

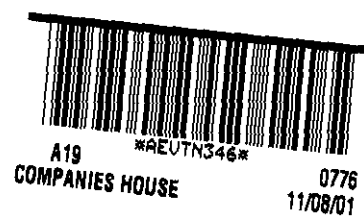
Avonside Group Holdings Limited

(formerly Novaside Limited)

**Directors' report and financial
statements**

Registered number 2666866

Year ended 31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors to the members of Avonside Group Holdings Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the group are the provision of services to housebuilders and the distribution of supplies to the construction industry in the United Kingdom.

Change of name

The company changed its name on 18 June 2001 from Novaside Limited.

Business review

The directors of the company consider the results for the year to be satisfactory.

Proposed dividend

The company profit after taxation and dividends for the year was £152,000 (1999:£5,169,000). An interim dividend of £423,000 (1999:£nil) was paid during the year. The directors recommend the payment of a final dividend of £4,000,000 (1999: £7,330,000).

Directors and directors' interests

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

RCA Slater (resigned 3 April 2001)

JJ Walker was appointed director on 3 April 2001.

RCA Slater and JJ Walker are directors of the company's parent company, Avonside Group Limited, and their interests in the share capital of the group is shown in the Director's Report of that company.

Fixed assets

In the opinion of the directors the market value of the company's properties held as fixed assets at the end of the financial year was not materially different to their net book value.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £nil.

Auditors

RSM Robson Rhodes resigned as auditors to the company on 18 December 2000. KPMG, who were appointed auditors on that date, are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board

P Wild
Secretary



Prospect House
32 Sovereign Street
Leeds
LS1 4BJ

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 group 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 group 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 group and to prevent and detect fraud and other irregularities.



St James' Square
Manchester M2 6DS
United Kingdom

Report of the auditors to the members of Avonside Group Holding Limited (formerly Novaside Limited)

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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. 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 group is not disclosed.

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 group'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 affairs of the company as at 31 December 2000 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
KPMG
Chartered Accountants
Registered Auditors

6th August 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover: continuing operations	<i>1,2</i>	-	-
Changes in stocks of finished goods and work in progress		-	-
Other operating income		-	(4)
		<hr/>	<hr/>
Raw materials and consumables		-	(4)
Other external charges		-	-
		<hr/>	<hr/>
Staff costs	<i>5</i>	-	(4)
Depreciation		(530)	(352)
Other operating charges		(58)	(72)
		<hr/>	<hr/>
Operating loss: continuing operations	<i>3</i>	(1,069)	(2,316)
Interest receivable	<i>6</i>	341	503
Interest payable	<i>7</i>	(43)	(423)
Income from shares in group undertakings		5,007	4,165
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,236	1,929
Tax on profit on ordinary activities	<i>8</i>	339	232
		<hr/>	<hr/>
Profit for financial year		4,575	2,161
Dividends paid	<i>9</i>	(4,423)	(7,330)
		<hr/>	<hr/>
Retained profit/(loss) for the year	<i>15</i>	152	(5,169)
		<hr/>	<hr/>

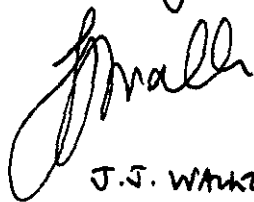
There were no recognised gains or losses other than those reported above.

The notes on pages 6 to 12 form part of these accounts.

Balance sheet
at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	10	100	139
Investments	11	15,202	15,202
		<hr/>	<hr/>
		15,302	15,341
Current assets			
Debtors	12	3,696	2,385
Cash at bank and in hand		4,059	844
		<hr/>	<hr/>
		7,755	3,229
Creditors: amounts falling due within one year	13	(5,691)	(1,356)
		<hr/>	<hr/>
Net current assets		2,064	1,873
		<hr/>	<hr/>
Total assets less current liabilities		17,366	17,214
		<hr/>	<hr/>
Net assets		17,366	17,214
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	10,175	10,175
Share premium account	15	631	631
Capital redemption reserve	15	709	709
Profit and loss account	15	5,851	5,699
		<hr/>	<hr/>
Equity shareholders' funds		17,366	17,214
		<hr/>	<hr/>

Approved by the Board of Directors on 2nd August 2001



J.J. WALKER
 DIRECTOR.

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 group's financial statements.

Basis of preparation

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

Group accounts

The company has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985 from preparing group accounts. The results have been included in the consolidated accounts of the parent undertaking, Avonside Group limited, a company registered in England and Wales.

Cash flow statement

Avonside Group Holdings Limited is a wholly subsidiary of a company registered in England and Wales which will publish, as part of its own accounts, a consolidated cash flow statement which complies with FRS 1. Thus Avonside Group Holdings Limited has taken advantage of the exemption under FRS 1 and not presented its own cash flow.

Tangible 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 land and buildings	-	2%
Fixtures, fittings and equipment	-	10% to 25%
Motor Vehicles	-	10% to 25%

Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit.

Leased assets

Assets acquired under finance leases are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the lease.

Post retirement benefits

Pension costs for defined contribution schemes are charged to the profit and loss account in the period for which contributions are payable.

Stocks

The Company is a holding company and does not therefore have stocks or work in progress.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made under the liability method only to the extent that it is probable that an actual liability will become payable in the foreseeable future.

Investments

Investments are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Cost is purchase price including acquisition expenses.

Turnover

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

2 Turnover and loss on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the company's principle activities.

3 Operating loss

	2000 £000	1999 £000
The operating loss for the year is stated after charging:		
Auditors' remuneration – audit services	10	13
Auditors' remuneration – non audit services	83	40
Depreciation and other amounts written off tangible fixed assets	58	72
Waiver of intercompany loan	-	1,000
Loss on sale of fixed assets	-	4
	<u> </u>	<u> </u>

4 Remuneration of directors

	2000 £000	1999 £000
Directors remuneration was as follows:		
Basic salary and fees	110	145
Benefits	9	14
Gain on share option encashment	-	30
Compensation for loss of office	110	68
Pension contributions to defined contribution schemes	17	18
	<u> </u>	<u> </u>
	246	275
	<u> </u>	<u> </u>

Notes (continued)

4 Remuneration of directors (continued)

	2000 £000	1999 £000
The remuneration of the highest paid executive director was as follows:		
Basic Salary	110	105
Benefits	9	8
Pension	17	16
Gain on share option encashment	-	22
Compensation for loss of office	110	-
	<u>246</u>	<u>151</u>

The company has made contributions into defined contribution pension arrangements on behalf of one director (1999: one).

No director had a material interest in any contract of significance in relation to the business of the company and its subsidiary undertakings.

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 2000	1999
Sales finance and admin	6	5
Directors	1	1
	<u>7</u>	<u>6</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	460	286
Social security costs	38	39
Other pension costs	32	27
	<u>530</u>	<u>352</u>

6 Other interest receivable and similar income

	2000 £000	1999 £000
Interest receivable	341	503

Notes (continued)

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	43	423

8 Taxation

	2000 £000	1999 £000
UK Corporation tax – current year	339	232

There are no provided or unprovided deferred tax liabilities as the company has deferred tax assets at 31 December 2000.

9 Dividends and other appropriations

	2000 £000	1999 £000
Equity shares:		
Interim dividend paid	423	-
Final dividend proposed	4,000	7,330
	<u>4,423</u>	<u>7,330</u>

10 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor Vehicles £000	Total £000
Group Cost				
At 1 January 2000	12	210	79	301
Additions	-	4	21	25
Disposals	-	(29)	(29)	(58)
At 31 December 2000	<u>12</u>	<u>185</u>	<u>71</u>	<u>268</u>
Depreciation				
At 1 January 2000	-	123	39	162
Charge for year	-	37	21	58
On disposals	-	(29)	(23)	(52)
At 31 December 2000	<u>-</u>	<u>131</u>	<u>37</u>	<u>168</u>
Net book value				
At 31 December 2000	<u>12</u>	<u>54</u>	<u>34</u>	<u>100</u>
At 1 January 2000	<u>12</u>	<u>87</u>	<u>40</u>	<u>139</u>

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	34,115
Provisions	
At beginning and end of year	18,913
Net book value	
At 31 December 2000	15,202
At 1 January 2000	15,202

Company	Country of Incorporation	Principal Activity	Interest in Ordinary Shares %
Avonside Houses Limited	England	Housing Development	100%
Avonside Heating Limited	England	Plumbing and Heating Contractors	100%
Lee Roofing Services Limited	England	Roofing Contractor	100%
Parry Homes Limited	England	Property Development	100%
Avonside Holdings Limited	England	Intermediate Holding Company	100%

12 Debtors

	2000 £000	1999 £000
Corporation tax recoverable	645	676
Amounts owed by subsidiary undertakings	2,022	1,506
Other debtors	994	135
Repayments and accrued income	35	68
	3,696	2,385

Notes (continued)

13 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Amounts owed to parent company	4,497	-
Amounts owed to subsidiary undertakings	882	1,169
Corporation tax	-	-
Other taxation and social security	25	-
Other creditors	67	59
Accruals and deferred income	220	128
	<hr/> 5,691 <hr/>	<hr/> 1,356 <hr/>

14 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
56,000,000 ordinary shares of £0.25 each	14,000	14,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
40,701,789 ordinary shares of £0.25 each	10,175	10,175
	<hr/>	<hr/>

15 Share premium and reserves

	Share premium account £000	Capital redemption Reserve £000	Profit and loss account £000
At beginning of year	631	709	5,699
Retained profit for the year	-	-	152
	<hr/>	<hr/>	<hr/>
At end of year	631	709	5,851
	<hr/>	<hr/>	<hr/>

16 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit for the year	4,575	2,161
Dividends	(4,423)	(7,330)
	<hr/>	<hr/>
Net addition to/(reduction) in shareholders funds	152	(5,169)
Opening shareholders' funds	17,214	22,383
	<hr/>	<hr/>
Closing shareholders funds	17,366	17,214
	<hr/>	<hr/>

Notes (continued)

17 Commitments

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

	2000 Land and Buildings £000	Other £000	1999 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	1	-	-
In the second to fifth years inclusive	7	-	5	1
Over five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7	1	5	1
	<hr/>	<hr/>	<hr/>	<hr/>

18 Pension Commitments

The company has a number of pension arrangements, all of which are now defined contribution schemes. The company is in the process of converting the residual defined benefit element of past schemes into paid up, fully funded policies or transferring the cash equivalent value of these schemes into new schemes. The contributions to these schemes are provided for in the accounts of the year to which they relate. In all cases the assets are held separately from the company and the pension funds are independently managed. The total pension charge for the company was £32,000 (1999: £27,000).

19 Contingent Liabilities

Subsidiary undertakings have given unsecured guarantees to third parties amounting to £410,000 (1999: £nil).

Each group company is party to a group banking facility under which it has guaranteed the bank borrowings, performance bonds and guarantees of its fellow group companies. The total group drawings under the facility at 31 December 2000 were £7,780,000 (1999: £7,893,000), all of which related to the parent company and all subsidiary undertakings.

Bank borrowings are secured by way of a floating charge over the assets of the group.

20 Related party disclosures

Under FRS 8 the company is exempt from the requirement to disclose details of transactions with its ultimate controlling party, parent and subsidiary companies

21 Ultimate parent company and parent undertaking of larger group

The company is a wholly owned subsidiary of Avonside Group Limited. Copies of the consolidated accounts of Avonside Group Limited can be obtained from Prospect House, 32 Sovereign Street, Leeds LS1 4BJ.