

Premdor UK Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 3226252

31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors to the members of Premdor UK Holdings Limited	3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Company balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

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

Principal activities

During the period the company acted as a holding company for its subsidiary undertaking, Premdor Crosby Limited, which manufactures and sells doors and windows.

Business review

The directors are pleased to report a consolidation of the group's performance during the year. An increasing market share generated by improved customer service together with tight cost control generated an operating profit for the period. The directors are confident that the trading performance of the group will improve further into 2001.

Proposed dividend

The directors do not recommend the payment of a dividend (1999: £Nil).

Directors and directors' interests

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

H Ulster
R Tubbesing
P S Orsino

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

The directors are also directors of the ultimate parent company, Premdor Inc. Their shareholdings in Premdor Inc are disclosed in that company's annual report.

Employees

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to effect employees interests.

Auditors

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

By order of the board



H Ulster
Secretary

Huddersfield Road
Darton
Barnsley
S75 5JS

18 July 2001

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.



1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the auditors to the members of Premdor UK Holdings Limited

We have audited the financial statements on pages 4 to 18.

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 company 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 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 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

18 July 2001

Consolidated profit and loss account
for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover		80,539	73,004
Cost of sales		(63,560)	(56,047)
Gross profit		16,979	16,957
Distribution costs		(8,079)	(7,225)
Administrative expenses		(8,119)	(6,766)
Operating profit		781	2,966
Interest payable and similar charges	4	(1,660)	(1,702)
(Loss)/profit on ordinary activities before taxation	2	(879)	1,264
Tax on (loss)/profit on ordinary activities	6	-	-
Retained (loss)/profit for the year		(879)	1,264

The loss for the period was derived wholly from continuing operations.

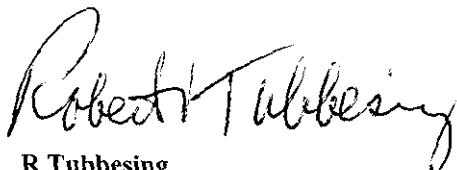
A statement of movements on reserves is set out in note 16.

There were no recognised gains or losses during the current and previous period other than the (loss)/profit sustained above.

Consolidated balance sheet
as at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Intangible assets	7	671	714
Tangible assets	8	25,425	21,455
		<hr/>	<hr/>
		26,096	22,169
Current assets			
Stocks	10	15,993	14,576
Debtors	11	17,310	15,149
Cash at bank and in hand	9	9	4
		<hr/>	<hr/>
		33,312	29,729
Creditors: amounts falling due within one year	12	(20,201)	(21,231)
		<hr/>	<hr/>
Net current assets		13,111	8,498
		<hr/>	<hr/>
Total assets less current liabilities		39,207	30,667
Creditors: amounts falling due after more than one year	13	(32,538)	(31,219)
Provisions for liabilities and charges	14	-	-
		<hr/>	<hr/>
Net assets/(liabilities)		6,669	(552)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	8,700	600
Share premium account	16	12,299	12,299
Profit and loss account	16	(14,330)	(13,451)
		<hr/>	<hr/>
Equity shareholders' funds/(deficit)		6,669	(552)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18 July 2001 and were signed on its behalf by:

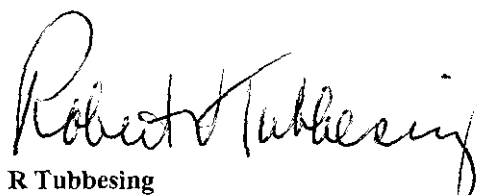


R Tubbesing
 Director

Company balance sheet
as at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	8	-	3,365
Investments	9	21,010	10
		<u>21,010</u>	<u>3,375</u>
Current assets			
Debtors	11	19,000	30,064
Creditors: amounts falling due within one year	12	(224)	(60)
		<u>18,776</u>	<u>30,004</u>
Net current assets			
		<u>18,776</u>	<u>30,004</u>
Total assets less current liabilities		<u>39,786</u>	<u>33,379</u>
Creditors: amounts falling due after more than one year	13	(21,900)	(20,582)
		<u>17,886</u>	<u>12,797</u>
Net assets			
		<u>17,886</u>	<u>12,797</u>
Capital and reserves			
Called up share capital	15	8,700	600
Share premium account	16	12,299	12,299
Profit and loss account	16	(3,113)	(102)
		<u>17,886</u>	<u>12,797</u>
Equity shareholders' funds			
		<u>17,886</u>	<u>12,797</u>

These financial statements were approved by the board of directors on 18 July 2001 and were signed on its behalf by:


R Tubbesing
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2000

	2000 £000	1999 £000
Profit/(loss) for the financial period	(879)	1,264
Shares issued during the period	8,100	-
Opening equity shareholders' deficit	(552)	(1,816)
	<hr/>	<hr/>
Closing equity shareholders' funds/(deficit)	6,669	(552)
	<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 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 rules.

Under Financial Reporting Standard 1 (Revised 1996) the group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the group in its own published financial statements.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 31 December 2000. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those asset and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

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	-	40 years
Plant and machinery	-	10 to 12 years with a 10% salvage value
Fixture, fittings, tools and equipment	-	5 years
Office equipment	-	10 years

No depreciation is provided on freehold land.

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.

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

Notes *(continued)*

Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. 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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

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

Intangible assets

The costs and goodwill, representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired, arising upon the acquisition of the trade, assets and liabilities of Crosby Limited have been capitalised and are being amortised over a period of 20 years, commencing 21 August 1996, in accordance with the Premdor Inc group accounting policy.

Pension costs

Pension costs are accounted for on the basis of charging the expected costs of providing pensions over the period during which the group benefits from the employees' services.

Notes (continued)

2 Loss on ordinary activities before taxation

	2000 £000	1999 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	15	15
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	1,748	1,525
Leased	287	284
	43	49
Foreign exchange loss on repayment of intercompany debt	1,963	-
Hire of plant and machinery - rentals payable under operating leases	810	725
	<hr/>	<hr/>
<i>And after crediting</i>		
Profit on disposal of tangible fixed assets	404	-
	<hr/>	<hr/>

3 Staff numbers and costs

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

	Number of employees	
	2000	1999
Administration	290	254
Production	714	644
	<hr/>	<hr/>
	1,004	898
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	14,346	11,994
Social security costs	1,148	954
Other pension costs	356	357
	<hr/>	<hr/>
	15,850	13,305
	<hr/>	<hr/>

None of the directors received emoluments for services to the group during the period (1999: £Nil).

Notes (continued)

4 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	684	571
On all other loans	972	1,035
Finance charges payable in respect of finance leases and hire purchase contracts	4	96
	<u>1,660</u>	<u>1,702</u>

5 Loss for the financial year

As permitted by section 230 of the companies Act 1985, the parent company's Profit and loss account has not been included in these financial statements. The parent company's loss for the year was £3,011,000 (1999: profit £134,000).

6 Taxation

There was no UK corporation tax charge during the period (1999: £Nil).

7 Intangible fixed assets - Goodwill

	Goodwill £000
<i>Cost</i>	
At beginning and end of the period	868
<i>Amortisation</i>	
At beginning of the period	154
Charge for the period	43
At period end	197
<i>Net book value</i>	
At 31 December 2000	671
At 31 December 1999	714

Notes (continued)

8 Tangible fixed assets - Group

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Office Equipment	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of period	7,934	15,445	962	3,164	27,505
Additions	3,201	2,825	93	249	6,368
Disposals	(1,080)	(672)	(31)	-	(1,783)
At end of period	10,055	17,598	1,024	3,413	32,090
Depreciation					
At beginning of period	665	4,179	421	785	6,050
Charge for year	177	1,174	192	492	2,035
Reclassification	-	-	(120)	120	-
Disposals	(717)	(672)	(31)	-	(1,420)
At end of period	125	4,681	462	1,397	6,665
Net book value					
At 31 December 2000	9,930	12,917	562	2,016	25,425
At 31 December 1999	7,269	11,266	541	2,379	21,455

Freehold land comprises £3,350,000 of the net book value shown above.

Included in the total net book value are £2,380,000 (1999: £2,646,000) in respect of assets held under finance leases.

Notes *(continued)*

8 Tangible fixed assets - Company

	Land and buildings £000
<i>Cost</i>	
At beginning of period	4,030
Additions	47
Transfer to group company	(4,077)
	<hr/>
At end of period	-
	<hr/>
<i>Depreciation</i>	
At beginning of period	665
Charge for period	52
Transfer to group company	(717)
	<hr/>
At end of period	-
	<hr/>
<i>Net book value</i>	
At 31 December 2000	-
	<hr/>
At 31 December 1999	3,365
	<hr/>

Notes (continued)

9 Fixed asset investments

	Group 2000 £000	Company 2000 £000	Group 1999 £000	Company 1999 £000
Shares in subsidiary undertaking	-	21,010	-	10

The company in which the company's interest at the year end is more than 10% is as follows:

	Country of incorporation	Principal activity	Class of shares held	Percentage shareholding
<i>Subsidiary undertaking</i>				
Premdor Crosby Limited	England & Wales	Manufacture of doors and windows	'A' ordinary shares of £1 each	100%

On 25th February 2000 the company increased its investment following the issue by Premdor Crosby of an additional 21 million £1 "A" shares at par. The transfer of land and buildings with a value of £3m and the capitalisation of £18m of intercompany loans satisfied the consideration.

10 Stocks

	Group 2000 £000	Company 2000 £000	Group 1999 £000	Company 1999 £000
Raw materials and consumables	8,749	-	8,914	-
Work in progress	2,316	-	2,343	-
Finished goods and goods for resale	4,928	-	3,319	-
	<u>15,993</u>	<u>-</u>	<u>14,576</u>	<u>-</u>

Notes (continued)

11 Debtors

	Group 2000 £000	Company 2000 £000	Group 1999 £000	Company 1999 £000
Trade debtors	15,429	-	13,834	-
Amounts owed by group undertakings	1,001	19,000	27	30,064
Other debtors	157	-	359	-
Prepayments and accrued income	723	-	929	-
	<u>17,310</u>	<u>19,000</u>	<u>15,149</u>	<u>30,064</u>

12 Creditors: amounts falling due within one year

	Group 2000 £000	Company 2000 £000	Group 1999 £000	Company 1999 £000
Bank loans and overdrafts	7,873	-	8,729	-
Obligations under finance leases and hire purchase contracts	-	-	26	-
Trade creditors	6,642	-	6,493	-
Amounts owed to group undertakings	3,314	223	2,540	60
Taxation and social security	1,757	-	1,799	-
Other creditors	134	1	-	-
Accruals and deferred income	481	-	1,644	-
	<u>20,201</u>	<u>224</u>	<u>21,231</u>	<u>60</u>

13 Creditors: amounts falling due after more than one year

	Group 2000 £000	Company 2000 £000	Group 1999 £000	Company 1999 £000
Amounts owed to group undertakings	32,538	21,900	31,219	20,582

The amounts owed to group companies fall due for payment after more than five years.

Notes (continued)

14 Provisions for liabilities and charges

The amounts, (assets)/liabilities, provided and not provided in respect of deferred taxation are set out below:

	Group 2000		Company 2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	115	-	-
Unutilised trading losses	-	(4,496)	-	(888)
Other timing differences	-	(176)	-	-
	-	(4,557)	-	(888)

15 Called up share capital

	2000 £	1999 £
Authorised		
Equity: Ordinary shares of £1 each	100,000,000	600,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	8,700,000	600,000

On 17 November 2000 the company increased its authorised share capital to £100,000,000 by the creation of an additional 99,400,000 ordinary shares of £1 each. The company issued 8,100,000 shares at par on that date. The consideration was satisfied by the forgiveness of intra group debt.

16 Reserves

	Group		Company	
	Share premium account £000	Profit and loss account £000	Share premium account £000	Profit and loss account £000
At beginning of period	12,299	(13,451)	12,299	(102)
Retained loss for the period	-	(879)	-	(3,011)
At end of period	12,299	(14,330)	12,299	(3,113)

17 Contingent liabilities

The group takes out foreign exchange forward purchase contracts in various currencies. At the end of the period the total amount outstanding under these contacts was £10,649,000 (1999: £19,433,000).

Notes (continued)

18 Commitments

There are no capital commitments at the end of the financial period (1999: £Nil).

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

	Group		Company	
	2000	2000	2000	2000
	Land	Other	Land	Other
	and		and	
	buildings		buildings	
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	660	56	-	-
In the second to fifth years inclusive	-	174	-	-
Over five years	45	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	705	230	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

19 Pension scheme

The majority of the group's employees are members of the Premdor Crosby Group Personal Pension Plan which is a defined contribution scheme. The charge incurred by the group in respect of this scheme was £174,000 for the period ended 31 December 2000 (1999: £160,000).

In addition, the group also operates a defined benefit scheme, known as the Premdor Crosby Pension Plan, providing benefits based upon final pensionable pay. The scheme was established as at 1 April 1997 with membership being open to existing members of The Spring Ram Final Salary Scheme. A transfer value, representing the accrued benefits of scheme members, was paid by The Spring Ram Final Salary Scheme into The Premdor Crosby Pension Plan in January 1998. This scheme has been closed to new entrants since April 1997.

The assets of the scheme are held separately from those of group companies, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of regular triennial valuations using the projected unit method. The most recent valuation was undertaken as at 1 April 2000. The assumptions which have the most significant effect upon the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 7.0% per annum, that salary increases would average 4.25% per annum and that present and future pensions would increase at the rate of 2.75% per annum. The pension charge for the period was £182,000.

The most recent actuarial valuation showed that the market value of the scheme's assets was £7,091,000 and that the actuarial valuation of those assets represented 88% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following the actuarial review, the level of employer contributions was increased from 10% to 16% of pensionable salaries with effect from April 1 2001 with the aim of clearing the £986,000 deficit within a reasonable period of time. Employee contributions will remain at 6% of pensionable salaries.

Notes *(continued)*

20 Related party disclosures

The ultimate controlling party is Premdor Inc.

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

The company is a subsidiary undertaking of Premdor Inc, incorporated in Canada. The consolidated accounts of this company are available to the public and may be obtained from Premdor Inc., 1600 Britannia Road, Mississauga, Canada.