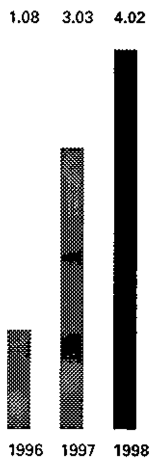
AVONSIDE
GROUP PLC

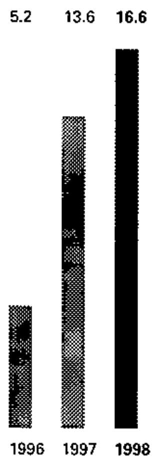
Annual Report 1998

Avonside Group's success, past and future, is rooted firmly in the strong service ethic which is given paramount importance throughout every trading company. This service ethic is not prescribed, it is set for us by our customers, and is driven by the self-imposed standards adopted by our employees. It has strong characteristics:

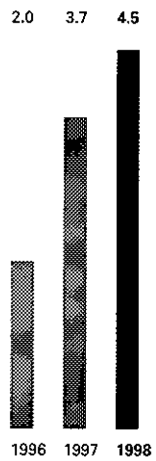
- respect for our customers' individual requirements
- open communication with customers
- investment of time and resources in mutually beneficial long-term relationships.



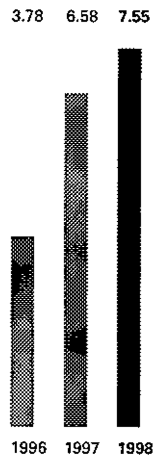
Profit before Tax £m



Return on Net Assets %



Operating Margins %



Net Cash £m

CHAIRMAN'S STATEMENT

1998 Performance

1998 was a successful year for Avonside with the Group reporting profits before tax up 33% to £4.0 million. This represents a third successive year of profit growth for the Group and reflects improved margins in our Service operations and the continued strength in Distribution, our core activities.

In particular, I would emphasise the 13% increase in turnover by core activities, generating a 19% uplift in core operating profits. The Group's financial position has further strengthened with operating cash flows of £5.2 million and a year end cash position of £7.5 million. Year end net assets of £24.2 million represent 59.4p per share of which 18.5p was held in cash at the year end.

In view of the offer for the Group, no final dividend is recommended.

Services

Services to Housebuilders has had an encouraging year with growth in turnover of 14% and in operating profits of 58%. The operating margins have continued to rise and reached 3.2% in 1998 compared with 2.3% last year. A long-term objective within this division is to improve these margins further. The opportunities to expand our existing network through organic growth and enhanced market share indicates that we should continue to set ourselves the joint targets of expanded turnover and, in the medium term, improved margins.

Distribution

Turnover has increased by 10% as the impact of the integration of the Dewhurst Distribution business acquired at the end of June has begun to be seen in the figures. The operations have generated £2.2m of operating profit which is marginally down on 1997 but satisfactory in the context of a very competitive market place.

Bid Talks

On 6 January 1999 your Board announced that preliminary discussions were taking place that may lead to an offer being made for the Group.

As noted above the Group has continued to make satisfactory progress, but the share price performance remained disappointing. In light of this and for the reasons set out in the offer announcement of 9 April, discussions were held, including those with Alchemy Partners, with a view to securing an offer for the entire issued and to be issued share capital of the Company.

Whilst I remain confident the Group could have continued to progress, the Independent Directors have negotiated the terms of a recommended cash offer to be made for your Group, as set out in the offer document. On 20 April it was announced that the offer made by Apax Partners & Co Capital Limited on behalf of Novaside Limited had been declared unconditional and had become a mandatory bid. A copy of the relevant mandatory cash offer document was sent to shareholders on 20 April.

Trading Outlook

First quarter activity in the service companies has been encouraging as we continue to develop closer trading relationships with major housebuilders.

The Distribution results in 1999 will benefit from the full year contribution of Dewhurst Distribution although existing operations may experience a decline due to competitive pressures in quiet market conditions.

Nicholas Talbot Rice *Chairman*
29 April 1999

FINANCIAL REVIEW

Profit and Loss

Profit before tax has increased by 33% to £4.0m on turnover up 5% to £85.3m. Operating margins have improved from 3.7% in 1997 to 4.5% this year.

The 1998 tax charge represents an effective tax rate of 27% as the last of the tax losses from the Group's exit from Housebuilding have been crystallised. The long-term rate is expected to return to the standard corporation tax rate from 1999 onwards.

Earnings per share have increased by 36% to 7.15 pence from 5.25 pence in 1997.

Net Assets

Net assets of £24.2m represent 59 pence per share. Underpinning this asset valuation is £7.5m of cash which equates to 18 pence per share.

Returns on assets have been steadily improving in recent years with returns on capital employed reaching 16.6% in 1998 in comparison to 13.6% in 1997 and 5.2% in 1996. Higher operating margins and the withdrawal from housebuilding have been behind this improvement.

The net cash position, which represents a £1m increase on last year, is after the acquisition of Dewhurst Distribution for £1.2m which was completed in June 1998. Cash flows include a £0.7m share buy back programme and £0.7m in dividends, which brought the total cash returned to shareholders during 1998 to £1.4m up from £0.8m in 1997.

Adoption of New Accounting Standards

The financial statements for the Group include the adoption of FRS 10 Goodwill and Intangible Assets, FRS 11 Impairment of Fixed Assets and Goodwill and FRS 14 Earnings per Share. The other standards effective for December 1998 year ends have no impact on these financial statements.

Treasury

The Group's cash position remains strong. We intend to maintain this level of control through monthly cash forecasts and continuing emphasis on working capital management. The Group's banking was transferred to Barclays during 1998 which has brought improvements in cash monitoring and electronic banking.

Year 2000

The Group places high importance on ensuring, as far as reasonably possible, that its business and trading relationships are not impaired as a result of the Year 2000 problem. The Group has undertaken a review of all its systems, together with independent consultants, to ensure Year 2000 compliance. The future costs of ensuring Year 2000 compliance across the Group have not been quantified. As a result of this review the directors have satisfied themselves that the Group will achieve an acceptable state of readiness within the available time frame.

Going Concern

After making enquiries, the directors consider that the Group has adequate resources to continue operations for the foreseeable future. Accordingly, the accounts continue to be prepared on the going concern basis.

Neil O'Brien *Group Finance Director*
29 April 1999

DIRECTORS AND COMPANY INFORMATION

Directors

Nicholas Talbot Rice *Non-Executive Chairman*
Nicholas Talbot Rice is a venture capitalist and chairman and a director of several unlisted companies. He is also a non-executive director of Foreign & Colonial Smaller Companies PLC and Partco Group plc. Age 54. *+

Craig Slater *Group Managing Director*
Craig Slater gained experience at Thorn EMI PLC, Arthur Andersen & Co and in a number of smaller businesses before joining the Group as Finance Director for its flotation in 1992. Craig has been Group Managing Director since January 1998. Age 35.

Neil O'Brien *Group Finance Director*
Neil O'Brien was appointed as Group Finance Director in December 1997. He qualified as a chartered accountant with Coopers & Lybrand, before joining Blue Circle's European Home Products division and more recently CAMAS PLC. Age 36.

Ron Phillips *Director*
Ron Phillips has 35 years' experience in the heating and plumbing trades. He formed Westco in 1977 and is its Chairman. He is responsible for the distribution division. Age 62.

David Humphrey *Non-Executive Director*
David Humphrey runs a bespoke furniture manufacturing business in Cumbria, has been a chartered planner for 30 years and has worked in the building industry for over 20 years. Age 57. *+

* Audit Committee Member at the year end

\+ Remuneration Committee Member at the year end

Company Information

Registrars
Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0LA

Auditors
Robson Rhodes

Principal Bankers
Barclays Bank plc

Principal Solicitors
McGrigor Donald

Financial Adviser and Stockbrokers
Albert E Sharp

Secretary
N C O'Brien

Registered Office
Unit 5, Holden Road Trading Estate
Holden Road, Leigh
Lancashire WN7 1EX

Registered Number
2666866

The directors submit their report and the audited accounts of the Company and the Group for the year ended 31 December 1998.

Principal Activities

The principal activities of the Group, throughout the year, continued to be the provision of services to housebuilders and the distribution of supplies to the construction industry in the United Kingdom. The divestment of the Group's housebuilding activities continued throughout 1998. In June 1998 the Company purchased the business and assets of Dewhurst Distribution, a distributor of plumbing and heating supplies in the United Kingdom.

Review of the Business and Future Developments

Analysis of turnover and profit before tax is shown in note 2 to the accounts on page 14. Further information is given in the Chairman's Statement on page 1 and in the Financial Review on page 2.

Results and Dividends

The Group profit after taxation for the financial year amounted to £2,916,000. The directors recommend that no final dividend should be paid in respect of 1998. The interim dividend was 0.75 pence per share.

Fixed Assets

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

Employee Matters

The Group operates a policy of developing communications between management and employees and encouraging employees through the use of various incentive schemes to improve awareness of and to participate in the Group's performance. The incentive schemes comprise an executive share option scheme and an executive share incentive scheme. The Group gives full consideration to applications for employment by 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 Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training and career development as appropriate.

Political and Charitable Contributions

Charitable donations were made in the year of £2,000 (1997 - nil). No political contributions were made.

Directors and their Interests

A short biography of the current directors is set out on page 3. Each director held office during the whole of the financial year. In addition Brain Scowcroft served as a director during the year but retired from the Board on 27 May 1998. The beneficial interests of the directors of the Company who held office at the end of the financial year in the ordinary 25p shares of the Company are set out below:

Fully paid ordinary 25p shares	**31 December 1998**	31 December 1997
R C A Slater	**28,212** *	28,212 *
N C O'Brien	**7,000**	7,000
R L D Phillips	**-**	-
N C Talbot Rice	**110,000**	75,000
D T Humphrey	**-**	-

* 11,212 of the shares in which R C A Slater is beneficially interested are held by Avonside Trustees Limited, acting in its capacity as Trustee of the Avonside Group PLC Executive Share Incentive Scheme, as part of its total trust shareholding at 31 December 1998 of 65,337 shares. Three of the directors, namely N C Talbot Rice, R C A Slater and D T Humphrey are directors of Avonside Trustees Limited and thus have a non-beneficial interest in the total shareholding of Avonside Trustees Limited, in its capacity as Trustee of both the Profit Sharing Scheme and the Executive Share Incentive Scheme, of 65,337 shares, save to the extent that R C A Slater has a beneficial interest in 11,212 of such shares as set out above. Details of related party transactions and directors' share options are shown in note 4 to the accounts.

As part of the previously announced mandatory offer for the Group the directors have agreed to sell all the shares in which they have a beneficial interest.

No notification has been received of any other change in the above interests during the period from 31 December 1998 to the date of this report.

No director has a service contract in excess of one year. A statement of the Company's policy on executive directors' renumeration is set out on page 6.

Board Committees

The composition and responsibilities of the Audit Committee and Remuneration Committee are explained further on page 6 of this document.

Substantial Shareholders

The following shareholder of the Company has notified its interest in the share capital of the Company as at 23 April 1999:

	Number of shares	Percentage
Novaside Limited	35,610,348	87.5%

Purchase of Own Shares

On 14 January 1998 the Company purchased 2,435,000 of its own shares at the market price of 27p at a total cost of £657,450. The nominal value of the shares was £608,750. This purchase represented 5.6% of the issued share capital. This purchase was made as it was expected to be earnings enhancing. The acquired shares, which were purchased pursuant to an authority given at last year's annual general meeting, have since been cancelled. The authority given at last year's annual general meeting will expire on the earlier of this year's annual general meeting or 26 August 1999.

Supplier Payment Policy

The Group operates a policy of negotiating terms with its suppliers and of ensuring that they are aware of these terms at the outset of any business arrangement. The policy is then to abide by these terms provided the attendant conditions have been met by the supplier. The number of days trade creditors was Nil (1997 - Nil) for the Company and 64 (1997 - 61) for the Group.

Auditors

A resolution proposing the re-appointment of the auditors, Robson Rhodes, by the shareholders and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts the directors are required to:

- select appropriate accounting policies and then apply them consistently;
- make judgements which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless this is inappropriate.

The directors confirm that they have complied with the above requirements in preparing the accounts. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

N C O'Brien *Secretary*

29 April 1999

NCO'Brien

CORPORATE GOVERNANCE

The directors have reviewed the revised Combined Code and consider that in all material aspects the Group has complied with the Code throughout the financial year save as set out below.

The Board

The composition of the Board and its various committees is shown on page 3. The membership of the Board includes three executive directors and two non-executive directors.

The Company's current Articles of Association do not require either the Chairman or Managing Director to retire by rotation. The Combined Code recommends that all directors should be subject to re-election at intervals of not less than three years. Given the proposed de-listing of the Company, it is not proposed to amend the Articles at this stage.

Internal Controls

The Directors have reviewed the effectiveness of the system of internal financial controls. Such a system can provide only reasonable and not absolute assurance against mis-statement or loss. The key controls and information flows are:

- A schedule of matters reserved specifically for decision by the Board
- an annual budget which identifies key risk areas. Performance is monitored by the Board through monthly management accounts and updated forecasts
- capital expenditure is regulated by the budgetary procedure and authorisation levels.

Audit Committee

The Audit Committee comprises both non-executive directors and is chaired by D T Humphrey. The Committee meets at least twice a year.

Remuneration Committee

The Remuneration Committee comprises the non-executive directors and is chaired by N C Talbot Rice. The Committee reviews proposals for directors' and senior executives' remuneration and the operation of group bonus and share option schemes. Its principal objective is to ensure that remuneration and incentive packages are appropriate and properly reflect the performance of the Group and prevailing market rates.

The Remuneration Committee determines the level of pay and benefits for all group employees whose remuneration packages exceed £50,000. Benefits typically include a car, pension entitlement and private healthcare. Details of each individual director's remuneration and share options are disclosed in note 4 to the accounts.

The fees for non-executive directors are determined by the Board within the limits outlined in the Articles of Association.

The Group Managing Director and Group Finance Director are entitled to a bonus which is related to the growth in the Group's earnings per share and in meeting specific personal targets. Directors and senior executives of subsidiary undertakings, including any Group directors employed by such companies, are entitled to a bonus which is related to profits and cashflows achieved by that undertaking if certain base levels are exceeded. These base levels of profit are set to encourage profit growth and are approved by the Remuneration Committee. Bonus figures are calculated by reference to audited profit figures and are paid in March following the year to which they relate.

The Group retains its policy of having a maximum length of service contract of one year. Non-executive directors do not have a service contract.

REPORT OF THE AUDITORS

to the shareholders of of Avonside Group PLC

We have audited the financial statements on pages 8 to 29 which have been prepared on the basis of the accounting policies set out on pages 12 to 13.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including the financial statements as described on page 5. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, 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 or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on page 5 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1998 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robson Rhodes.

Robson Rhodes

Chartered Accountants and Registered Auditor

Manchester

29 April 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
Turnover			
Existing operations		**83,699**	81,083
Acquisition		**1,609**	-
Total Turnover: Continuing operations	2	**85,308**	81,083
Operating Profit			
Existing operations		**3,701**	2,975
Acquisition		**136**	-
Total Operating Profit: Continuing operations	2,3	**3,837**	2,975
Net interest receivable	5	**182**	52
Profit on Ordinary Activities before Taxation		**4,019**	3,027
Taxation on profit on ordinary activities	6	**(1,103)**	(756)
Profit on Ordinary Activities after Taxation		**2,916**	2,271
Dividends paid and proposed	8	**(305)**	(623)
Retained Profit for the Year	21	**2,611**	1,648
Earnings per 25 pence ordinary share - basic	9	**7.15p**	5.25p
Earnings per 25 pence ordinary share - diluted	9	**7.15p**	5.24p

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

The notes set out on pages 12 to 29 form part of these accounts.

BALANCE SHEETS

as at 31 December 1998

	Notes	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Fixed Assets					
Intangible assets	10	**772**	-	-	-
Tangible assets	11	**5,296**	4,951	**181**	127
Investments	12	-	-	**15,202**	34,115
		6,068	4,951	**15,383**	34,242
Current Assets					
Stocks	14	**7,322**	9,585	-	-
Debtors: Amounts falling due within one year	15	**18,708**	15,985	**6,029**	4,875
Debtors: Amounts falling due after more than one year	15	**960**	897	-	102
Cash on term deposit		**3,566**	3,000	**3,566**	3,000
Cash at bank and in hand		**3,980**	3,577	-	534
		34,536	33,044	**9,595**	8,511
Creditors: Amounts falling due within one year	16	**(15,617)**	(14,974)	**(2,598)**	(1,857)
Net Current Assets		**18,919**	18,070	**6,997**	6,654
Total Assets less Current Liabilities		**24,987**	23,021	**22,380**	40,896
Creditors: Amounts falling due after more than one year	17	**(755)**	(691)	-	-
Provision for Liabilities and Charges	19	**(43)**	(95)	-	(50)
		24,189	22,235	**22,380**	40,846
Capital and Reserves					
Called up share capital	20	**10,173**	10,782	**10,173**	10,782
Share premium account	21	**630**	630	**630**	630
Capital redemption reserve	21	**709**	100	**709**	100
Other reserve	21	**(2,046)**	(2,046)	-	-
Other non-distributable reserve	21	-	-	-	5,544
Profit and loss account	21	**14,723**	12,769	**10,868**	23,790
Equity Shareholders' Funds		**24,189**	22,235	**22,380**	40,846

The notes set out on pages 12 to 29 form part of these accounts.

These financial statements were approved by the board of directors on 26 March 1999

N C Talbot Rice *Director*

N C O'Brien *Director*

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
Net Cash Inflow from Operating Activities	A	**5,220**	4,083
Returns on Investments and Servicing of Finance			
Interest received		**1,029**	921
Interest paid		**(700)**	(722)
Interest element of finance lease and hire purchase payment		**(155)**	(133)
Net Cash Inflow from Returns on Investments and Servicing of Finance		**174**	66
Net Taxation (Paid)/Received		**(770)**	620
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		**(614)**	(724)
Receipts from sale of tangible fixed assets		**226**	196
Net Cash Outflow from Capital Expenditure and Financial Investment		**(388)**	(528)
Acquisition			
Payments to acquire business		**(1,204)**	-
Equity Dividends Paid		**(712)**	(651)
Net Cash Inflow before Financing and Management of Liquid Resources		**2,320**	3,590
Net Cash Outflow from Management of Liquid Resources	B	**(566)**	(3,000)
Financing			
Payments to redeem ordinary share capital		**(657)**	(180)
Capital element of finance lease and hire purchase payments		**(694)**	(615)
Net Cash Outflow from Financing		**(1,351)**	(795)
Increase/(Decrease) in Cash in the Year	B	**403**	(205)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

A RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £000	1997 £000
Operating profit	**3,837**	2,975
Depreciation	**1,032**	987
Amortisation of goodwill	**36**	-
Profit on sale of tangible fixed assets	**(39)**	(9)
Decrease in stocks and work in progress	**2,263**	2,777
Increase in debtors	**(2,629)**	(2,823)
Increase in creditors	**720**	176
Net cash inflow from operating activities	**5,220**	4,083

B ANALYSIS OF NET FUNDS

	As at 1 January 1998 £000	Cash flow £000	Non cash changes £000	As at 31 December 1998 £000
Cash at bank and in hand	3,577	403	-	**3,980**
Funds on 2 month deposit	3,000	(3,000)	-	-
Funds on 1 month deposit	-	3,566	-	**3,566**
Finance lease and hire purchase contracts	(1,332)	694	(879)	**(1,517)**
	5,245	1,663	(879)	**6,029**

C RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1998 £000	1997 £000
Increase/(Decrease) in cash in the period	**403**	(205)
Funds transferred from 2 month deposit	**(3,000)**	3,000
Funds transferred to 1 month deposit	**3,566**	-
Cash outflow from decrease in finance lease and hire purchase contracts	**694**	615
	1,663	3,410
New finance lease and hire purchase contracts	**(879)**	(715)
Increase in net funds in the year	**784**	2,695
Net funds at the beginning of the year	**5,245**	2,550
Net funds at the end of the year	**6,029**	5,245

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Basis of Preparation

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

Basis of Consolidation

The group accounts consolidate the accounts of Avonside Group PLC and all of its subsidiary undertakings drawn up to 31 December. Pursuant to the provisions of Section 230 of the Companies Act 1985 no profit and loss account is presented for Avonside Group PLC.

New Accounting Standards

The information disclosed in the financial statements has been expanded to comply with three new standards: FRS 10 Goodwill and Intangible Assets, FRS 11 Impairment of Fixed Assets and Goodwill, and FRS 14 Earnings per Share.

Goodwill

Prior to 31 December 1997 goodwill was written off to reserves on acquisition. Since that date, in accordance with FRS 10, goodwill is capitalised and written off over its useful economic life and this policy will also be adopted on any future acquisitions. The goodwill capitalised in 1998 is to be amortised over a ten-year period, being the directors' assessment of its useful economic life.

Merger Accounting

Merger accounting was adopted on the creation of the group in 1992. The excess of the cost of investment over the nominal value of the shares in the subsidiary undertakings was taken to reserves in the year of merger.

Turnover and Profit

Turnover represents the value of sales excluding VAT and transactions between members of the group. Turnover includes sales of part exchange homes. Turnover and profit on sale of homes are brought into account on completion.

Investments

Fixed asset investments are stated at cost less provision for any reduction in recoverable amount beneath its carrying value.

Depreciation

Depreciation is provided on tangible fixed assets, except freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold and long leasehold buildings	2%
Short leasehold property	Period of the lease
Plant and machinery	10% - 25%
Fixtures and fittings, tools and equipment and motor vehicles	10% - 25%

1 ACCOUNTING POLICIES continued

Stocks

Stocks, including land under development, are valued at the lower of cost and net realisable value. Costs include those incurred in bringing each product to its present location and condition as follows:

Raw materials	-	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 the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. The directors regularly review all stocks and where, in their opinion, the net realisable value of any individual stock or stock item is less than cost, a provision is made to reduce the carrying cost to net realisable value.

Taxation

The charge for taxation takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Advance corporation tax on dividends paid and provided for in the year is not written off if UK corporation tax liabilities for the period up to the next balance sheet date are expected to be sufficient to absorb this tax.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. All exchange differences thus arising are dealt with through the profit and loss account.

Leasing and Hire Purchase Contracts

Assets held under finance lease and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant periodic rate of charge.

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

Pension Costs

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

2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover comprises sales and services wholly within the Group's ordinary and continuing activities net of value added tax. The Group operates in three areas of activity, the provision of services to housebuilders, distribution of supplies to the construction industry, and housebuilding.

(a) Analysis by area of activity

	Services to Housebuilders		Distribution		Housebuilding		Total	
	1998 £000	1997 £000	**1998 £000**	1997 £000	**1998 £000**	1997 £000	**1998 £000**	1997 £000
Turnover								
Total sales	**59,672**	53,163	**22,314**	20,317	**3,884**	9,139	**85,870**	82,619
Intersegment sales	**-**	(1,041)	**(562)**	(495)	**-**	-	**(562)**	(1,536)
Sales to third parties	**59,672**	52,122	**21,752**	19,822	**3,884**	9,139	**85,308**	81,083
Operating Profit								
Segmental profit/(loss)	**1,912**	1,208	**2,159**	2,224	**(234)**	(457)	**3,837**	2,975
Net interest receivable							**182**	52
Profit on ordinary activities before taxation							**4,019**	3,027
Net Assets								
Net assets by segment	**12,090**	10,849	**7,299**	5,491	**373**	2,579	**19,762**	18,919
Unallocated net assets							**4,427**	3,316
							24,189	22,235

Common costs have been allocated to the segments on the basis of turnover.
Turnover and Operating Profit in respect of the acquisition of Dewhurst Distribution made in June 1998 are included in Distribution. Distribution net assets at the year end include £1,210,000 in respect of the acquisition.
Unallocated net assets comprise cash at bank and overdrafts, taxation assets and liabilities, finance lease liabilities, and net assets at the head office.

(b) Analysis by geographical area
All operations are conducted, and all sales are made, within the United Kingdom.

3 OPERATING PROFIT

(a) Operating profit is arrived at as follows:

	1998 Existing Operations £000	1998 Acquisition £000	**1998 Total £000**	1997 Existing Operations £000
Turnover	83,699	1,609	**85,308**	81,083
Change in stocks of land, finished goods, and work in progress	2,383	-	**2,383**	3,399
Other operating income	(141)	-	**(141)**	(35)
Purchase of raw materials and consumables	49,275	1,042	**50,317**	48,009
Other external charges	11,177	-	**11,177**	10,726
Staff costs (note 4)	12,894	216	**13,110**	11,728
Compensation for loss of office	30	-	**30**	-
Depreciation	1,025	7	**1,032**	987
Amortisation of goodwill	-	36	**36**	-
Other operating charges	3,355	172	**3,527**	3,294
	79,998	1,473	**81,471**	78,108
Operating profit	3,701	136	**3,837**	2,975

(b) Operating profit is stated after charging/(crediting):

	1998 £000	1997 £000
Auditors' remuneration - audit services	**65**	65
Auditors' remuneration - non-audit services	**95**	50
Profit on disposal of fixed assets	**(39)**	(9)
Operating lease rentals - plant and machinery	**77**	75
Operating lease rentals - other	**293**	181
Rental income from land and buildings	**(45)**	(26)

4 DIRECTORS AND EMPLOYEES

(a) Staff costs

	1998 £000	1997 £000
Wages and salaries	**11,761**	10,474
Social security	**1,127**	989
Other pension costs	**252**	265
	13,140	11,728

(b) The average number of employees, excluding non-executive directors, during the year was as follows:

	1998 Number	1997 Number
Services to Housebuilders	**626**	572
Distribution	**108**	84
Housebuilding	**-**	23
Head office	**7**	7
	741	686

(c) Directors' remuneration was as follows:

	1998 £000	1997 £000
Basic salary and fees	**356**	342
Benefits	**42**	25
Performance related bonus	**99**	48
Compensation for loss of office	**30**	-
Pension contributions to defined contribution schemes	**18**	35
	545	450

4 DIRECTORS AND EMPLOYEES continued

(d) The remuneration of the executive directors was as follows:

	R C A Slater £	N C O'Brien £	R L D Phillips £	B Scowcroft £	Total £
Basic salary	95,000	58,000	121,284	43,776	318,060
Benefits	6,952	7,028	14,956	12,585	41,521
Performance related bonus	23,750	12,180	63,344	-	99,274
Compensation for loss of office	-	-	-	30,000	30,000
	125,702	77,208	199,584	86,361	488,855
Pension contributions to defined contribution schemes	14,250	3,625	-	-	17,875
Total remuneration	**139,952**	**80,833**	**199,584**	**86,361**	**506,730**
Remuneration for 1997	79,726	5,142	173,048	122,470	380,386
Pension contributions to defined contribution schemes	11,079	-	7,023	16,824	34,926
Total remuneration for 1997	90,805	5,142	180,071	139,294	415,312

(e) The remuneration of the non-executive directors was as follows:

	N C Talbot Rice £	D T Humphrey £	Total £
Fees	**25,000**	**12,500**	**37,500**
Fees for 1997	25,000	10,000	35,000

4 DIRECTORS AND EMPLOYEES continued

(f) Directors' share options

	Option price 47p	Option price 42p	Option price 36p	Option price 103p	Option price 106p	**31 December 1998 Total share options**	31 December 1997 Total share options
R C A Slater	-	25,000	100,000	-	110,000	**235,000**	210,000
N C O'Brien	-	60,000	-	-	-	**60,000**	-
R L D Phillips	25,000	-	-	85,000	25,000	**135,000**	110,000

D T Humphrey and N C Talbot Rice do not hold any share options.

The share options were granted under the Avonside Group PLC Executive Share Option Scheme and further details are given in note 20 to the accounts. No share options were exercised or lapsed in the year in respect of the above mentioned directors. 150,000 share options held by B Scowcroft at the previous year end lapsed on his retirement from the Board. 85,000 share options were granted at 42p in April 1998 and 25,000 share options were granted at 47p in May 1998.

No notification has been received of any change in the above interests during the period from 31 December 1998 to the date of this report.

The mid-market price of the ordinary 25p shares on 31 December 1998 was 39.5p, and the share price range during the year was 29.5p to 48.5p.

(g) Related party transactions

R C A Slater entered into a contract under which a subsidiary undertaking has, at a fixed profit margin, undertaken some construction work on his behalf. The amount invoiced in 1998 was £9,961 (1997 - £5,338).

R L D Phillips also entered into a contract under which a subsidiary undertaking has, at a fixed profit margin, constructed a property on his behalf. The amount invoiced in 1998 was nil (1997 - £4,500).

During January 1998 the Group disposed of its loss-making investment in B.S. Heating (Gas Services) Limited for nil consideration, resulting in a loss to the Group of £51,700. The company was sold to Alan Scowcroft, son of Brian Scowcroft, and Philip Bury, Brian Scowcroft's son-in-law. Brian Scowcroft has acted as guarantor to the sale.

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

5 INTEREST

	1998 £000	1997 £000
Interest receivable	**1,000**	902
Interest payable on loans repayable within five years:		
Bank loans and overdrafts	**(669)**	(670)
Other loans	-	(45)
Hire purchase and finance leases	**(149)**	(135)
	(818)	(850)
Net interest receivable	**182**	52

6 TAXATION

	1998 £000	1997 £000
The charge for the year comprises:		
Corporation tax	**1,155**	844
Adjustments relating to previous years	**(50)**	(88)
Deferred taxation in current year	**(6)**	5
Deferred taxation for previous years	**4**	(5)
Total current taxation charge	**1,103**	756
If full provision had been made for deferred taxation, the taxation charge would have increased by:	**92**	67

7 COMPANY LOSS FOR THE FINANCIAL YEAR

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The loss dealt with in the accounts of the Company was £11,960,000 (1997 - £293,000 profit).

8 DIVIDENDS

	1998 pence per share	1997 pence per share	1998 £000	1997 £000
Interim dividend	**0.75**	0.50	**305**	216
Final proposed dividend	**-**	1.00	**-**	407
	0.75	1.50	**305**	623

9 EARNINGS PER SHARE

	1998 Number	1997 Number
Basic weighted average shares in issue during the period	**40,785,186**	43,297,748
Potential ordinary shares from share option schemes	**14,356**	56,318
Diluted weighted average shares during the period	**40,799,542**	43,354,066

Basic and diluted earnings per share is calculated with reference to a profit after taxation of £2,916,000 (1997 - £2,271,000) and the weighted average number of shares in issue during the year calculated in accordance with FRS 14. Headline earnings per share are calculated in accordance with the formula published by the Institute of Investment Management and Research.

10 INTANGIBLE FIXED ASSETS

	Goodwill £000
Group	
Cost:	
As at 1 January 1998	-
Addition	808
As at 31 December 1998	**808**
Amortisation:	
As at 1 January 1998	-
Charge for year	36
As at 31 December 1998	**36**
Net book value as at 31 December 1998	**772**
Net book value as at 31 December 1997	-

Goodwill arose on the acquisition of the business of Dewhurst Distribution by Westco Building Components Limited on 29 June 1998 (note 13).

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and machinery £000	Motor vehicles, fixtures and fittings £000	Total £000
Group					
Cost:					
As at 1 January 1998	2,266	568	1,090	4,129	8,053
Additions	67	5	161	1,459	1,692
Disposals	(10)	(10)	(101)	(959)	(1,080)
As at 31 December 1998	**2,323**	**563**	**1,150**	**4,629**	**8,665**
Depreciation:					
As at 1 January 1998	354	60	641	2,047	3,102
Charge for year	44	15	117	856	1,032
Disposals	-	-	(92)	(673)	(765)
As at 31 December 1998	**398**	**75**	**666**	**2,230**	**3,369**
Net book value as at 31 December 1998	**1,925**	**488**	**484**	**2,399**	**5,296**
Net book value as at 31 December 1997	1,912	508	449	2,082	4,951

The net book value of assets included above which are held under finance lease and hire purchase contracts is £2,100,000 (1997 - £1,385,000). Depreciation charged on the above assets in the year was £523,000 (1997 - £463,000).

11 TANGIBLE FIXED ASSETS continued

	Freehold land and buildings £000	Motor vehicles, fixtures and fittings £000	Total £000
Company			
Cost:			
As at 1 January 1998	-	182	182
Additions	12	92	104
Disposals	-	(3)	(3)
As at 31 December 1998	**12**	**271**	**283**
Depreciation:			
As at 1 January 1998	-	55	55
Charge for year	-	50	50
Disposals	-	(3)	(3)
As at 31 December 1998	**-**	**102**	**102**
Net book value as at 31 December 1998	**12**	**169**	**181**
Net book value as at 31 December 1997	-	127	127

The net book value of land and buildings comprises:

	1998 £000	1997 £000
Group		
Freehold land	**770**	424
Freehold buildings	**1,155**	1,488
Long leasehold	**411**	418
Short leasehold	**77**	90
	2,413	2,420

12 FIXED ASSET INVESTMENTS

	£000
Company	
Cost:	
As at 1 January 1998 and 31 December 1998	**47,036**
Provision:	
As at 1 January 1998	12,921
Provided in year	18,913
As at 31 December 1998	**31,834**
Net book value as at 31 December 1998	**15,202**
Net book value as at 31 December 1997	34,115

The investment costs represent the cost of the whole of the issued share capital of the Company's principal subsidiary undertakings, as adjusted for any impairments in the value of the subsidiary undertakings.
The increase in the provision in the year reflects the adoption of FRS11.
A list of all the subsidiary undertakings is shown on page 29.

13 ACQUISITION OF BUSINESS

On 29 June 1998 the Group acquired the business and net assets of Dewhurst Distribution whose assets and liabilities were as follows:

	Initial book value £000	Fair value £000
Tangible fixed assets	35	35
Stocks	198	198
Trade debtors	530	530
Other debtors	17	17
Trade creditors	(384)	(384)
Net assets acquired	396	396
Expenses of acquisition		33
Cash consideration		1,171
		1,204
Goodwill		808

Since the acquisition Dewhurst Distribution has contributed £199,000 to the Group's operating cash flow, received £6,000 in respect of net returns on investments and servicing of finance, paid £2,000 for capital expenditure and financial investment, and paid £2,000 in respect of financing.

13 ACQUISITION OF BUSINESS continued

Pre-acquisition performance of Dewhurst Distribution

	6 months to 30 June 1998 £000	12 months to 31 December 1997 £000
Turnover	1,436	2,784
Operating Profit	146	293
Interest Receivable	10	18
Profit before Taxation	156	311

14 STOCKS

	1998 £000	1997 £000
Land	**501**	982
Raw materials	**3,584**	3,464
Work in progress	**201**	2,014
Finished goods and goods for resale	**3,036**	3,125
	7,322	9,585

15 DEBTORS

	Group 1998 £000	Group 1997 £000	**Company 1998 £000**	Company 1997 £000
Amounts falling due within one year:				
Trade debtors	**16,358**	13,870	-	-
Amounts owed by subsidiary undertakings	-	-	**5,748**	4,592
Other debtors	**804**	917	**11**	-
Tax recoverable	-	-	**245**	250
Prepayments and accrued income	**1,546**	1,198	**25**	33
	18,708	15,985	**6,029**	4,875
Amounts falling due after more than one year:				
Trade debtors	**939**	752	-	-
Other debtors	**21**	41	-	-
ACT recoverable	-	102	-	102
Prepayments and accrued income	-	2	-	-
	960	897	-	102

Trade debtors falling due after more than one year represent retentions taken by our customers in the normal course of trade and in accordance with industry practice. These retentions are generally site or plot specific and are released within an agreed period after completion.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Bank overdraft	-	-	**978**	-
Obligations under finance lease and hire purchase contracts (note 18)	**762**	641	-	-
Payments received on account	**16**	20	-	-
Trade creditors	**9,660**	9,204	-	-
Amounts owed to subsidiary undertakings	-	-	**1,104**	766
Corporation tax	**1,243**	1,010	**75**	156
Other taxes and social security	**870**	816	**2**	34
Other creditors	**752**	764	**198**	114
Accruals and deferred income	**2,314**	2,112	**241**	380
Proposed dividends	-	407	-	407
	15,617	14,974	**2,598**	1,857

Borrowings are drawn down under a committed one year facility, expiring in July 1999, from Barclays Bank plc under which each group company has cross-guaranteed the borrowings of its fellow group companies. A feature of the bank facility is that all group accounts are included in an offset arrangement under which cash and overdraft balances are offset and interest is earned or charged on the net balance. In accordance with FRS 5, the net cash has been shown in the balance sheet (note 25).

All bank balances bear interest at a fixed percentage above the normal bank base rate.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1998 £000	Group 1997 £000
Obligations under finance lease and hire purchase contracts (note 18)	**755**	691

18 OBLIGATIONS UNDER FINANCE LEASE AND HIRE PURCHASE CONTRACTS

Obligations under finance lease and hire purchase contracts are payable:

	Group 1998 £000	Group 1997 £000
Within one year	**762**	641
Between one and five years	**755**	691

Amounts payable are shown net of finance charges allocated to future periods.

19 PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Other £000	Total £000
Group			
As at 1 January 1998	45	50	95
Provided in the year	(6)	-	(6)
Released to the Profit and Loss Account	4	(50)	(46)
As at 31 December 1998	**43**	-	**43**
Company			
As at 1 January 1998	-	50	50
Released to the Profit and Loss Account	-	(50)	(50)
As at 31 December 1998	-	-	-

The provision for deferred taxation comprises:

	Group 1998 £000	Group 1997 £000
Accelerated capital allowances	**51**	50
Other timing differences	**(8)**	(5)
	43	45

The amount not provided for deferred taxation, calculated at the current rate of corporation tax, is set out below:

	Group 1998 £000	Group 1997 £000
Accelerated capital allowances	**82**	(16)
Other timing differences	**(83)**	(77)
	(1)	(93)

20 CALLED UP SHARE CAPITAL

	1998 Number 000	1998 £000	1997 Number 000	1997 £000
Authorised capital of ordinary shares of 25p each	**56,000**	**14,000**	56,000	14,000
Allotted, called up, and fully paid ordinary shares of 25p each	**40,692**	**10,173**	43,127	10,782

Movement in ordinary shares of 25p each in the year was as follows:

	Number	£
As at 1 January 1998	43,126,789	10,781,697
Shares bought back on 14 January 1998 at 27p	(2,435,000)	(608,750)
As at 31 December 1998	**40,691,789**	**10,172,947**

The shares which have been purchased have all been cancelled.

Options have been granted under the terms of the Avonside Group PLC Executive Share Option Scheme as follows:

Grant made	Exercisable during the period	Price	Originally issued	Lapsed	Now in issue
March 1992	Between April 1995 and March 2002	106p	840,000	560,000	**280,000**
March 1993	Between April 1996 and March 2003	103p	295,000	210,000	**85,000**
April 1996	Between May 1999 and April 2006	36p	10,000	-	**10,000**
October 1996	Between November 1999 and October 2006	36p	365,000	-	**365,000**
April 1998	Between May 2001 and April 2008	42p	280,000	-	**280,000**
May 1998	Between June 2001 and May 2008	47p	25,000	-	**25,000**

No options have been exercised during the year.

All options granted under the executive scheme are subject to performance criteria which must be satisfied before they can be exercised. The performance criteria requires the growth in the Group's earnings per share for any consecutive period of three years to be greater than the growth in the R.P.I. for that same period. Subject to this performance criteria, options granted over shares having a value at the date of grant of up to four times an individual's earnings are exercisable after three years and up to ten years from the date of grant.

Options granted in excess of this limit are exercisable after five years and up to ten years from the date of grant. However, these options are subject to additional performance criteria which must be satisfied before they can be exercised. These additional performance criteria require the growth in the Group's earnings per share over any consecutive period of five years to be sufficient to place the Company in the top quartile of the Financial Times Stock Exchange 100 companies by reference to growth in earnings per share over that same period.

21 RESERVES

	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Profit and loss account £000
Group				
As at 1 January 1998	630	100	(2,046)	12,769
Retained profit in the year	-	-	-	2,611
Purchase of own shares	-	609	-	(657)
As at 31 December 1998	**630**	**709**	**(2,046)**	**14,723**

The cumulative amount of goodwill written off directly reserves is £1,889,000 (1997 - 1,899,000).
The Other Reserve of £2,046,000 is the residue of the £29,396,000 reserve that arose on merger accounting for the Group when it was set up in 1992.

	Share premium account £000	Capital redemption reserve £000	Other non-distributable reserve £000	Profit and loss account £000
Company				
As at 1 January 1998	630	100	5,544	23,790
Retained loss in the year	-	-	-	(12,265)
Provision against fixed asset investments	-	-	(5,544)	-
Purchase of own shares	-	609	-	(657)
As at 31 December 1998	**630**	**709**	**-**	**10,868**

The retained loss for the year as arrived at after charging a provision against investments of £13,369,000. In addition to this amount £5,544,000 was charged to the Other Non-distributable Reserve as shown above (note 12).

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
Profit on ordinary activities after taxation	**2,916**	2,271
Dividends paid and proposed	**(305)**	(623)
Retained profit for the year	**2,611**	1,648
Purchase of own shares in the year	**(657)**	(180)
Net change in shareholders' funds	**1,954**	1,468
Opening shareholders' funds	**22,235**	20,767
Closing shareholders' funds	**24,189**	22,235

23 FINANCIAL COMMITMENTS

(a) Operating leases

At 31 December 1998 the Group had annual commitments under non-cancellable operating leases as set out below:

	Group 1998 £000	Group 1997 £000	**Company 1998 £000**	Company 1997 £000
Land and Buildings operating leases which expire:				
within one year	**45**	32	**-**	-
between one and five years	**236**	162	**5**	-
beyond five years	**4**	4	**-**	-
	285	198	**5**	-

	Group 1998 £000	Group 1997 £000	**Company 1998 £000**	Company 1997 £000
Other operating leases which expire:				
within one year	**108**	88	**-**	-
between one and five years	**40**	103	**1**	-
	148	191	**1**	-

(b) Future capital expenditure

Amounts contracted for but not provided in the accounts amounted to £21,000 (1997 - £14,000) for the Group.

24 PENSION COMMITMENTS

The Group has a number of pension arrangements, all of which are now defined contribution schemes. The Group 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 funds 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 Group and the pension funds are independently managed. The total pension charge for the Group was £252,000 (1997 - £265,000).

25 CONTINGENT LIABILITIES

Various group companies have in the normal course of business given indemnities as to performance bonds and guarantees to the value of £1,517,000 (1997 - £1,328,000).

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 1998 were £8,989,000 (1997 - £5,850,000), of which £8,011,000 related to subsidiary undertakings (note 16).

26 SUBSIDIARY UNDERTAKINGS

Listed below are the subsidiary undertakings of Avonside Group PLC. The operations of the operating divisions are more fully described in the Chairman's Statement and Directors' Report.

- **Avonside Holdings Limited**
  - Avonside Timber Frame Limited •
  - Avonside Window Systems Limited •
    - B.S. Glazing Limited *
  - Westco Building Components Limited □
- **Avonside Houses Limited ***
  - Avonside Homes Limited ■
- **B.S. Heating Limited**
  - Joshua & Tom Taylor Limited □
  - Kingston Walker (Plumbing & Heating) Limited •
  - Kingston Walker (Plumbing & Heating) Teeside Limited •
  - Worthingway Limited •
  - Avonside Services Limited *
  - B.S. Heating (West Midlands) Limited *
  - Kingston Walker (Plumbing & Heating) East Midlands Limited *
  - Kingston Walker (Plumbing & Heating) Tyneside Limited *
- **Lee Roofing Services Limited •**
  - Avonside Roofing Services Limited *
  - Clydesdale Roofing Supplies (Leyland) Limited □
  - Clydesdale Roofing Supplies (Midlands) Limited *
  - Lee Roofing Services (Leigh) Limited *
  - Lee Roofing Services (North West) Limited *
  - Lee Roofing Services (South) Limited *
  - Lee Roofing Services (South East) Limited *
  - Lee Roofing Services (South West) Limited *
  - Lee Roofing Services (Wales) Limited *
  - Lee Roofing Services (West Midlands) Limited *
- **Parry Homes Limited ■**
  - Avonside Country Homes Limited *
  - Finchwold Limited ■

Avonside Trustees Limited and J.E. Parry (Rossett) Limited * are both held directly by Avonside Holdings Limited. Sandford Glazing Limited * is held by Avonside Window Systems Limited. None of these companies form a significant part of the trading group.

The companies in the Services to Housebuilders division are marked •
The companies in the Distribution division are marked □
The companies in the Housebuilding division are marked ■

All the above subsidiary undertakings are wholly owned. All companies which are directly owned by Avonside Group PLC are shown in bold. All of the above companies are incorporated and operate within the United Kingdom.

Avonside Norway AS * is a dormant company incorporated in Norway, and is a wholly owned subsidiary of Avonside Timber Frame Limited.

Those companies which have not traded during the year are marked *.