

Premier Profiles Limited

**Directors' report and financial
statements**

Registered number - 2547749

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of the company is the extrusion of uPVC profiles and plastic products for the building industry.

Business review

The profit and loss account for the year is set out on page 5.

The directors consider the performance during the year and the financial position at 31 December 2003 to be satisfactory (given the market conditions).

Dividend

An interim dividend of £10,000,000 has been paid (2002: £2,460,000).

Policy and practice on payment of creditors

It is the policy of the company to establish terms of payment with suppliers when agreeing the terms of business transactions. The aim is to despatch cheques on the due date, or where other means of payment are adopted, to deliver funds to suppliers as if payment had been made by cheque.

At the year end, there were 67 days (2002: 73 days) purchases in trade creditors.

Directors and directors' interests

The directors who held office during the period were as follows:

MH Hardy
P Dickins (Resigned 8th August 2003)
A Smith
RES Balcam

In accordance with the articles of association none of the directors are required to retire by rotation.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

MH Hardy and A Smith are also directors of the company's immediate parent company, Polypipe Building Products Limited, and their interests in shares in group companies are shown in the accounts of that company.

RES Balcam has no interest in the shares of group companies.

Employees

It is the company's policy that employees should be kept as fully informed as is practicable about the performance and prospects of the company.

The company has consultative arrangements whereby on a regular basis information is communicated to employees and the current and future position of the company is discussed.

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by disabled persons. Where employees become disabled, the company endeavours to continue to employ them provided there are duties which they can perform. As far as possible, training, career development and promotion are available to disabled persons where this is in their own as well as the company's best interests.

Directors' report *(continued)*

Political and charitable contributions

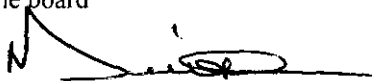
The company made no political or charitable contributions during the year (2002: £nil).

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A Smith
Secretary



Broomhouse Lane
Edlington
Doncaster
DN12 1ES

5 July 2004

Statement of 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

1 The Embankment

Neville Street

Leeds

LS1 4DW

Independent auditor's report to the members of Premier Profiles Limited

We have audited the financial statements on pages 5 to 17.

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 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 July 2004

Profit and loss account
for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Turnover	2	33,998	36,702
Cost of sales		(23,900)	(24,640)
Gross profit		10,098	12,062
Distribution costs		(6,859)	(5,617)
Administrative expenses		(3,578)	(1,961)
Other operating income - exceptional	14	16,687	-
Operating profit		16,348	4,484
Other interest receivable and similar income	6	-	417
Interest payable and similar charges	7	(293)	-
Profit on ordinary activities before taxation	3-5	16,055	4,901
Tax on profit on ordinary activities	8	(5,009)	(1,441)
Profit for financial year		11,046	3,460
Dividends		(10,000)	(2,460)
Retained profit for the year	16	1,046	1,000

There are no recognised gains or losses in the year other than the profit for the year stated above.


There is no difference between the profit on ordinary activities before taxation above and the historical cost profit.

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations. All operations are continuing.

Balance sheet
at 31 December 2003

	<i>Note</i>	31 December 2003		31 December 2002	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		-		537
Tangible assets	10		7,949		8,525
			<u>7,949</u>		<u>9,062</u>
Current assets					
Stocks	11	4,035		4,736	
Debtors	12	9,313		8,865	
Cash at bank and in hand		4,695		2,961	
		<u>18,043</u>		<u>16,562</u>	
Creditors: amounts falling due within one year	13	<u>(14,208)</u>		<u>(13,493)</u>	
Net current assets					
Due within one year		2,171		1,525	
Debtors due after more than one year	12	1,664		1,544	
		<u>3,835</u>		<u>3,069</u>	
Total assets less current liabilities		<u>11,784</u>		<u>12,131</u>	
Provisions for liabilities and charges	14	<u>(8,738)</u>		<u>(10,131)</u>	
Net assets		<u>3,046</u>		<u>2,000</u>	
Capital and reserves					
Called up share capital	15	500		500	
Profit and loss account	16	2,546		1,500	
Equity shareholders' funds		<u>3,046</u>		<u>2,000</u>	

These financial statements were approved by the board of directors on 5 July 2004 and were signed on its behalf by:



A Smith
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Profit for the financial year	11,046	3,460
Dividends	(10,000)	(2,460)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,046	1,000
Opening shareholders' funds	2,000	1,000
	<hr/>	<hr/>
Closing shareholders' funds	3,046	2,000
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company's cashflows in its own published consolidated cash flow statement.

As the company is a wholly owned subsidiary of IMI plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balance with entities which form part of the group. The consolidated financial statements of IMI plc are publicly available.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on business combinations in respect of acquisitions before 1 July 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (both positive and negative) arising on business combinations since that date is capitalised and amortised over its useful economic life.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	10% per annum
Plant and machinery	-	10 - 20% per annum
Tooling, fixtures and fittings	-	10 - 20% per annum
Motor vehicles	-	25% per annum

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company participates in a defined contribution pension scheme operated by its immediate parent undertaking Polypipe Building Products Limited. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Segmental information

The company engages in only one class of business and all sales were within the United Kingdom.

Notes (continued)

3 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	31	32
Other services - fees paid to the auditor and its associates	-	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	2,606	2,861
Goodwill amortisation	537	35
Loss/(profit) on disposal of fixed assets	(17)	13
Hire of plant and machinery – rentals payable under operating leases	138	144
Hire of other assets – rentals payable under operating leases	105	72
	<hr/>	<hr/>

4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	154	241
Compensation for loss of office	90	-
Company contributions to money purchase pension schemes	12	14
	<hr/>	<hr/>
	256	255
	<hr/>	<hr/>

Number of directors
 2003 2002

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	2	2
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £170,000 (2002 :£146,000), and company pension contributions of £6,000 (2002:£8,000) were made to a money purchase scheme on his behalf.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Production	169	182
Selling and distribution	109	122
Administration	50	59
	<hr/>	<hr/>
	328	363
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	6,432	6,737
Social security costs	580	546
Other pension costs	72	79
	<hr/>	<hr/>
	7,084	7,362
	<hr/>	<hr/>

6 Interest receivable and similar income

	2003	2002
	£000	£000
Inland Revenue	-	363
On group banking arrangements	-	54
	<hr/>	<hr/>
	-	417
	<hr/>	<hr/>

7 Interest payable and similar charges

	2003	2002
	£000	£000
Inland Revenue	30	-
On group banking arrangements	263	-
	<hr/>	<hr/>
	293	-
	<hr/>	<hr/>

Notes (continued)

8 Taxation

Analysis of charge in year:

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the year	5,129	1,662
Adjustments in respect of prior periods	(8)	(26)
Total current tax	5,121	1,636
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 14)	(131)	(184)
Adjustments in respect of prior periods	19	(11)
Tax on profit on ordinary activities	5,009	1,441

	2003 %	2002 %
<i>Current tax reconciliation</i>		
Average rate of corporation tax	30	30
<i>Effects of:</i>		
Origination and reversal of timing differences	2	3
Current tax rate for the year	32	33
Based on a profit of:	16,055	4,901

Notes (continued)

9 Intangible assets

	Goodwill £000
Cost	
At beginning and end of year	692
Provisions	
At beginning of year	155
Charge for year	537
At end of year	692
Net book value	
At 31 December 2003	-
At 31 December 2002	537

The goodwill arose in the period ended 31 December 1999 following the transfer of the trade and assets of Rickmans Limited, a subsidiary undertaking, to Premier Profiles Limited. The balance was being amortised over 20 years, but it has been fully written off in 2003, following the decision to discontinue selling the Rickman's Roof Products.

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Tooling, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	124	12,615	15,242	2,266	30,247
Additions	357	468	1,142	146	2,113
Disposals	-	(1)	(25)	(511)	(537)
At end of year	481	13,082	16,359	1,901	31,823
Depreciation					
At beginning of year	124	9,329	10,633	1,636	21,722
Charge for year	66	858	1,424	258	2,606
On disposals	-	(1)	(13)	(440)	(454)
At end of year	190	10,186	12,044	1,454	23,874
Net book value					
At 31 December 2003	291	2,896	4,315	447	7,949
At 31 December 2002	-	3,286	4,609	630	8,525

Notes (continued)

11 Stock

	31 December 2003 £000	31 December 2002 £000
Raw materials and consumables	830	955
Finished goods and goods for resale	3,205	3,781
	<u>4,035</u>	<u>4,736</u>

12 Debtors

	31 December 2003 £000	31 December 2002 £000
Trade debtors	5,703	5,465
Amounts owed by group undertakings	226	247
Other debtors	2,346	2,365
Prepayments and accrued income	1,038	788
	<u>9,313</u>	<u>8,865</u>

Other debtors include £1,664,000 (2002: £1,544,000) due after more than one year.

13 Creditors: amounts falling due within one year

	31 December 2003 £000	31 December 2002 £000
Trade creditors	7,370	7,672
Amounts owed to group undertakings	1,691	4,372
Corporation tax	4,785	811
Other taxation and social security	(66)	145
Accruals and deferred income	428	493
	<u>14,208</u>	<u>13,493</u>

Notes (continued)

14 Provisions for liabilities and charges

	Deferred taxation £000	Trade Warranties £000	Total £000
At beginning of year	428	9,703	10,131
Utilised during the year	-	(7,331)	(7,331)
Created during year	-	6,050	6,050
Credit for the year	(131)	-	(131)
Adjustment in respect of prior periods	19	-	19
At end of year	316	8,422	8,738

The amounts provided for deferred taxation are set out below:

	31 December 2003 £000	31 December 2002 £000
Difference between accumulated depreciation and amortisation and capital allowances	316	428

Provisions for trade warranties have been made to reflect product warranty commitments. The provision is calculated based on historical claims history.

Other operating income reflects the recovery from third parties of costs in respect of warranty claims.

15 Called up share capital

	31 December 2003 £000	31 December 2002 £000
Authorised		
Equity: Ordinary shares of £1 each	500	500
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	500	500

Notes *(continued)*

16 Reserves

	Profit and loss account £000
At beginning of year	1,500
Retained profit for the year	1,046
	<hr/>
At end of year	2,546
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The cumulative amount of positive goodwill resulting from acquisitions in earlier financial years which has been written off to reserves is £80,000 (2002: £80,000). These amounts are net of goodwill attributable to businesses disposed of prior to the balance sheet date.

17 Contingent liabilities

The company has given guarantees in respect of the bank borrowings of certain fellow group undertakings. At 31 December 2003, these guarantees amounted to £39,231,000 (2002: £35,918,000).

In addition, as a result of the above arrangements, the company has guaranteed the obligations of other group undertakings to the group's bankers relating to indemnities, documentary credits and negotiations, commitments under forward foreign exchange contracts and bills of exchange discounted, all of which have been entered into in the normal course of business.

In the opinion of the directors, no loss will arise in connection with these matters.

Notes (continued)

18 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	31 December 2003 £000	31 December 2002 £000
Contracted	966	309

(b) Annual commitments under non-cancellable operating leases are as follows:

	31 December 2003		31 December 2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	8	-	38	-
In the second to fifth years inclusive	-	65	45	30
Over five years	-	-	-	96
	<u>8</u>	<u>65</u>	<u>83</u>	<u>126</u>

19 Pension scheme

Polypipe Building Products Limited, the company's immediate parent company, operates a defined contribution pension scheme in which the company participates. Polypipe Building Products also operates a stakeholder pension scheme in which the company participates.

The pension charge for the year represents contributions payable by the company to these funds and amounted to £72,000 (2002: £79,000).

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Polypipe Building Products Limited, incorporated in England and Wales. The ultimate parent undertaking and ultimate controlling party is IMI plc, incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by IMI plc, incorporated in England and Wales. No other group accounts include the results of this company.

The consolidated accounts of IMI plc are available to the public and may be obtained from their registered office.