests of directors

The interests of the directors of the company at 31 December 1998 in the shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

| | Ordinary shares of £1 each | | | |
|----------|----------------------------|-----------|------------------|-----------|
| | 31 December 1998 | | 31 December 1997 | |
| | Number | Amount | Number | Amount |
| O Schmid | <u>1</u> | <u>£1</u> | <u>1</u> | <u>£1</u> |

Year 2000

The company has undertaken a review of its computer systems and has completed the changes for year 2000 compliance. The costs of compliance are not material in the context of net operating expenses.

Directors' responsibilities

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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 1985. 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.

Close company provisions

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company; there has been no change in this respect since the end of the financial year.

Auditors

The company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors' appointed the new firm PricewaterhouseCoopers as auditors. A resolution reappointing PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By order of the board


Peter Schmid - Kömmerling
Secretary

30.04.99 1999

**Report of the auditors to the directors of
Kömmerling International Limited
under paragraph 24 of Schedule 8 to the Companies Act
1985**

We have examined the abbreviated financial statements on pages 6 to 15 together with the full financial statements of Kömmerling International Limited for the year ended 31 December 1998. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors' statement on page 3, and that the abbreviated financial statements have been properly prepared in accordance with Schedule 8 from the annual financial statements.

In our opinion the company is entitled to the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 and the abbreviated financial statements have been properly prepared in accordance with that Schedule.

We reported, as auditors of Kömmerling International Limited, to the members on the company's annual financial statements, prepared under Section 226 of the Companies Act 1985, for the year ended 31 December 1998, and our report was as follows:

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

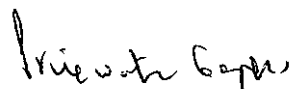
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the auditors to the directors of
Kömmerling International Limited
under paragraph 24 of Schedule 8 to the Companies Act
1985**

Opinion

The balance sheet includes intangible fixed assets with a net book value of £465,116 in respect of purchased manufacturing know-how (note 8). This know-how has not been used since its acquisition and is unlikely to be of use in the United Kingdom even if manufacturing operations were commenced in the near future. Accordingly, in our opinion intangible fixed assets and shareholders' funds are overstated by £465,116.

Except for the matter referred to above, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

6 May 1999

**Profit and loss account
for the year ended 31 December 1998
(Abbreviated in accordance with the provisions of the
Companies Act 1985)**

| | Notes | 1998 £ | 1997 £ |
|--|-------|----------------|------------------|
| Gross profit | | 1,813,845 | 1,604,437 |
| Net operating expenses – continuing operations | 2 | (1,393,094) | (1,328,648) |
| Operating profit – continuing operations | 3 | 420,751 | 275,789 |
| Interest receivable and similar income | | 38,354 | 21,175 |
| Interest payable | 6 | (75) | - |
| Profit on ordinary activities before taxation | | 459,030 | 296,964 |
| Tax on profit on ordinary activities | 7 | (8,040) | (5,965) |
| Profit on ordinary activities after taxation | | 450,990 | 290,999 |
| Statement of retained (losses)/profits | | | |
| (Loss) at 1 January 1998 | | (233,323) | (524,322) |
| Profit for the year | | 450,990 | 290,999 |
| Retained profits at 31 December 1998 | | 217,667 | (233,323) |

The company has no recognised gains and losses other than those included in the losses above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Kömmerling International Limited

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Balance sheet - 31 December 1998

| | Notes | 1998 £ | £ | 1997 £ | £ |
|---|-------|--------------------|------------------|--------------------|------------------|
| Fixed assets | | | | | |
| Intangible assets | 8 | | 465,116 | | 465,116 |
| Tangible assets | 9 | | 60,134 | | 44,337 |
| | | | <u>525,250</u> | | <u>509,453</u> |
| Current assets | | | | | |
| Stock | 10 | 1,693,874 | | 1,252,197 | |
| Debtors | 11 | 2,395,399 | | 1,942,034 | |
| Cash at bank and in hand | | 2,127,914 | | 955,900 | |
| | | <u>6,217,187</u> | | <u>4,150,131</u> | |
| Creditors: amounts falling due within one year | 12 | <u>(6,524,768)</u> | | <u>(4,892,905)</u> | |
| Net current liabilities | | | <u>(307,581)</u> | | <u>(742,774)</u> |
| Net assets/(liabilities) | | | <u>217,669</u> | | <u>(233,321)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 2 | | 2 |
| Profit and loss account | | | 217,667 | | (233,323) |
| Equity shareholders' funds | 17 | | <u>217,669</u> | | <u>(233,321)</u> |

Advantage has been taken of the exemptions for medium sized companies conferred by Section B of Part III of Schedule 8 to the Companies Act 1985, on the grounds that in the Directors' opinion as it meets the conditions, the company is entitled to benefit from those exemptions as a medium-sized company.

The financial statements on pages 6 to 15 were approved by the board of directors on 30.04.99 1999 and were signed on its behalf by:


Peter Schmid-Kömmerling
 Director

**Cash flow statement
for the year ended 31 December 1998**

| | Notes | 1998 £ | £ | 1997 £ | £ |
|--|-------|-----------------|-------------------------|-----------------|-----------------------|
| Net cash outflow from continuing operating activities | 15 | | 1,176,602 | | 227,548 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | <u>38,354</u> | | <u>21,175</u> | |
| Net cash inflow on investments and servicing of finance | | | 38,354 | | 21,175 |
| Taxation | | | | | |
| Corporation tax recovered | | <u>(5,965)</u> | | <u>-</u> | |
| Net cash inflow from taxation | | | (5,965) | | - |
| Capital expenditure | | | | | |
| Purchase of tangible fixed assets | | <u>(45,675)</u> | | <u>(39,080)</u> | |
| Sale of tangible fixed assets | | <u>-</u> | | <u>1,500</u> | |
| Net cash outflow from capital expenditure | | | (45,675) | | (37,580) |
| Net cash inflow/(outflow) before financing | | | 1,163,316 | | 211,143 |
| Financing activities | | | - | | - |
| Increase/(decrease) in cash and cash equivalents | 16 | | <u>1,163,316</u> | | <u>211,143</u> |

**Notes to the financial statements
for the year ended 31 December 1998****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|-----------------------|-------|
| Fixtures and fittings | 20 |
| Furniture | 20 |
| Other equipment | 20/25 |
| Computer equipment | 33⅓ |

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Exchange gains or losses are included in operating expenses.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on an average cost basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

2 Net operating expenses

Net operating expenses are made up as follows:

| | 1998 £ | 1997 £ |
|--------------------------------|------------------|------------------|
| Selling and distribution costs | 1,079,240 | 1,114,396 |
| Administrative expenses | 327,129 | 275,855 |
| | <u>1,406,369</u> | <u>1,390,251</u> |
| Less: royalties receivable | (18,500) | (17,052) |
| Less: bad debt recovered | - | (44,551) |
| Loss on disposal of assets | 5,225 | - |
| Net operating expenses | <u>1,393,094</u> | <u>1,328,648</u> |

3 Operating profit

Operating profit is stated after charging/(crediting):

| | 1998 £ | 1997 £ |
|--|-----------|-----------|
| Depreciation of tangible fixed assets | 24,652 | 12,444 |
| Auditors' remuneration | | |
| Audit fees | 25,563 | 22,350 |
| Other services | 9,465 | 5,900 |
| Loss/(profit) on disposal of fixed assets | 5,225 | (1,500) |
| Exchange loss | - | 1,160 |
| Hire of plant and machinery - operating leases | - | 2,382 |
| Hire of motor vehicles - operating leases | 57,216 | 37,942 |
| Hire of other assets - operating leases | 25,687 | 28,796 |

4 Directors' emoluments

None of the directors received any emoluments (1997: £Nil).

5 Employee information

The average weekly number of persons employed by the company including executive directors during the year is analysed below:

| | 1998 Number | 1997 Number |
|--------------------------|----------------|----------------|
| Selling and distribution | 6 | 6 |
| Administration | 6 | 5 |
| | <u>12</u> | <u>11</u> |

Employment costs - all employees including executive directors:

| | 1998 £ | 1997 £ |
|----------------------------------|----------------|----------------|
| Wages and salaries | 326,006 | 291,892 |
| Social security costs | 32,018 | 30,991 |
| Other pension costs | 24,175 | 21,138 |
| Total direct costs of employment | <u>382,199</u> | <u>344,021</u> |

6 Interest payable on bank overdraft

| | 1998 £ | 1997 £ |
|------------------------------------|-----------|-----------|
| Interest payable on bank overdraft | <u>75</u> | <u>-</u> |

7 Tax on profit on ordinary activities

| | 1998 £ | 1997 £ |
|--|--------------|--------------|
| United Kingdom corporation tax payable at 31% (1997: 31.5%): | <u>8,040</u> | <u>5,965</u> |

8 Intangible fixed assets

| | Purchased know-how £ |
|--|----------------------------|
| Cost | |
| At 1 January 1998 and 31 December 1998 | <u>465,116</u> |

The know-how was purchased in September 1984. No amortisation has been charged as the know-how was not used to produce income during the year ended 31 December 1998. The directors believe that the know-how could be used in manufacturing operations at some future date depending on market conditions.

9 Tangible fixed assets

| | Fixtures And Fittings £ | Furniture £ | Office And other equipment £ | Total £ |
|---------------------------|----------------------------------|----------------|---------------------------------------|----------------|
| Cost | | | | |
| At 1 January 1998 | 4,918 | 7,159 | 71,470 | 83,547 |
| Additions | - | 9,700 | 35,975 | 45,675 |
| Disposals | - | - | (19,296) | (19,296) |
| At 31 December 1998 | <u>4,918</u> | <u>16,859</u> | <u>88,149</u> | <u>109,926</u> |
| Depreciation | | | | |
| At 1 January 1998 | 4,225 | 3,768 | 31,217 | 39,210 |
| Charge for year | 693 | 2,273 | 21,686 | 24,652 |
| Depreciation on disposals | - | - | (14,070) | (14,070) |
| At 31 December 1998 | <u>4,918</u> | <u>6,041</u> | <u>38,833</u> | <u>49,792</u> |
| Net book value | | | | |
| At 31 December 1998 | <u>-</u> | <u>10,818</u> | <u>49,316</u> | <u>60,134</u> |
| At 31 December 1997 | <u>693</u> | <u>3,391</u> | <u>40,253</u> | <u>44,337</u> |

10 Stock

| | 1998 £ | 1997 £ |
|-------------------------------------|------------------|------------------|
| Finished goods and goods for resale | <u>1,693,874</u> | <u>1,252,197</u> |

Kömmerling International Limited

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11 Debtors

| | 1998 £ | 1997 £ |
|-------------------------------------|------------------|------------------|
| Amounts falling due within one year | | |
| Trade debtors | 2,150,831 | 1,710,249 |
| Amounts owed by parent company | 162,787 | 140,934 |
| Other debtors | 35,622 | 47,072 |
| Prepayments and accrued income | 46,159 | 43,779 |
| | <u>2,395,399</u> | <u>1,942,034</u> |

12 Creditors: amounts falling due within one year

| | 1998 £ | 1997 £ |
|--|------------------|------------------|
| Bank overdraft | 8,698 | |
| Trade creditors | 145,681 | 140,100 |
| Amounts owed to parent and fellow subsidiary | | |
| Undertakings | 5,638,908 | 4,157,109 |
| Corporation tax | 8,040 | 5,965 |
| Other creditors including: | | |
| Taxation and social security costs | 427,804 | 397,435 |
| Accruals and deferred income | 295,637 | 192,296 |
| | <u>6,524,768</u> | <u>4,892,905</u> |

Taxation and Social security is made up as follows:

| | 1998 £ | 1997 £ |
|--------------------------|----------------|----------------|
| PAYE and social security | 11,243 | 9,388 |
| VAT | 416,561 | 388,047 |
| | <u>427,804</u> | <u>397,435</u> |

13 Called up share capital

| | Ordinary shares of £1 each | |
|------------------------------------|----------------------------|------------------|
| | 1998 | 1997 |
| Authorised – value | £1,000,000 | £1,000,000 |
| - number | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, called up and fully paid | | |
| - value | £2 | £2 |
| - number | <u>2</u> | <u>2</u> |

14 Lease commitments

The company has financial commitments in respect of non-cancellable operating leases of plant and machinery. The rentals payable under these leases in the next year are as follows:

| | Motor vehicles | | Total | |
|------------------------------------|----------------|---------------|---------------|---------------|
| | 1998 | 1997 | 1998 | 1997 |
| | £ | £ | £ | £ |
| Date of lease termination | | | | |
| Within one year | 13,261 | - | 13,261 | - |
| In second to fifth years inclusive | 35,698 | 54,654 | 35,698 | 54,654 |
| | <u>48,959</u> | <u>54,654</u> | <u>48,959</u> | <u>54,654</u> |

The company also has financial commitments in respect of non-cancellable operating leases of land and buildings. The rentals payable under these leases in the next year are as follows:

| | 1998 | 1997 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Date of lease termination | | |
| In second to fifth years inclusive | <u>42,500</u> | <u>28,552</u> |

The company had financial commitments of £723,458 at 31 December 1998 in respect of promissory notes (1997: Nil), payable to Gebrüder Kömmerling Kunststoffwerke GmbH.

15 Reconciliation of operating profit to net cash outflow from operating activities

| | 1998 | 1997 |
|--|------------------|----------------|
| | £ | £ |
| Continuing operations | | |
| Operating profit | 420,677 | 275,789 |
| Depreciation on tangible fixed assets | 24,652 | 12,444 |
| Loss/(gain) on sale of tangible fixed assets | 5,225 | (1,500) |
| (Increase)/decrease in stocks | (441,677) | 339,678 |
| (Increase) in debtors | (453,365) | (374,643) |
| Increase/(decrease) in creditors | 1,621,090 | (24,220) |
| | <u>1,176,602</u> | <u>227,548</u> |

16 Reconciliation of movement in net cash

| | 1998 £ | 1997 £ |
|------------------------------|-----------|-----------|
| Reconciliation to net cash | | |
| Net cash at 1 January 1998 | 955,900 | 744,757 |
| Increase in net cash | 1,163,316 | 211,143 |
| Net cash at 31 December 1998 | 2,119,216 | 955,900 |

| | At 1 January 1998 £ | Cashflow £ | At 31 December 1998 £ |
|--------------------------|------------------------------|---------------|--------------------------------|
| Cash in hand and at bank | 955,900 | 1,172,014 | 2,127,914 |
| Overdrafts | - | (8,698) | (8,698) |
| | 955,900 | 1,163,316 | 2,119,216 |

17 Reconciliation of movements in shareholders' funds

| | 1998 £ | 1997 £ |
|-------------------------------|-----------|-----------|
| Profit for the financial year | 450,990 | 290,999 |
| Opening shareholders' funds | (233,321) | (524,320) |
| Closing shareholders' funds | 217,669 | (233,321) |

18 Related party transactions

The company is a subsidiary undertaking where at least 90% of its voting rights are controlled within the group and accordingly it has taken advantage of the exemption, given in FRS8, not to disclose any transactions or balances with entities that are part of the group.

There was no provision against group debtors at the year end nor were amounts receivable from group companies written off during the year.

19 Ultimate and immediate parent companies

The directors regard Gebrüder Kömmerling GmbH & Co., a company incorporated in Germany, as the ultimate parent company. The immediate parent is Gebrüder Kömmerling Kunststoffwerke GmbH, a company incorporated in Germany, which, according to the register kept by the company, owned 100% of the company's share capital at 31 December 1998. A copy of the ultimate parent company's group financial statements can be obtained from the local commercial court in Pirmasens, Germany.